



VITA LIFE SCIENCES ANNUAL REPORT 2019

Vita Life Sciences Limited
ABN 35 003 190 421







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A full-page photograph of a woman and two children laughing joyfully on a sandy beach. The woman, with long brown hair, is wearing a green sweater and a plaid scarf. She is holding a young girl in a maroon jacket. To the right, a young boy in a dark blue jacket is laughing with his tongue out. The background is a bright, hazy beach scene.

**WHO IS
VITA LIFE
SCIENCES?**

VITA LIFE SCIENCES LIMITED (“VITA LIFE SCIENCES”, “THE COMPANY” OR “THE GROUP”) IS A MULTINATIONAL HEALTHCARE COMPANY INVOLVED IN FORMULATING, PACKAGING, SALES AND DISTRIBUTION OF VITAMINS AND SUPPLEMENTS. VITA LIFE SCIENCES IS REPRESENTED BY THREE MAJOR BRANDS OF HIGH QUALITY SUPPLEMENTS THROUGHOUT THE ASIA-PACIFIC REGION, “VITA HEALTH”, “HERBS OF GOLD” AND “VITASCIENCE”.

Vita Life Sciences has a Company-wide commitment to:

- Focus its efforts on the health and well-being of customers;
- Conduct activities in a socially responsible manner;
- Create a conducive working and rewarding environment for its employees; and
- Provide competitive returns on our shareholders' investments.

Our History

Vita Health commenced business as a retail pharmacy in Singapore in 1947. In 1973, it launched its own brand of vitamins and supplements with flagship products that included Supa Formula Three and Crowning Glory. Engaging in a philosophy to “think internationally but act locally”, Vita Health has developed products that are consistent with global trends while adapting the formulation and product needs of local markets in compliance with the respective countries drug control authorities. Noting the potential to increase its resources to generate growth in research, marketing and product development, Vita Life Sciences purchased Vita Health, including the Malaysian and Singaporean businesses, in 2000.

Herbs of Gold was founded in Australia in 1989 and soon became known and trusted for its integrity and reliability by health food retailers and consumers alike. Herbs of Gold was acquired by Vita Life Sciences in 2001. Subsequently, Vita Life Sciences has commenced operations in Vietnam, China, Hong Kong, Thailand and Indonesia.

Our Future

Vita Life Sciences has grown from strength to strength and is now a significant healthcare company with circa 750 – 800 registered products throughout Australia and Asia. Vita Life Sciences strategy is to establish a sustainable platform for revenue growth through expanding operations into new markets in Asia.

Our People

Besides a strong and experienced management team, the talent of Vita Life Sciences people is regarded as the determining factor in the success of the Company. There is a culture of fostering leadership, individual accountability and teamwork. Vita Life Sciences employees are professionals whose entrepreneurial behaviour is result-oriented and guided by personal integrity. They strive for the success of their own departments in the interests of Vita Life Sciences as a global company and Vita Life Sciences attributes its achievement and success to their dedication.



CHAIRMAN'S LETTER

Dear Shareholder,

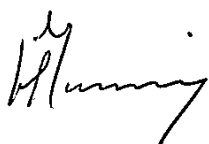
The writing of this letter to shareholders coincides with the outbreak of the Covid-19 virus in all of the Company's markets. We are in uncharted territory and it is not possible to predict its impact, either socially or on the Company. The health of our staff, clients and their families are our concern. The Company's executive team led by Andrew O'Keefe are monitoring the situation and actioning policy directives to help protect against the spread of Covid-19, whilst continuing to provide the community with quality vitamin, herbal and food supplement products that improve health.

Vita Life Sciences does have a range of high strength immunity protection products including Cold & Flu Strike and Vitamin C1000 and, since the virus outbreak demand for these and other products has increased sharply. Careful management of the supply chain is required to ensure some or all of the demand can be met. It is more likely than not that our supply chain, which includes raw ingredient suppliers and contract manufacturers, will be disrupted because of the virus's effect on their own work places resulting in lead times for receipt of completed products to our facilities increasing. Already we have experienced "stock out" at our warehouses for some immune protection products because of increased demand but early action has resulted in substantial additional stocks for high demand products being available from April 2020.

The financial health and strength of a company at times of economic upheaval can be critical. Your Company has a strong balance sheet and the Board has for many years aimed to continually build its cash reserves, restrict the use of debt whilst paying a reasonable dividend (3.75 cents per share) to shareholders. At December 2019 net assets, cash reserves and borrowings were \$22.6 million, \$10.5 million, and \$1.8 million, respectively. 1st quarter 2020 trading conditions were favourable and the Company's financial health continue to strengthen since balance date.

The Company's financial performance for year ended December 2019 was pleasing and in line with your Boards expectations. Financial results are discussed in detail in the Managing Director's Review. The Board declared a final dividend of 2.25 cents per share, bringing the fully franked full year dividend to 3.75 cents per share. Overall, the Company returned \$2.7 million to Shareholders in the form of dividends and share buyback program and \$1.4million in a pro-rata in specie issue of shares in Macarthur National Ltd, to shareholders throughout 2019.

Your Board thanks shareholders, management, employees and stakeholders for their support and is committed to fulfilling its social obligations to the community and for the Company to emerge from this difficult time in a strong position.



Henry Townsing

Acting Chairman
26 March 2020

A hand holding a small pine cone against a bright, sunlit background with blurred green foliage.

MANAGING DIRECTOR'S REVIEW

Dear Shareholder,

Key Financial Measures						
\$'000	2019	2018				
Revenue and Profitability						
Revenue	42,452	41,151	1,301	3.2%	↑	
EBIT	4,443	4,351*	92	2.1%	↑	
Net profit after tax	3,094	2,433	661	27.2%	↑	
EPS (cents)	5.73	4.44	1.29	29.0%	↑	
Cashflow and Capital Management						
Operating cashflow before interest and tax	3,874	6,497				
Net cash balance (cash less interest-bearing loans)	8,713	8,867				
Gross operating cashflow/ EBITDA	77%	98%				
Dividends declared (cents)	3.75	3.75				

*After revaluation charge of \$1.8m

+Adjusted for revaluation charge and share options expense

Review of Business Operations

2019 was the final year of a three-year strategic plan set by the Board, whereby the Company aimed to deliver increased revenues across the organisation.

Management is pleased to report that Vita Life Sciences delivered a record revenue performance of \$42m in 2019. This result reflects the Group's desire to drive top line growth across key markets, whilst maintaining strong financial disciplines. During the year, the business undertook several initiatives in line with the strategic plan set by the Board, which are expected to deliver continued growth into the future. The Group did experience tougher retailing conditions in our core markets from traditional selling channels, however there were positive revenue gains from new distribution partners, which underpinned the Group's overall performance.

The Group's investment plan focussed on a combination of key management appointments, a comprehensive Australian brand campaign and an increase in new customer trading expenditure.

During 2019, the business also undertook several initiatives which are expected to deliver growth into the future.

- Launch of Herbs of Gold into the Australian pharmacy channel increasing broader distribution within Australia.
- Signed formal distribution contracts to export the Herbs of Gold brand into Vietnam and China
- Signed formal distribution contracts to export the VitaHealth brand into China
- New senior management appointments across key markets including Australia, Malaysia, Singapore and Vietnam.

The South East Asian markets continues to represent 60% of the Group's revenue and remains an important strategic pillar moving forward. The transition into major modern trade Pharmacies, combined with increased online activities within Malaysia and Singapore supported the performance across the region. A very pleasing result was the contribution from our smaller markets including Vietnam, Thailand and Indonesia which grew revenues by 49%.

Moving to the financial performance, the Group recorded revenue of \$42m up 3.2% on FY 2018 with reported EBIT of \$4.4m up 2.1% on FY2018. The additional investment costs are reflected in the reported EBIT performance in 2019.

MANAGING DIRECTOR'S REVIEW (CONTINUED)

Divisional Results

Australia

Revenue from the Australian business was marginally higher at \$16.7m (2018: \$16.4m).

Revenue contributions from new pharmacy channel demonstrated growth, but it was offset by traditional sales channels on the back of softer retail conditions. Revenue from new pharmacy and export sales helped offset the decline and stimulate the performance.

The Herbs of Gold brand obtained ranging in 300 additional new pharmacy partners, whilst increasing its reach through the daigou and export trading channels in 2019. Two new distribution agreements have been established for both the China and Vietnamese markets, with revenues expected to commence in 2020.

To support the expansion strategy the Group invested significantly into a national advertising campaign. This investment was aimed to create broader brand awareness amongst consumers, both domestically and internationally.

Malaysia and Singapore

The Malaysian business generated a consistent result for the Group. Revenue from operations was \$15.5m (2018: \$14.9m). The Malaysian business was influenced strongly by the growth of Herbs of Gold through our exclusive pharmacy partnership. The domestic business does remains competitive and required a combination of new product launches and investment to stimulate revenue from traditional sales channels.

Singapore generated revenue of \$5.9m (2018: \$6.8m) The Singaporean market performance was lower due to the challenging trading conditions within its domestic selling channels. Moving forward, the Group will leverage the Singaporean business as an export hub due to the increasing demand from several South East Asian markets.

Other Asia

Revenue in the Group's expanding markets, namely Vietnam, Thailand, Indonesia and exports to East Asia markets; grew to \$4.3m (2018: \$2.9m). Strong growth continued to be recorded in Vietnam and exports to East Asia. Direct sales into China and Vietnam via three new distributors under the Herbs of Gold and VitaHealth brands, are expected to spearhead the East Asia expansion.

Equal Reduction of Capital

On 12 June 2019, the Group completed a pro-rata in specie distribution of all its shares in its subsidiary in Macarthur National Ltd, to the shareholders of the Company.

Arising from the above, the Company recorded a net gain before income tax of \$0.28 million. Further details of this transaction are detailed in Note 5 of the Consolidated Financial Statements.

Outlook for 2020

The impact of Covid-19 is an evolving situation, which has the potential to disrupt traditional selling channels and supply chain. Across the VLS portfolio, there are several products that fall within the Immunity protection category, which remains in high demand from consumers. Despite the ongoing challenges, VLS is well positioned to navigate current conditions and market restrictions. Due to the ongoing market complexities regarding Covid-19, market guidance will be provided at a future period.



Andrew O'Keefe

Managing Director
26 March 2020

A photograph of a person wearing a brown apron over a light blue shirt, holding a large bunch of fresh green herbs, likely mint, in their hands. The background is a textured, light-colored surface.

DIRECTORS' REPORT

YOUR DIRECTORS' SUBMIT THEIR REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mr Henry G Townsing

Acting Chairman

Non-Executive Director

Dip Val

Mr Townsing brings over 30 years' experience in corporate finance and private equity. He was a Director of the Company, from 1985 to 1992, 2004 to 2009 and was reappointed a Director on 22 December 2011.

Mr Townsing was appointed as the Acting Chairman of the Company effective 13 October 2016.

Mr Townsing lives in Melbourne.

Mr Andrew O'Keefe

Managing Director

Dip.Mkt Mgt

Mr O'Keefe was appointed Managing Director on 1 January 2017.

Mr O'Keefe has over 20 years' experience within the Australian pharmaceutical and healthcare industry. During his career Mr O'Keefe has held senior leadership positions in publicly listed companies and in recent times was the CEO of Australia's largest Health Food distributor and retailer. Andrew O'Keefe was appointed to the position of Chief Executive Officer – Herbs of Gold Australia in Oct 2014.

Mr O'Keefe resides in Sydney.

Mr Jonathan J Tooth

Non-Executive Director

B.Ec

Mr Tooth was appointed as a Non-Executive Director of the Company on 26 July 2012. Mr Tooth has spent over 20 years in providing corporate advisory services to ASX listed and unlisted small cap companies. He is presently a Principal of the boutique corporate advisory practice Henslow Pty Ltd.

Mr Tooth is currently a Director of ASX listed company, Generation Development Group Limited since 2012 and, Sensera Limited since 2016.

Mr Tooth lives in Melbourne.

Mr Shane Teoh

Non-Executive Director

B Com, LLB

Mr Teoh was appointed as a Non-Executive Director of the Company effective 4 October 2016.

Mr Teoh has served as a non executive director of TPG Telecom Limited since 2012, iiNet Limited since 2018 and, is also the managing director of Total Forms Pty Limited, a leading developer of accounting and taxation software in Australia.

Mr Teoh resides in Sydney.

Mr Vanda R Gould

Non-Executive Director (resigned 26 November 2019)

B Com, M Com, FCA, FCPA

Mr Gould has served on the Board since 1997 and, became Chairman of the Group in 1999 until October 2013. Following a brief absence, Mr Gould was reappointed as Chairman in May 2014, however he stepped down again as Chairman effective 13 October 2016.

Mr Gould also served as Chairman of the Audit and Risk, Board Nomination and Remuneration Committees prior to his resignation.

Mr Gould has practised as a Chartered Accountant for over 30 years and he has extensive depth of business experience. As founding Chairman in 1984 of CVC Limited he has overseen investments in several companies involved in the medical industry. He also served on the Board of several other private and public companies and educational establishments, including Cyclopharm Limited which is listed on the Australian Securities Exchange ("ASX").

Mr Gould lives in Sydney.

COMPANY SECRETARY

Mr Chin L Khoo

Company Secretary

Chief Financial Officer

CA, CPA, AGIA, MBA

Mr Khoo was appointed the Chief Financial Officer of the Company effective 1 May 2017 and the Company Secretary effective 30 June 2017. Mr Khoo had previously held the Company Secretary position briefly in 2011. Mr Khoo has spent over the past 30 years working in various industries in the Asia Pacific region. He was also with the Group from 2004 to 2011.

Mr Khoo resides in Sydney.

DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

INTERESTS IN THE SHARES OF THE COMPANY

The following table sets out each Director's relevant interest in shares of the Company as at the date of this report.

Directors		Shareholdings as at Directors' report date
Mr Andrew O'Keefe	BI	1,000,000
Mr Shane Teoh	NBI	8,435,693
Mr Jonathan Tooth	NBI	226,157
Mr Henry G Townsing	BI	515,270
	NBI	438,597

BI: Beneficial interest
NBI: Non-beneficial interest

DIVIDENDS

On 13 February 2020, the Directors declared a final fully franked dividend of 2.25 cents per share totalling \$1,206,388 in respect of the financial year ended 31 December 2019 (2018: fully franked dividend of 2.25 cents per share totalling \$1,211,451), payable on 3 April 2020. A fully franked interim dividend of 1.5 cents per share was paid on 8 October 2019 (2018: fully franked interim dividend of 1.5 cents per share).

PRINCIPAL ACTIVITIES

The principal activities of the Group in the course of the financial year consisted of formulating, packaging, sales and distribution of vitamins and supplements.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Refer to Managing Director's Review.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Share Buy-Back

On 25 May 2018 and 31 May 2019, the Company announced an on-market share buy-back of up to 15% of the Company's shares on issue funded from the Group's existing cash reserves. During the financial year ended 31

December 2019, the Company bought back 225,000 (2018: 1,074,769) shares for total consideration of \$145,440 (2018: \$756,100).

Equal Reduction of Capital

On 12 June 2019, the Company completed the transfer of its shares and assets in Mitre Focus (owned by its subsidiary Lovin Pharma Ltd) to another wholly-owned subsidiary, Macarthur National Ltd (MNL) and, then made a pro-rata in specie distribution of all the shares of MNL to all shareholders of the Company.

Arising from the above, the Company recorded a net gain before income tax of \$0.28 million. Further details of this transaction are detailed in Note 5 of the Consolidated Financial Statements.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividends

On 13 February 2020, the Directors declared a final fully franked dividend of 2.25 cents per share totalling \$1,206,388 in respect of the financial year ended 31 December 2019 (2018: fully franked dividend of 2.25 cents per share totalling \$1,211,451), payable on 3 April 2020. A fully franked interim dividend of 1.5 cents per share was paid on 8 October 2019 (2018: fully franked interim dividend of 1.5 cents per share).

FUTURE DEVELOPMENTS AND RISKS

The Board has continued confidence in the Company's strategies, in the capability of the management team and in the strength of the brands within the Group and, are committed to growing the business and delivering improved shareholder returns in the coming year.

In this regard, the Group plans to increase investment in both advertising and promotional activities, whilst broadening distribution channels within and beyond key markets. This strategy may impact profitability in the short term, with a view to increase profitability in the medium term.

The Company is also wary of the potential challenges ahead including the continued need to satisfy consumers, discounting by competitors and maintain high quality standards while complying with Government regulations in the respective markets. The Directors have identified the following business risks which may impact on the future performance of the Group:

Competition

To date, Vita Life has demonstrated that it can compete effectively in the healthcare market in both Australia and Asia. The healthcare industry is highly competitive and characterised by many companies supplying much of the global market requirements. Vita

DIRECTORS' REPORT (CONTINUED)

Life's reputation for high quality products and service mitigates this risk.

Currency and Exchange Rate Fluctuations

The financial contribution of the Group will depend on the movement in exchange rates between the Australian dollar and a number of other foreign currencies. The exchange rate between various currencies may fluctuate substantially and the result of these fluctuations may have an adverse impact on the Group's operating results and financial position. The Group does not enter into forward exchange contracts to hedge its anticipated purchase and sale commitments denominated in foreign currencies.

Regulatory

Future expansion of the Company's range of products and services may be governed by regulatory controls in each target market and the Company cannot guarantee that approvals in all target markets will be obtained in the future. The Company's products are required to be registered with the relevant regulatory bodies in each country or relevant jurisdiction. If for any reason such product registrations are delayed, withdrawn or are cancelled, it may have an effect on the sales of products which rely on them in the relevant market or countries.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Officers of the Company covered by the insurance policy include the Directors, the Company Secretary and Executive Officers. The indemnification of the Directors and Officers will extend for a period of at least 6 years in relation to events taking place during their tenure (unless the Corporations Act 2001 otherwise precludes this time frame of protection).

The liabilities insured include costs and expenses that may be brought against the Officers in their capacity as Officers of the Company that may be incurred in defending civil or criminal proceedings that may be brought against the Officers of the Company or a controlled entity.

The Company has resolved to indemnify its Directors and Officers for a liability to a third party unless the liability arises out of conduct involving a lack of good faith.

During or since the financial year, the Company has paid premiums in respect of a contract insuring all Directors of Vita Life Sciences against legal costs incurred in defending proceedings for conduct involving:

- A willful breach of duty; or
- A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was \$85,609 (2018: \$107,513).

The Company has not, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company or any related body corporate.

ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Group has adequate systems in place for the management of its environmental requirements as they apply to the Group.



DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director in the capacity of Director was as follows:

Director	Board Meetings		Audit Committee Meetings		Board nomination committee		Remuneration Committee Meetings	
	Held by members	Attended	Held by members	Attended	Held by members	Attended	Held by members	Attended
Mr Andrew O'Keefe	9	9	*	*	*	*	*	*
Mr Shane Teoh ⁺	9	7	1	–	–	–	–	–
Mr Jonathan J Tooth	9	9	3	3	*	*	*	*
Mr Henry G Townsing	9	7	*	*	–	–	3	3
Mr Vanda R Gould [*]	9	6	3	2	–	–	3	3

⁺ Mr Teoh was appointed a member of the Audit Committee and Board Nomination Committee on 27 November 2019

^{*} Mr Gould resigned on 26 November 2019

AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received an Independence Declaration from the external auditor, Nexia Sydney Audit Pty Limited. A copy of this Declaration follows the Directors' Report.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Associates of Nexia Sydney Audit Pty Limited received or are due to receive the following amounts for the provision of non-audit services:

	\$'000
Tax compliance services	21
Share registry services	20
TOTAL	41

ROUNDING OFF

In accordance with Australian Securities and Investments Commission (ASIC) ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 1 April 2016, the amounts in the Financial Report and Directors' Report are been rounded off to the

nearest thousand dollars, unless otherwise indicated.

INVESTMENT AND BUSINESS RISK MANAGEMENT

The Board, based on the recommendations of the Managing Director, Mr O'Keefe and the other Directors, make decisions on investments for the Company. The Board considers that the general retention by it, or the power to make the final investment or divestment decision by a majority vote provides an effective review of the investment strategy. A majority of the Directors must approve any modification to the investment parameters applying to the Company's assets. Any modification to the investment strategy is notified to the ASX and any proposed major change in investment strategy is first put to shareholders for their approval.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- Monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget;
- Regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks; and
- Other measures which are either in place or can be adopted to manage or mitigate those risks.

SHAREHOLDINGS BY DIRECTORS AND EXECUTIVES

On 23 December 2010, the Board resolved to adopt a new Policy concerning trading in Company securities. An Executive, Director or relevant employees ('employee') must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities. An employee should not deal in securities of Vita Life Sciences Limited without receiving clearance:

- From a Director in the case of an employee;
- From an Executive Director in the case of the Chairman; or
- From the Chairman, in the case of Directors.

Generally, an employee must not be given clearance to deal in any securities of the Company during a prohibited period. A "prohibited period" means:

- The period from year end and preliminary announcement of the full year results (usually 1 January to end February);
- The period from half year end and preliminary announcement of the half year results (usually 1 July to end August); and
- Any other periods advised to employees by the Board (via the Company Secretary).

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company.

DIRECTORS' REPORT (CONTINUED)

ETHICAL STANDARDS

The Board endeavours to ensure that the Directors, officers and employees of Vita Life act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. All officers and employees are expected to:

- Comply with the law;
- Act in the best interests of the Company;
- Be responsible and accountable for their actions; and
- Observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

REMUNERATION REPORT (Audited)

The Remuneration Report outlines Directors' and Executives' remuneration arrangements of the Company and the Group and the remuneration disclosures required in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

For the purposes of this report, the term "executive" encompasses the Chief Executive/ Managing Director, Senior Executives, General Managers and Secretaries of the parent and the Group.

Remuneration committee

The Remuneration Committee comprised Mr Gould, Chairman of the Remuneration Committee, and Mr Townsing during the financial year. The Remuneration Committee is responsible for:

- Reviewing and approving the remuneration of Directors and other senior executives; and
- Reviewing the remuneration policies of the Company generally.

Total remuneration paid for all existing non-executive Directors during the financial year was \$123,527 (2018: \$125,925). These fees paid are within the aggregate remuneration of \$150,000 (2018: \$150,000) for all non-executive Directors as approved by shareholders at the Annual General Meeting (AGM) held on 12 May 2016.

Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to the performance of the Company and the creation of shareholders' value;
- Have a significant portion of executive remuneration "at risk"; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive Directors and Executives' remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 12 May 2016 when shareholders approved an aggregate remuneration of \$150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee (as set out in the Remuneration of Key Management Personnel table) for being a Director of the Company. Directors' fees cover all main Board activities and the membership of committees. There are no additional fees for committee membership. These fees exclude any additional "fee for service" based on arrangements with the Company, which may be agreed from time to time. Agreed out of pocket expenses are payable in addition to Directors' fees. There are no retirement or other long service benefits that accrue upon appointment to the Board. Retiring non-executive Directors are not currently entitled to receive a retirement allowance.

REMUNERATION REPORT (CONTINUED)

Executive remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

In determining the level and make-up of executive remuneration, the Remuneration Committee engages external consultants as needed to provide independent advice and the recommendations of the Managing Director.

Structure

The Remuneration Committee has entered into a detailed contract of employment with the Managing Director and a standard contract with other executives. Details of these contracts are provided below.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits); and
- Variable remuneration (short term incentives and long term incentives)

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each executive is set out in the Remuneration of Key Management Personnel table.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of Company, business unit and individual performance, relevant comparative remuneration in the market and

internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. The fixed remuneration component of executives is detailed in the Remuneration of Key Management Personnel table.

Variable remuneration – Short Term Incentive ("STI")

Objective

The objective of the STI is to link the achievement of the Group's operational targets with remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the year are met. The targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance. Typically included measures are sales, net profit after tax, customer service, risk management and leadership/team contribution. These measures were chosen as they represent the key drivers for short term success of the business and provide a framework for long term value.

The Group has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPI's, the Remuneration Committee, in line with their responsibilities, determine the amount,

if any, of the short term incentive to be paid to each executive. This process usually occurs within 3 months of reporting date.

The aggregate of annual STI payments available for executives across the Group is subject to the approval of the Remuneration Committee. Payments are delivered as a cash bonus in the following reporting period. Participation in the Short Term Incentive Plan is at the Directors' discretion.

Variable remuneration – Long Term Incentives

Objective

The Company's established Long Term Incentive Plan ("Plan") encourages employees or officers to share in the ownership of the Company, in order to promote the long-term success of the Company.

The plan was implemented in 2014 and at the date of this report, the Company had allocated 1,970,000 unexpired plan shares equivalent to 3.5% of the Company's capital. The principal terms and conditions of the Plan are:

- The Company lends money on a non-recourse basis to employees to buy Company shares at an interest rate as determined by the Remuneration Committee. Interest to be paid is to be derived from dividends paid by the Company or capitalised against the loan;
- The total allocation of share capital able to be issued is not to exceed 10.0% of issued capital;
- The term of the loan is up to 5 years at which point all outstanding monies must be repaid or the shares are forfeited;
- Hurdles are as determined by the Remuneration Committee and approved by the Board. Where hurdles are not met the Plan shares will be forfeited and the employee will not be required to make further payment;
- Vesting periods are as determined by the Remuneration Committee and approved by the Board; and
- Any dividends paid will be applied to the principal and or interest charged on the loan.

DIRECTORS' REPORT (CONTINUED)

Employment contracts

Managing Director

Mr Andrew O'Keefe was appointed as the Managing Director on 1 January 2017.

The principal terms of Mr O'Keefe's contract are:

- Fixed remuneration of \$462,526 (including superannuation) for the year ended 31 December 2019. The remuneration is reviewed by the Remuneration Committee on a yearly basis.
- Mr O'Keefe is entitled to receive Plan shares subject to shareholders' approval. Refer to note 27, Share Based Payment Plans of the financial statements for information on Plan shares issued to Mr O'Keefe.
- Mr O'Keefe may be entitled to receive a bonus on achieving certain benchmarks and targets.

- The Company may terminate Mr O'Keefe's employment agreement by providing 6 months' written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred.
- Mr O'Keefe may resign by providing 6 months' written notice.

Other Executives (standard contracts)

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing (depending on the individual's contract) between 1 and 3 months' written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). Where termination with cause occurs the executive is only entitled

to that portion of remuneration that is fixed, and only up to the date of termination.

Related Parties

The Directors disclose any conflict of interest in Directors' meetings as per the requirements under the Corporations Act (2001). Any disclosures that are considered to fall under the definition of related parties as per AASB 124 "Related Party Disclosures" are made in the Directors' meetings and minuted.



DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Remuneration of Key Management Personnel

2019	Short term employee benefits			Long term employee benefits	Post employment benefits Superannuation	Total	Performance Rated
	Salary & Fees	Bonus	Share based payments				
	\$	\$	\$	\$	\$	\$	%
Directors							
Mr Henry Townsing Non-executive Acting Chairman	46,000	-	20,573	-	4,370	70,943	n/a
Andrew O'Keefe Managing Director	442,000	66,000	(1,142)	7,791	20,526	535,175	12%
Mr Jonathan J Tooth Non-executive Director	23,000	-	-	-	2,185	25,185	n/a
Mr Shane Teoh Non-executive Director	23,000	-	-	-	2,185	25,185	n/a
Mr Vanda R Gould (1) Non-executive Director	20,810	-	-	-	1,977	22,787	n/a
Total Directors Compensation	554,810	66,000	19,431	7,791	31,243	679,275	12%
Key Management Personnel							
Chin L Khoo CFO & Company Secretary	175,000	10,000	10,964	-	17,575	213,539	5%
Melissa Pereira Group Marketing Manager	147,000	10,000	10,279	4,159	14,915	186,353	11%
K S Beh Country Manager - Malaysia & Singapore	163,089	25,139	5,482	-	14,011	207,721	15%
Dr. Edward Choo (2) CEO-Asia Pacific	112,291	27,463	-	-	14,355	154,109	18%
Total Key Management Compensation	597,380	72,602	26,725	4,159	60,856	761,722	10%
Grand total	1,152,190	138,602	46,156	11,950	92,099	1,440,997	10%

(1) Mr Gould resigned on 26 November 2019

(2) Dr Choo resigned on 29 April 2019

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Remuneration of Key Management Personnel (Continued)

2018	Short term employee benefits			Long term employee benefits	Post employment benefits Superannuation	Total	Performance Rated
	Salary & Fees	Bonus	Share based payments				
	\$	\$	\$	\$	\$	\$	%
Directors							
Mr Henry Townsing Non-executive Acting Chairman	46,000	-	-	-	4,370	50,370	n/a
Andrew O'Keefe Managing Director	421,000	-	(24,125)	6,881	20,048	423,804	-6%
Mr Vanda R Gould Non-executive Director	23,000	-	-	-	2,185	25,185	n/a
Mr Jonathan J Tooth Non-executive Director	23,000	-	-	-	2,185	25,185	n/a
Mr Shane Teoh Non-executive Director	23,000	-	-	-	2,185	25,185	n/a
Total Directors Compensation	536,000	-	(24,125)	6,881	30,973	549,729	-4%
Key Management Personnel							
Chin L Khoo CFO & Company Secretary	164,666	-	-	-	15,643	180,309	0%
Melissa Pereira Group Marketing Manager	140,000	8,000	-	1,479	14,060	163,539	5%
K S Beh Operations-Asia Pacific	83,565	23,876	-	-	13,105	120,546	20%
Dr. Edward Choo CEO-Asia Pacific	209,789	17,482	-	-	27,191	254,462	7%
Total Key Management Compensation	598,020	49,358	-	1,479	69,999	718,856	7%
Grand total	1,134,020	49,358	(24,125)	8,360	100,972	1,268,585	4%

DIRECTORS' REPORT

DIRECTORS' REPORT (CONTINUED)

EQUITY HOLDINGS AND TRANSACTIONS

The number of ordinary shares in the Company held by each specified Director or specified executive, including their personally-related entities, during the 2019 and 2018 financial years are as follows:

2019		At 1 January 2019	Purchases	LTIP Shares: Allocated (1)	Disposal (2)	At 31 December 2019
DIRECTORS						
Mr Andrew O'Keefe	Beneficial Interest	1,000,000	-	-	-	1,000,000
Mr Shane Teoh	Non beneficial interest	8,435,693	-	-	-	8,435,693
Mr Jonathan J Tooth	Non beneficial interest	226,157	-	-	-	226,157
Mr Henry G Townsing	Beneficial Interest	15,270	-	500,000	-	515,270
	Non beneficial interest	438,597	-	-	-	438,597
Mr Vanda R Gould (4)	Non beneficial interest	10,195,152	-	-	-	10,195,152
KEY MANAGEMENT PERSONNEL						
Mr Chin L Khoo	Beneficial Interest	9,000	-	160,000	-	169,000
	Non beneficial interest	10,000	-	-	-	10,000
Mrs Melissa Pereira	Beneficial Interest	-	-	150,000	-	150,000
Ms K S Beh	Beneficial Interest	-	-	80,000	-	80,000
Total		20,329,869	-	890,000	-	21,219,869
2018		At 1 January 2017	Purchases	LTIP Shares: Allocated (2)	Disposal (2)	At 31 December 2018 (3)
DIRECTORS						
Mr Andrew O'Keefe (2)	Beneficial Interest	1,200,000	-	1,000,000	(1,200,000)	1,000,000
Mr Vanda R Gould (4)	Non beneficial interest	10,195,152	-	-	-	10,195,152
Mr Shane Teoh	Non beneficial interest	8,435,693	-	-	-	8,435,693
Mr Jonathan J Tooth	Non beneficial interest	226,157	-	-	-	226,157
Mr Henry G Townsing	Beneficial Interest	15,270	-	-	-	15,270
	Non beneficial interest	1,038,597	-	-	(600,000)	438,597
KEY MANAGEMENT PERSONNEL						
Mr Chin L Khoo (6)	Beneficial Interest	8,000	1,000	-	-	9,000
	Non beneficial interest	10,000	-	-	-	10,000
Total		21,128,869	1,000	1,000,000	(1,800,000)	20,329,869

- (1) Refer to note 27 to the financial statements for details of Long Term Incentives.
- (2) In 2018, 1,000,000 shares of Mr O'Keefe were cancelled and, was replaced by 1,000,000 new shares under new terms and conditions. 200,000 shares of Mr O'Keefe and 600,000 shares of Mr Townsing lapsed in 2018 as the performance hurdles set previously were not met.
- (3) Any Directors or Key Management Personnel as disclosed in the remuneration tables at pages 16 and 17 who are not explicitly referenced in the tables above did not hold any ordinary shares in the Company for the periods shown.
- (4) Mr Gould resigned as a director on 26 November 2019. On 19 December 2014, Justice Perram delivered his judgement in the case of Hua Wang Bank Berhad v Commissioner of Taxation [2014] FCA 1392 in which he said that Director Vanda Gould controlled certain companies that are shareholders of the Company, which would in turn, increase Mr Gould's interests in the Company. Mr Gould

acknowledges he acted as advisor to those companies and their principals, however does not believe he had the requisite control to constitute relevant interests in those companies. Neither the Company nor Mr Gould were listed parties in the subject proceedings nor was Mr Gould a witness in the case. Mr Gould has advised that he may contest the assertion that he controls certain companies that are shareholders in the Company in the appropriate forums. In order to avoid a possible breach of the Corporations Act 2001 it has been considered appropriate at this stage to increase the number of shares in which Mr Gould is recorded as having a relevant interest from 1,643,713 to 10,195,152.

DIRECTORS' REPORT (CONTINUED)

LONG TERM INCENTIVE PLAN SHARES

The following table discloses the details of Long Term Incentive Plan Shares on issue to Directors and Key Management Personnel as at 31 December 2019.

	Number of LTIP shares on issue	Fair value at grant date	Exercise price per LTIP share	Amount payable	Terms - years	Expiry Date	Performance Hurdle
DIRECTORS							
Mr Andrew O'Keefe	500,000	0.13	0.80	400,000	2.0	30/06/2020	Cumulative EBIT of VLS (exc investment division) for 2 years ending 31 Dec 2018 and 31 Dec 2019 being not less than \$11,400,000
	500,000	0.11	1.00	500,000	3.0	30/06/2021	Cumulative EBIT of VLS (exc investment division) for 2 years ending 31 Dec 2019 and 31 Dec 2020 being not less than \$16,000,000
Mr Henry Townsing	250,000	0.18	1.00	250,000	2.0	30/06/2021	Cumulative EBIT of VLS (exc investment division) for 2 years ending 31 Dec 2018 and 31 Dec 2019 being not less than \$11,400,000
	250,000	0.17	1.20	300,000	3.0	30/6/2022	Cumulative EBIT of VLS (exc investment division) for 2 years ending 31 Dec 2019 and 31 Dec 2020 being not less than \$16,000,000
KEY MANAGEMENT PERSONNEL							
Mr Chin L Khoo	80,000	0.22	1.00	80,000	2.0	30/06/2021	Cumulative EBIT of VLS (exc investment division) for 2 years ending 31 Dec 2018 and 31 Dec 2019 being not less than \$11,400,000
	80,000	0.23	1.20	96,000	3.0	30/06/2022	Cumulative EBIT of VLS (exc investment division) for 2 years ending 31 Dec 2019 and 31 Dec 2020 being not less than \$16,000,000
Mrs Melissa Pereira	75,000	0.22	1.00	75,000	2.0	30/6/2021	Cumulative EBIT of VLS (exc investment division) for 2 years ending 31 Dec 2018 and 31 Dec 2019 being not less than \$11,400,000
	75,000	0.23	1.20	90,000	3.0	30/6/2022	Cumulative EBIT of VLS (exc investment division) for 2 years ending 31 Dec 2019 and 31 Dec 2020 being not less than \$16,000,000
Ms K S Beh	40,000	0.22	1.00	40,000	2.0	30/6/2021	Cumulative EBIT of Asian Business for 2 years ending 31 Dec 2019 and 31 Dec 2020 being not less than MYR 25,500,000
	40,000	0.23	1.20	48,000	3.0	30/6/2022	Cumulative EBIT of Asian Business for 2 years ending 31 Dec 2020 and 31 Dec 2021 being not less than MYR 29,100,000
Total	1,890,000			1,879,000			

END OF REMUNERATION REPORT

Signed in accordance with a resolution of the Directors.



Andrew O'Keefe
Managing Director
26 March 2020



**AUDITOR'S
INDEPENDENCE
DECLARATION**

The Board of Directors
Vita Life Sciences Limited
Unit 1/102 Bath Road
Kirrawee NSW 2232

To the Board of Directors of Vita Life Sciences Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit director for the audit of the financial statements of Vita Life Sciences Limited for the financial year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Nexia Sydney Audit Pty Limited



Joseph Santangelo
Director

26 March 2020
Sydney

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**2019
FINANCIAL
REPORT**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER	Notes	Consolidated	
		2019 \$'000	2018 \$'000
CONTINUING OPERATIONS			
Sale of goods		42,452	41,151
Cost of sales		(14,555)	(13,510)
Gross profit		27,897	27,641
Other income	4 (a)	30	33
Distribution expenses		(3,933)	(3,836)
Marketing expenses		(3,442)	(2,901)
Occupancy expenses		(854)	(868)
Administrative expenses	4 (b)	(15,204)	(13,570)
Other expenses	4 (c)	(357)	(300)
Gain on disposal of investments	5	280	-
Share options expense	4 (d)	-	(60)
Fair value loss adjustment on building		-	(1,812)
Share of associate's profit		26	24
Profit from continuing operations before interest and taxes		4,443	4,351
Finance income	4 (e)	131	108
Finance costs	4 (f)	(146)	(129)
Profit before income tax		4,428	4,330
Income tax expense	7	(1,334)	(1,897)
Net profit for the year		3,094	2,433
Other comprehensive income after income tax			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign controlled entities		498	1,468
Other comprehensive income for the year, net of income tax		498	1,468
Items that will not be reclassified subsequently to profit or loss when specific conditions are met:			
Fair value adjustment on land		-	325
Other comprehensive income for the year, net of income tax		-	325
Total comprehensive income for the year		3,592	4,226
Net profit/(loss) for the year attributable to:			
Non-controlling interest		(42)	(6)
Members of the parent		3,136	2,439
		3,094	2,433
Total comprehensive income attributable to:			
Non-controlling interest		(42)	(6)
Members of the parent		3,634	4,232
		3,592	4,226
Earnings per share (cents per share)			
- basic earnings per share	6	5.73	4.44
- diluted earnings per share	6	5.73	4.44

THE ACCOMPANYING NOTES SHOULD BE READ IN CONJUNCTION WITH THE ABOVE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.

2019 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER	Notes	Consolidated	
		2019 \$'000	2018 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	10,478	10,941
Trade and other receivables	9	7,760	7,093
Inventories	10	6,838	6,132
Other assets	11	684	631
Total Current Assets		25,760	24,797
Non Current Assets			
Investment in associates	12	-	1,043
Property, plant and equipment	13	9,139	8,642
Intangible assets	14	12	71
Deferred tax assets	7 (c)	1,602	1,167
Total Non Current Assets		10,753	10,923
Total Assets		36,513	35,720
LIABILITIES			
Current Liabilities			
Trade and other payables	15	5,669	5,145
Interest bearing loans and borrowings	16	364	342
Current tax liability		277	483
Employee entitlements	17	951	701
Contract return liability	18	4,575	4,722
Lease liability	19	280	-
Total Current Liabilities		12,116	11,393
Non Current Liabilities			
Deferred Tax Liability	7 (c)	75	74
Interest bearing loans and borrowings	16	1,401	1,732
Employee entitlements	17	83	114
Lease liability	19	304	-
Total Non Current Liabilities		1,863	1,920
Total Liabilities		13,979	13,313
Net Assets		22,534	22,407
EQUITY			
Contributed equity	20	42,249	43,742
Accumulated losses		(22,046)	(23,243)
Employee share based payments reserve		622	570
Share options reserve		992	992
Revaluation Reserve		325	325
Foreign currency translation reserve		457	(11)
Parent entity interest		22,599	22,375
Non-controlling interest		(65)	32
Total Equity		22,534	22,407

THE ACCOMPANYING NOTES SHOULD BE READ IN CONJUNCTION WITH THE ABOVE CONSOLIDATED STATEMENT OF FINANCIAL POSITION.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER	Notes	Consolidated	
		2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		45,115	44,634
Payments to suppliers and employees		(41,241)	(38,137)
Income tax paid		(1,831)	(2,221)
Interest received		131	108
Borrowing costs		(146)	(130)
Net cash flows provided by operating activities	8 (d)	2,028	4,254
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(54)	(372)
Net cash flows used in investing activities		(54)	(372)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of external borrowings and leasing		(577)	(329)
Dividends Paid		(2,017)	(2,019)
Shares bought back (net of costs)		(145)	(757)
Net cash flows used in financing activities		(2,739)	(3,105)
Net increase in cash and cash equivalents		(765)	777
Net foreign exchange differences		302	199
Cash and cash equivalents at beginning of the year		10,941	9,965
Cash and cash equivalents at end of the year	8	10,478	10,941

THE ACCOMPANYING NOTES SHOULD BE READ IN CONJUNCTION WITH THE ABOVE CONSOLIDATED STATEMENT OF CASH FLOWS.

2019 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Contributed Equity \$'000	Employee Share Based Payments Reserve \$'000	Share Options Reserve \$'000	Revaluation Reserve \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Attributable to Equity Holders of Parent \$'000	Non- controlling Interest \$'000	Total \$'000
Balance at 1 January 2019		43,742	570	992	325	(23,243)	(11)	22,375	32	22,407
Impact of changes in accounting standard		-	-	-	-	77	(32)	45	(54)	(9)
Adjusted Balance at 1 January 2019		43,742	570	992	325	(23,166)	(43)	22,420	(22)	22,398
Comprehensive income										
Profit attributable to members of parent entity		-	-	-	-	3,137	-	3,137	(42)	3,095
Other comprehensive income for the year		-	-	-	-	-	500	500	(1)	499
Total comprehensive income for the year		-	-	-	-	3,137	500	3,637	(43)	3,594
Transactions with owners, in their capacity as owners										
Equal Reduction in capital		(1,348)	-	-	-	-	-	(1,348)	-	(1,348)
Shares bought back		(145)	-	-	-	-	-	(145)	-	(145)
Employee share based (income)/expense	20(c)	-	52	-	-	-	-	52	-	52
Dividends paid	20(e)	-	-	-	-	(2,017)	-	(2,017)	-	(2,017)
Total transactions with owners		(1,493)	52	-	-	(2,017)	-	(3,458)	-	(3,458)
Balance at 31 December 2019		42,249	622	992	325	(22,046)	457	22,599	(65)	22,534

THE ACCOMPANYING NOTES SHOULD BE READ IN CONJUNCTION WITH THE ABOVE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Note	Contributed Equity \$'000	Employee Share Based Payments Reserve \$'000	Share Options Reserve \$'000	Revaluation Reserve \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Attributable to Equity Holders of Parent \$'000	Non- controlling Interest \$'000	Total \$'000
Balance at 1 January 2018		44,499	594	932	-	(19,790)	(1,477)	24,758	35	24,793
Impact of changes in accounting standard					-	(3,873)		(3,873)		(3,873)
Adjusted Balance at 1 January 2018		44,499	594	932	-	(23,663)	(1,477)	20,885	35	20,920
Comprehensive income										
Profit attributable to members of parent entity		-	-	-	-	2,439	-	2,439	(6)	2,433
Other comprehensive income for the year		-	-	-	325	-	1,466	1,791	3	1,794
Total comprehensive income for the year		-	-	-	325	2,439	1,466	4,230	(3)	4,227
Transactions with owners, in their capacity as owners										
Shares bought back		(757)	-			-	-	(757)	-	(757)
Employee share based (income)/expense	20(c)	-	(24)			-	-	(24)	-	(24)
Share option scheme expense				60				60	-	60
Dividends paid	20(e)	-	-			(2,019)	-	(2,019)	-	(2,019)
Total transactions with owners		(757)	(24)	60	-	(2,019)	-	(2,740)	-	(2,740)
Balance at 31 December 2018		43,742	570	992	325	(23,243)	(11)	22,375	32	22,407

THE ACCOMPANYING NOTES SHOULD BE READ IN CONJUNCTION WITH THE ABOVE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.



**NOTES TO THE
FINANCIAL
STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

The financial report of Vita Life Sciences Limited for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on the date of this report.

Vita Life Sciences Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") under the code VLS. The nature of the operations and principal activities of Vita Life Sciences Limited and its controlled entities are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial

liabilities.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

(b) Statement of compliance

The Financial Report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Vita Life Sciences Limited and its subsidiaries ("the Group") as at 31 December 2019. Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Vita Life Sciences Limited are accounted for at cost in the separate financial statements of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests represent the interests in Vita Life Sciences (Thailand) Co. Ltd and Vitahealth (Thailand) Co. Ltd not held by the Group.

Minority interests are allocated their share of net profit or loss after tax in the statement of comprehensive income and are presented within Equity in the consolidated statement of financial position, separately from the parent shareholders' equity.

Operating segments are presented using the "management approach" where information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(d) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Vita Life Sciences Limited and its Australian subsidiaries are Australian dollars (\$).

The functional currency of the main operating overseas subsidiaries Vita Healthcare Asia Pacific Sdn Bhd, VitaHealth Malaysia Sdn Bhd, Herbs of Gold Sdn Bhd, Vita Life Sciences Sdn Bhd and Pharma Direct Sdn Bhd are Malaysian Ringgit (RM), whilst Vitahealth IP Pte Ltd, VitaHealth Asia Pacific (S) Pte Ltd, Herbs of Gold (Singapore) Pte Ltd and Vita Corporation Pte Limited are Singapore Dollars (SGD), Herbs of Gold (Shanghai) Company Ltd is Chinese Renminbi (RMB), PT Vita Health Indonesia is Indonesian Rupiah (IDR), Vita Health (Thailand) Co Ltd and Vita Life Sciences (Thailand) Co Ltd are Thai Baht (THB) and Vita Health (Vietnam) Company Limited is Vietnamese Dong (VND).

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (continued)

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The exchange differences arising on the retranslation of foreign subsidiaries are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Consolidated Statement of Comprehensive Income.

(e) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(f) Cash and cash equivalents

Trade receivables, which generally have 30-90 days terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment using the expected credit losses model.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 days terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment using the expected credit losses model.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

(h) Inventory

Inventories including raw materials are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated selling costs.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis.
- Finished goods – cost of direct materials plus transportation costs, cost of packaging materials and packing costs.

(i) Property, plant and equipment

Land and building are initially recognised at costs and was previously measured at cost less accumulated depreciation and impairment losses. During the year, the Company changed its accounting policy for measurement of land and building. Land and building are now measured at fair value and restated at its revalued amount. An independent professional valuer was appointed to determine the fair value of the land and building. Increases in carrying amount are recognised in the asset revaluation reserve, unless they offset previous decreases in the carrying amount of the same asset, in which case they are taken to profit or loss in the statement of comprehensive income. Decreases in carrying amounts that offset previous increases of the same asset are recognised against the asset revaluation reserve. All other decreases in carrying amounts are recognised as a loss in the statement of comprehensive income.

All other plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Rate	Method
Buildings	2%	Straight-line method
Plant and equipment	10-33%	Straight-line method
Leasehold Improvements	20-50%	Straight-line method
Motor Vehicles	20-50%	Straight-line method

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amounts of all fixed assets including capitalised lease assets are depreciated on a straight-line basis over the estimated useful lives. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognised.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(j) Intangibles

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally

generated intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at that cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on prospective basis.

A summary of the policies applied to the Group's intangible asset is as follows:

	Development costs
Useful lives	Finite
Method used	3 years – Straight line
Internally generated or Acquired	Internally generated
Impairment test or Recoverable amount testing	Amortisation method reviewed at each financial year-end annually for indicator of impairment

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangibles (continued)

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(k) Trade and other payables and, Contract Return Liability

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are normally settled within 30 to 90 days.

Contract return liability

Contract return liability is recognised where the Group receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A contract return liability is measured at the amount of

consideration received or receivable for which the consolidated entity does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product range to estimate such returns at the time of sale based on an expected value methodology.

(l) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only

when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(n) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on "Group of 100" corporate bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits and other types of employee benefits, are recognised against profits on a net basis in their respective categories.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the entity's or the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease

payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(p) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure

fair value, are used, maximise the use of relevant observable inputs and maximising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in the making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the gross proceeds.

(r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. However, the amount of revenue to be recognised was affected by variable consideration i.e. transaction price.

Contractual terms and geographical business practice provide retail customers with a right of return of goods up to the point at which they about to expire or have expired. The right of return gives rise to variable consideration which is required to be reflected in the revenue recognised in the period. Revenue should be constrained until such time that any uncertainty in the amount to be recognised is resolved. Revenue recognised by the Group is required to reflect the right of return in its expectation for consideration to be received for a sale.

Interest

Revenue is recognised as the interest accrues (using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

Disaggregation of group revenue

AASB 15 requires the Group to disclose the disaggregation of the Group's revenue from contracts with customers. The Group has determined that the disaggregation of the Group's revenue is consistent within the Operating Segment (Note 3), as the nature, amount, timing and uncertainty of revenue and cash flows arising from the sale of goods are disaggregated consistently with the figures disclosed for each segment.

(s) Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Taxes (continued)

Tax consolidation

The Company is the head entity of the tax consolidated group comprising all the Australian wholly owned subsidiaries. The implementation date for the tax consolidated group was for the tax period ended 30 June 2003.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a "Stand-Alone Taxpayer" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

Any current tax Australian liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts receivable from (payable to) other entities in the tax consolidated group. Any difference between these amounts is recognised by the head entity as an equity contribution or distribution. The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(t) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") (or its equivalent in non-Australian tax jurisdictions) except:

- Where the GST incurred is not recoverable from the Australian Taxation Office ("ATO") or similar tax authorities outside Australia and, is therefore

recognised as part of the asset's cost or as part of the expense item.

- Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are presented in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows

(u) Financial instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

De-recognition of financial instruments Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The grant date fair value of the award;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset

is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Financial instruments (continued)

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the net profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(w) Share-based payment transactions

Equity settled transactions:

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Vita Life Sciences Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the consolidated statement of comprehensive income is the product of:

- The grant date fair value of the award;

- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- The expired portion of the vesting period.

The charge to the consolidated statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards are vested than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) *(x) New Accounting Standards and Interpretations for Application in Future Periods*

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

The Standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a

transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- c) add guidance to help entities assess whether a substantive process has been acquired;
- d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This Standard applies to annual reporting periods beginning on or after 1 January 2020. This amended Standard is not expected to have a significant impact on the Group's financial statements. Earlier application is permitted.

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

The Standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a

transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- c) add guidance to help entities assess whether a substantive process has been acquired;
- d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This Standard applies to annual reporting periods beginning on or after 1 January 2020. This amended Standard is not expected to have a significant impact on the Group's financial statements. Earlier application is permitted.

AASB 2014-10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)

Amends AASB 10 and AASB 128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The mandatory application date of AASB 2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2022 by AASB 2018-5. This amended Standard is not expected to have a significant impact on the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) New and Amended Accounting Policies Adopted by the Group

The Group adopted the following Australian Accounting Standards from the mandatory application date of 1 January 2019:

AASB 16: Leases

The Group has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding

lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest

expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 January 2019 was in the table below:

The impact of adoption on opening retained earnings as at 1 January 2019 was as follows:

	\$'000
Operating lease commitments as at 1 January 2019 (AASB 17)	616
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4-9% (AASB 16)	(34)
Short term leases not recognised	(124)
Low value assets lease not recognised	(3)
Accumulated depreciation as at 1 January 2019 (AASB 16)	(157)
	298
Right-of-use assets (AASB 16)	
Lease liabilities - current (AASB16)	(168)
Lease liabilities - non-current (AASB16)	(139)
Reduction in opening retained profits as at 1 January 2019	(9)

Interpretation 23: Uncertainty over income tax treatments

Interpretation 23 clarifies how to apply the recognition and measurement requirements in AASB 112 Income Taxes when there is uncertainty over income tax treatments. Consequential amendments are made to AASB 1 First-time Adoption of Australian Accounting Standards as a result of Interpretation 23 by AASB 2017-4.

AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation.

This Standard amends AASB 9 to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature.

AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures

This Standard amends AASB 128 to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128.

(z) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and

expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Significant accounting judgements, estimates and assumptions (continued)

Contract return liability

The contract return liability requires a degree of estimation and judgement. It is measured based on projected historical data across market/ product range to estimate such returns at the time of sale based on an expected value methodology.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for customer. These assumptions include recent sales experience and historical collection rates.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit

or charge to the consolidated statement of comprehensive income.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. The Directors assess slow moving or obsolete inventory on a regular basis and a provision is raised to write down inventory to net realisable value as described in note 2 (h).

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to goods returned to the consolidated entity where the customer maintains a right to return pursuant to the customer contract or where goods have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

(aa) Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(ab) Rounding of amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, dated 1 April 2016. Accordingly, amounts in the financial statements and Directors' report are rounded off to the nearest \$1,000.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of geographical market as the Group's risk and returns are affected predominantly by differences in the regulatory environment of the countries in which the Group operates. Products sold are similar across all countries, being vitamins and health supplements.

The operating businesses are organised and managed separately according to the location of the products sold, with each segment representing a strategic business unit that offers similar products in different geographical markets.

Geographical segment

The consolidated entity operates in the regions identified as Australia, Singapore, Malaysia, and Others. The Others segment is comprised of business operations in Thailand, Vietnam Indonesia and China.

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2019 and 31 December 2018.

	Australia \$'000	Singapore \$'000	Malaysia \$'000	Others \$'000	Corporate \$'000	Total \$'000
Year ended 31 December 2019						
Revenue						
Sales to external customers	16,662	5,911	15,547	4,332	-	42,452
Total segment revenue	16,662	5,911	15,547	4,332	-	42,452
Segment results						
Earnings before interest and tax	1,342	551	2,724	(164)	(36)	4,417
Net interest	16	(13)	(39)	21	-	(15)
Share of profit of associates	-	-	-	26	-	26
Profit before income tax						4,428
Income tax expense						(1,334)
Net profit for the year						3,094
Assets and liabilities						
Segment assets	10,553	5,038	18,535	2,350	37	36,513
Total assets						36,513
Segment liabilities	3,604	3,120	6,493	380	382	13,979
Total liabilities						13,979
Other segment information						
Capital expenditure	(24)	(361)	(59)	(135)	-	(579)
Depreciation and Fair Value Adjustment	(115)	(63)	(195)	(136)	-	(509)
Amortisation	-	-	(69)	(3)	-	(72)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

3. SEGMENT INFORMATION (CONTINUED)

Geographical segment (continued)

	Australia \$'000	Singapore \$'000	Malaysia \$'000	Others \$'000	Corporate \$'000	Total \$'000
Year ended 31 December 2018						
Revenue						
Sales to external customers	16,418	6,883	14,951	2,899	-	41,151
Total segment revenue	16,418	6,883	14,951	2,899	-	41,151
Segment results						
Earnings before interest and tax	2,682	1,607	704	(334)	(332)	4,327
Net interest	39	(2)	(67)	10	(1)	(21)
Share of profit of associates	-	-	-	24	-	24
Profit before income tax						4,330
Income tax expense						(1,897)
Net profit for the year						2,433
Assets and liabilities						
Segment assets	8,654	5,336	18,406	1,729	552	34,677
Investment in associates	-	-	-	1,043	-	1,043
Total assets						35,720
Segment liabilities						
Total liabilities	3,173	3,067	6,379	274	419	13,312
						13,312
Other segment information						
Capital expenditure	(230)	-	(141)	(4)	-	(375)
Depreciation and Fair Value Adjustment	(42)	(14)	(1,807)	(16)	-	(1,879)
Amortisation	-	-	(7)	(4)	-	(11)

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

4. REVENUE AND EXPENSES

	2019 \$'000	2018 \$'000
(a) Other income		
Realised loss on foreign exchange	-	(86)
Unrealised gain on foreign exchange	(6)	14
Other income	36	105
	30	33
(b) Administrative expenses		
Legal and other professional fees	(546)	(418)
Consultants	(244)	(212)
Allowance for impairment income	5	10
Wages, salaries and other employee expenses	(11,786)	(10,430)
Defined contribution superannuation expense	(1,076)	(1,258)
Travelling expenses	(338)	(356)
Share based payment (expense)/ income	(52)	24
Depreciation	(532)	(392)
Amortisation	(72)	(11)
Other administrative expenses	(563)	(527)
	(15,204)	(13,570)
(c) Other expenses		
Product registration costs	(357)	(330)
Profit/(Loss) on disposal of property, plant and equipment	-	30
	(357)	(300)
(d) Share Options expenses		
Share Options expenses	-	(60)
(e) Finance income		
Interest received - external parties	131	108
	131	108
(f) Finance expenses		
Interest expense - external parties	(112)	(92)
Bank charges	(34)	(37)
	(146)	(129)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

5. EQUAL REDUCTION OF CAPITAL

At the Company's Annual General Meeting on 31 May 2019 shareholders approved:

(a) the transfer of its shares and assets in Mitre Focus (owned by its subsidiary Lovin Pharma Ltd) to another wholly-owned subsidiary at the date of the transaction being completed, Macarthur National Ltd (MNL); and

(b) a pro-rata in specie distribution of all the shares of MNL to all shareholders of the Company registered as at the Spinoff Record date and simultaneously effected a reduction in the issued share capital of the Company, without cancelling any shares, by an amount equal to the fair value of the total issued capital of MNL.

These transactions were completed on 12 June 2019 with shareholders receiving 1 new MNL shares for every 10 shares held in the Company.

The fair value of the shares and assets of Mitre Focus at the Spin off Record Date was determined by the Directors of the Company at \$1.348 million or \$0.25 per MNL share. This amount is treated as a reduction both in the value of the share capital (without reducing the number of shares) of the Company and the assets of the Company, represented by the disposal of an investment in an associate. The distribution resulted in a gain as stated below.

The gain from the equal reduction of capital/distribution is as follows:

	\$'000
Fair value of Mitre Focus at spinoff date	1,348
Carrying amount of Mitre Focus at spinoff date	(1,068)
Net gain before income tax	280
Income tax expense	(84)
Gain after income tax	196

As MNL was a wholly-owned subsidiary of the Company prior to the Spinoff and shares common directors before and after the Spinoff, at the date of this report, MNL is considered a related party for purposes of disclosure.

6. EARNINGS PER SHARE

(a) Earnings used in calculating earnings per share

	2019 \$'000	2018 \$'000
Net profit attributable to equity holders from continuing operations	3,094	2,433
Loss attributable to non-controlling interest	42	6
Earnings used to calculate basic and dilutive earnings per share	3,136	2,439

(b) Weighted average number of shares

	2019 Number	2018 Number
Weighted average number of ordinary shares for basic earnings per share	54,764,409	54,908,924
Adjusted weighted average number of ordinary shares for diluted earnings per share. Plan shares and options were not classified as dilutive for purposes of this calculation as they are not exercisable.	54,764,409	54,908,924

7. INCOME TAXES

(a) Income tax expense

	2019 \$'000	2018 \$'000
The major components of income tax expense are:		
Income Statement:		
<i>Current income tax</i>		
Current income tax charge	1,514	1,955
Prior year under / (over) provision	237	-
<i>Deferred income tax</i>		
Adjustment of deferred tax of prior periods	-	4
Relating to origination and reversal of temporary differences	(417)	(62)
Income tax expense reported in the income statement	1,334	1,897

(b) A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2019 \$'000	2018 \$'000
Total accounting profit before income tax	4,428	4,330
At the parent entity's statutory income tax rate of 27.5% (2018: 27.5%)	1,218	1,191
Adjustment in respect of current income tax of previous year	236	-
Foreign tax rate adjustment	(289)	(194)
Share based payments	(14)	(7)
Share options expense	-	17
Other expenditure not allowable for income tax purposes	402	817
Adjustment of deferred tax of prior periods	-	4
Deferred tax asset recognised during financial year	(417)	(62)
Tax losses and timing differences not brought to account	198	131
Aggregate income taxes	1,334	1,897
The applicable weighted tax rates are as follows:	30%	44%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

7. INCOME TAXES (CONTINUED)

(c) Deferred income tax at 31 December relates to the following:

	2019 \$'000	2018 \$'000
Deferred tax assets		
Doubtful debts	129	128
Provision for sales returns/ stock obsolescence	1,029	840
Provision for annual leave	66	90
Provision for long service leave	23	30
Other provision	280	5
Net deferred tax assets	1,527	1,093
Presented in the consolidated Statement of Financial Position as follows:		
Deferred tax assets	1,602	1,167
Deferred tax liabilities	(75)	(74)
	1,527	1,093

(d) Tax losses

The Group has carry forward tax losses of SGD \$16.7million (A\$17.3m) (2018: SGD \$16.7 million (A\$17.3m)) held within a wholly owned subsidiary, for which no deferred tax asset is brought to account. These losses are available indefinitely for offset against taxable income of the companies in which those losses arose subject to the meeting of the conditions required under the shareholders' continuity test. The benefit of these tax losses has not been brought to account as the probable recognition criteria has not been satisfied. Were these tax losses to be recognised, it would result in a deferred tax asset at the Singaporean company tax rate of 17%.

(e) Tax consolidation

(i) Members of the tax consolidated group and the tax sharing agreement

The Company is the head entity of the tax consolidated group comprising all the Australian wholly owned subsidiaries. The

implementation date for the tax consolidated group was for the tax period ended 30 June 2003. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Measurement method adopted under AASB 112 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. Current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

The current and deferred tax amounts of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a "Stand-Alone Taxpayer" approach

by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

Any current tax Australian liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised as amounts receivable from (payable to) other entities in the tax consolidated group. Any difference between these amounts is recognised by the head entity as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

7. INCOME TAXES (CONTINUED)

Tax consolidation contributions / (distributions)

The Company has recognised the following amount as tax-consolidation contribution adjustments:

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement, which sets out the funding obligations of members of the tax consolidated group. Payments required to / (from) head entity are equal to the current tax liability / (assets) assumed from the members of the tax consolidated group. The inter-entity receivable (payable) is at call.

	2019 \$'000	2018 \$'000
Total increase in intercompany receivable of Vita Life Sciences Limited	468	796

8. CASH AND CASH EQUIVALENTS

	2019 \$'000	2018 \$'000
Cash at bank and in hand (a)	8,370	10,415
Short term deposit (b)	2,108	526
Total cash and cash equivalents	10,478	10,941

(a) Cash at bank of \$8,370,000 (2018: \$10,415,000) earns interest at floating rates based on daily bank deposit rates.

(b) Short term deposit earns interest at the respective short-term deposit rates.

(c) The fair value of cash equivalents for the Group is as stated above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

8. CASH AND CASH EQUIVALENTS (CONTINUED)

(d) Information pertaining to the Cash Flow Statement:

(i) Reconciliation of net profit after tax to net cash flows from operations:

	2019 \$'000	2018 \$'000
Net profit after tax	3,094	2,433
Adjustments for non-cash income and expense items:		
Depreciation and Fair value adjustment	532	2,204
Amortisation	72	11
Net loss on disposal of property, plant & equipment	-	(4)
Share Options expense	-	60
Shared based expense/ (income)	52	(24)
Reversal of impairment loss	(5)	(10)
Gain on disposal of investments	(280)	-
	3,465	4,670
Increase/decrease in assets and liabilities:		
Increase in inventories	(707)	(956)
Increase in investment in associates	(26)	(24)
Increase in receivables	(662)	(412)
Increase in other assets	(52)	(127)
Decrease in deferred tax balances	(434)	(922)
Decrease in current income tax payable	(206)	(308)
Increase in trade and other payables	524	731
Increase in other liabilities	72	975
Effect of foreign exchange translation of assets and liabilities	54	627
	2,028	4,254
Net cash provided by operating activities	2,028	4,254

ii) Non-cash financing and investing activities:

During the year ended 31 December 2019, 1,470,000 (2018: 1,000,000) new Long Term Incentive Plan (LTIP) Shares were issued and, 500,000 (2018: 1,800,000) existing LTIP shares were cancelled. Refer to Note 27 for further details.

(e) Reconciliation of liabilities arising from financing activities:

	Bank loan \$'000	Lease liability \$'000	Total \$'000
Balance at 1 January 2018	2,217	-	2,217
Net cash used in financing activities	(329)	-	(329)
Non-cash changes in foreign exchange movements	186	-	186
Balance at 31 December 2018	2,074	-	2,074
Leases recognised on adoption of AASB 16	-	307	307
Acquisition of leases	-	523	523
Net cash used in financing activities	(331)	(246)	(577)
Non-cash changes in foreign exchange movements	22	-	22
Balance at 31 December 2019	1,765	584	2,349

9. TRADE AND OTHER RECEIVABLES

	2019 \$'000	2018 \$'000
Current		
Trade receivables, third parties	7,212	6,150
Allowance for expected credit losses	(15)	(20)
	7,197	6,130
Other receivables:		
Other receivables (a)	542	937
Net tax receivable	21	26
	7,760	7,093

(a) Other receivables are non-interest bearing and have repayment terms between 30 to 90 days. It is expected that these other balances will be received when due.

(b) Fair value

The carrying value for trade and other receivables is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

(c) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risks exposure are disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

10. INVENTORIES

	2019 \$'000	2018 \$'000
Current		
Raw materials at cost	2,531	1,526
Finished goods at lower of cost and net realisable value	4,795	5,075
Less: Provision for stock obsolescence	(488)	(469)
	6,838	6,132

11. OTHER ASSETS

	2019 \$'000	2018 \$'000
Current		
Prepayments	421	442
Security deposits	263	189
	684	631

12. INVESTMENT IN ASSOCIATE

As stated earlier in Note 5 above, the Company divested its investment in Associates during the year to Macarthur National Ltd (MNL).

	2019 \$'000	2018 \$'000
Non-Current		
Unlisted		
– Mitre Focus Sdn Bhd (a)	-	1,043

(a) Details of the carrying value of investment and share of profit in associate:

– Investment in associate at cost	-	-
– Loan to associate	-	972
– Cumulative share of associate's profit	-	71
Carrying value of investment in associate	-	1,043

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

12. INVESTMENT IN ASSOCIATE (CONTINUED)

(b) Investment Details

Name of Company:	Measurement Method	Place of Incorporation / Business	Ownership Interest	
			2019 %	2018 %
Unlisted - Mitre Focus Sdn Bhd	Equity Method	Malaysia	-	6.3

(c) Investment details

Mitre Focus Sdn Bhd is an investment holding company incorporated in Malaysia, with a principal investment of a property project in Malaysia. On 12 June 2019, the Group completed a pro-rata in specie distribution of all of its shares in its subsidiary in Macarthur National Ltd, which held all the investments in Mitre Focus Sdn Bhd, to the shareholders of the Company.

Further details of this transaction are detailed in Note 5.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

12. INVESTMENT IN ASSOCIATE (CONTINUED)

(d) Summarised financial information

The following illustrates summarised financial information relating to the Group's associate:

	2019 \$'000	2018 \$'000
Summarised financial information		
The following illustrates the summarised financial information relating to the Group's associate		
Extract from the associate's statement of financial position:		
Current Assets	-	6,143
Non-Current Assets	-	905
	-	7,048
Current Liabilities	-	(3,850)
Non-current liabilities	-	-
	-	(3,850)
Net assets	-	3,198
Share of associate's net assets	-	201
Extract from the associate's income statement:		
Revenue	-	2,687
Net profit	-	374
Other comprehensive income	-	-
Total comprehensive income	-	374

(e) The last reporting date of the associate within the Group was 30 June 2019.

(f) As at 31 December 2019, there are no contingent liabilities relating to the associate.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13. PROPERTY, PLANT AND EQUIPMENT

	Land and Building \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Leased Plant and Equipment \$'000	Right of Use- Building \$'000	Right of Use- Plant and Equipment \$'000	Total \$'000
Year ended 31 December 2019							
At 1 January 2019 net of accumulated depreciation and impairment	7,882	14	735	11	-	-	8,642
Adjustments due to AASB 16	-	-	-	-	240	58	298
Additions	-	10	44	-	489	36	579
Depreciation / amortisation for the year	(73)	(10)	(183)	(5)	(238)	(23)	(532)
Exchange differences	140	-	11	-	-	1	152
At 31 December 2019 net of accumulated depreciation, adjustments and impairment	7,949	14	607	6	491	72	9,139
At 31 December 2019							
Cost/ revalued	8,273	122	2,251	166	844	115	11,771
Accumulated depreciation and impairment	(324)	(108)	(1,644)	(160)	(353)	(43)	(2,632)
Net carrying amount	7,949	14	607	6	491	72	9,139

The Group leases office premises and warehouse facilities under various agreements of between two and three years and, in some cases with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases equipment under agreements of between three and five years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and Building \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Leased Plant and Equipment \$'000	Right of Use- Building \$'000	Right of Use- Plant and Equipment \$'000	Total \$'000
Year ended 31 December 2018							
At 1 January 2018 net of accumulated depreciation and impairment	8,688	12	698	11	-	-	9,409
Additions	102	-	270	-	-	-	372
Exchange differences	684	8	47	5	-	-	744
Depreciation / amortisation for the year	(105)	(6)	(280)	(5)	-	-	(396)
Fair Value adjustments (a) & (b)	(1,487)	-	-	-	-	-	(1,487)
At 31 December 2018 net of accumulated depreciation and impairment	7,882	14	735	11	-	-	8,642
At 31 December 2018							
Cost/ revalued	8,129	110	2,205	165	-	-	10,609
Accumulated depreciation and impairment	(247)	(96)	(1,470)	(154)	-	-	(1,967)
Net carrying amount	7,882	14	735	11	-	-	8,642

(a) Fair Value Measurement

In 2018, the Company engaged a professional independent valuer, to determine the fair value of its land and building, which was based on recent transactions for similar assets within the same location i.e. the **Comparison Approach**. As a check, the **Cost Approach** based on the aggregate amount of the value of land component and gross replacement cost of the building and other site improvements allowing for depreciation was used. The valuation was conducted in December 2018.

(b) Fair Value adjustments

	2019 \$'000	2018 \$'000
Loss on Revaluation as recognised in Profit or Loss Statement	-	(1,812)
Gain on Revaluation as recognised in Revaluation Reserve	-	325
	-	(1,487)

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

14. INTANGIBLE ASSETS

	Product Development costs \$'000	Total \$'000
Year ended 31 December 2019		
At 1 January 2019 net of accumulated depreciation and impairment	71	71
Additions	12	12
Impairment / amortisation	(70)	(70)
Exchange differences	(1)	(1)
At 31 December 2019 net of accumulated depreciation and impairment	12	12
At 31 December 2019		
Gross carrying amount	158	158
Accumulated amortisation and impairment	(146)	(146)
Total	12	12
Year ended 31 December 2018		
At 1 January 2018 net of accumulated depreciation and impairment	60	60
Additions	5	5
Impairment / amortisation	(15)	(15)
Exchange differences	21	21
At 31 December 2018 net of accumulated depreciation and impairment	71	71
At 31 December 2018		
Gross carrying amount	209	209
Accumulated amortisation and impairment	(138)	(138)
Total	71	71

Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 3 years. The amortisation has been recognised in the consolidated statement of comprehensive income in the line item "administrative expense" in Note 4 (b). If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

15. TRADE AND OTHER PAYABLES

	2019 \$'000	2018 \$'000
Current		
Trade payables (a)	2,526	2,563
Net tax payable	189	187
Other payables and accruals	2,954	2,395
	5,669	5,145

(a) Trade payables are non-interest bearing and are normally settled within 90-day terms. Other payables are non-interest bearing and have an average term of 3 months.

(b) **Fair value**

Due to the short term nature of these payables, their carrying values are assumed to approximate their fair value.

(c) **Interest rate, foreign exchange and liquidity risks**

Information regarding interest rate, foreign exchange and liquidity risks is set out in note 26.

16. INTEREST BEARING LOANS AND BORROWINGS

	2019 \$'000	2018 \$'000
Current		
Property facility - secured (a)	364	342
	364	342
Non - Current		
Property facility - secured (a)	1,401	1,732
	1,401	1,732

At the balance date, the following financing facilities were available:

	2019 \$'000	2018 \$'000
Total facilities available:		
Property facility (a)	1,765	2,074
Facilities utilised at balance date:		
Property facility (a)	1,765	2,074
Facilities not utilised at balance date:		
Property facility (a)	-	-

16. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(a) Property facility

The property facility is provided by a Malaysian bank to the Group's main operating subsidiary in Malaysia. The interest rate for the facility as at 31 December 2019 was fixed at 4.25% (2018: 4.25%) for a further term of 108 months to 31 December 2023. The facility is secured by a charge over the premises.

(b) Fair Value

In regard to the 10-year property facility loan, a further term of 4 years exists post 31 December 2019, which is secured by the charge over the premises. The carrying value of the loan approximates to the fair value amount.

(c) Interest rate, foreign exchange and liquidity risks

Details regarding the interest rate, foreign exchange and liquidity risks are disclosed in Note 26.

(d) Default and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

17. EMPLOYEE ENTITLEMENTS

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

	Employee Entitlements \$'000
Balance at 1 January 2019	815
Charged during year	976
Used during year	(761)
Foreign exchange difference	4
Balance at 31 December 2019	1,034
At 31 December 2019	
Current	951
Non-Current	83
	1,034
At 31 December 2018	
Current	701
Non-Current	114
	815

18. CONTRACT RETURN LIABILITY

In 2018, the Group adopted AASB 15 Revenue from Contracts with Customers. The impact of adoption on this resulted in the creation of a Contract Return Liability to account for the right of return assets and refund liabilities

	2019 \$'000	2018 \$'000
Balance at 1 January	4,722	4,740
Charged in the year	2,166	2,353
Used during year	(2,427)	(2,371)
Foreign Exchange Difference	114	-
Balance at 31 December	4,575	4,722

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

19. LEASE LIABILITY

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities as at 31 December 2019 is as follows:

Minimum lease payments due within:	1 Year \$'000	2-3 Years \$'000	4-5 Years \$'000	Total \$'000
31 December 2019				
Lease Payments	309	305	18	632
Finance charges	(29)	(19)	-	(48)
Lease Liability	280	286	18	584

20. CONTRIBUTED EQUITY

	2019 Number	2018 Number	2019 \$	2018 \$
Issued and paid up capital				
Ordinary shares	55,587,257	54,842,257	42,248,693	43,742,222
Ordinary shares				
Balance at beginning of the year	54,842,257	56,717,026	43,742,222	44,498,322
Share buy back (a)	(225,000)	(1,074,769)	(145,440)	(756,100)
Cancellation of Plan Shares of certain:				
- Employees and Directors (b)	(500,000)	(1,800,000)	-	-
Issue of shares to Employees and Director (c)	1,470,000	1,000,000	-	-
Equal Reduction of Capital (Note 5)	-	-	(1,348,089)	-
Balance at end of the year	55,587,257	54,842,257	42,248,693	43,742,222

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

(a) Share Buy-Back

A total of 225,000 (2018: 1,074,769) ordinary shares were bought back for year ended 31 December 2019 as approved by the shareholders in the 31 May 2019 and 25 May 2018 Annual General Meetings at a total cost of \$145,440 (2018: \$756,100).

(b) Cancellations of Long Term Incentive Plan Shares to key executives

In 2019, 500,000 Long Term Incentive Plan shares were cancelled following the resignation of the relevant employee.

In 2018, 800,000 Long Term Incentive Plan shares expired as the 2017 financial year performance conditions were not achieved. Another 1,000,000 shares were cancelled in 2018 as it became apparent the vesting conditions would not be met and subsequently reissued under new terms and conditions as stated in Note 20 (c) below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

20. CONTRIBUTED EQUITY (CONTINUED)

(c) Issue of Long Term Incentive Plan Shares to key executives

In 2019, the Company approved loans to a Director, Mr Henry Townsing totalling \$550,000 in order for Mr Townsing to purchase a total of 500,000 shares under the Company's Long Term Incentive Plan. The Company also approved loans to employees totalling \$1,067,000 in order for them to purchase a total of 970,000 shares under the Company's Long Term Incentive Plan. Of these, 500,000 shares with loans of \$550,000, were cancelled during the year following the resignation of the relevant employee.

In 2018, the Company approved loans to the Managing Director Mr Andrew O'Keefe totalling \$900,000 in order for Mr O'Keefe to purchase a total of 1,000,000 shares under the Company's Long Term Incentive Plan.

In 2019, the Company recognised net expense of \$51,640 (2018: \$24,125) in the income statement with a corresponding increase (2018: decrease) in employee share based payment reserve.

(d) Capital management

When managing capital, management's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns for shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management constantly assesses the capital structure to take advantage of favourable costs of capital and / or high returns on assets. As the market is continuously changing, management may issue dividends to shareholders, return capital to shareholders, issue new shares, increase the short or long term borrowings or sell assets to reduce borrowings.

(e) Dividends

The Directors declared a fully franked interim dividend of 1.5 cents per share and a fully franked final dividend of 2.25 cents per share in respect of the financial year ended 31 December 2019 (2018: interim dividend of 1.5 cents fully franked and a final dividend of 2.25 cents fully franked).

The final dividend of 2.25 cents per share has not been recognised in these consolidated financial statements as it was declared subsequent to 31 December 2019

	2019 Cents per Share	2018 Cents per Share	2019 \$'000	2018 \$'000
Fully paid ordinary shares				
Final dividend for the previous financial year				
– Full franking credits attached	2.25	2.25	1,211	1,211
Interim dividend for the financial year				
– Full franking credits attached	1.50	1.50	806	808
	3.75	3.75	2,017	2,019

21. NET TANGIBLE ASSETS PER SHARE

	2019 \$	2018 \$
Net assets per share	0.41	0.41
Net tangible assets per share	0.38	0.39
	Number	Number
Number of ordinary shares for net assets per share	55,587,257	54,842,257

Following the adoption of AASB 16: Leases on 1 January 2019, the net assets as at 31 December 2019 include both right-of-use assets and corresponding lease liabilities accounted for under the new requirements

22. RESERVES

(a) Employee share based payments reserve

The employee share based payments reserve is used to record the value of share based payments provided to employees, including Key Management Personnel, as part of their remuneration.

(b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(c) Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings.

(d) Share option reserve

The reserve is used to record the value of unlisted share options (convertible to ordinary shares) expense, provided to a non-executive director of a controlled entity in the past which has since lapsed.

23. RELATED PARTY DISCLOSURE

(a) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included in note 24.

(b) Ultimate holding company

Vita Life Sciences Limited is the ultimate holding company for the Group.

(c) Transactions with related parties

Vita Life Sciences Limited is the ultimate holding company for the Group.

	2019 \$'000	2018 \$'000
Other transaction with related party		
Land Real Pty Ltd (i)	3	3
Receivable from related party		
Sunland Sdn Bhd (iii)	82	410

i. Land Real Pty Ltd, a company in which Mr Henry Townsing is a Director and therefore a related party, was paid \$2,800 for storage charges (2018: \$3,067) during the financial year.

ii. During the year, the Company provided a loan of \$10,000 to Macarthur National Ltd (MNL) as part of the divestment exercise which occurred on 12 June 2019. Mr Henry Townsing is a director of MNL and, therefore a related party. Interest of \$235 was charged during the duration of the loan and, as at the 31 December 2019, the loan and interest has been fully repaid.

iii. Sunland Sdn Bhd, a company which formed part of the investments in associates i.e. Mitre Focus, before the divestment on 12 June 2019, in which Mr Henry Townsing is a Director and therefore a related party, had a sum payable to a subsidiary of the Company as stated above. The balance as at 31 December 2019, has since been fully repaid as of the date of this report.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding related party payables at year-end are unsecured, interest free and settlement occurs in cash.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

23. RELATED PARTY DISCLOSURE (CONTINUED)

(d) Subsidiaries

The consolidated financial statements include the financial statements of Vita Life Sciences Limited and the subsidiaries listed in the following table. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note.

Name	Place of Incorporation	Percentage of Equity Interest	
		2019%	2018 %
Tetley Research Pty Limited	Australia	100	100
Tetley Treadmills Pty Limited	Australia	100	100
Tetley Manufacturing Pty Limited	Australia	100	100
Vimed Bio Sciences Pty Limited	Australia	100	100
Allrad No 19 Pty Limited	Australia	100	100
Lovin Pharma International Limited	Ireland	100	100
Herbs of Gold Pty Limited	Australia	100	100
Herbs of Gold (Shanghai) Co. Limited	People's Republic of China	100	100
VitaHealth Laboratories Australia Pty Limited	Australia	100	100
Vita Institute of Health Pty Ltd	Australia	100	100
VitaHealth Australia Pty Ltd	Australia	100	100
Vita Corporation Pte Limited	Singapore	100	100
Herbs of Gold (S) Pte Ltd	Singapore	100	100
VitaHealth Laboratories (HK) Limited	Hong Kong, SAR	100	100
Vita Healthcare Asia Pacific Sdn Bhd	Malaysia	100	100
VitaHealth Malaysia Sdn Bhd	Malaysia	100	100
VitaHealth Biotech Sdn Bhd	Malaysia	100	100
Vita Lifesciences Sdn Bhd	Malaysia	100	100
Vita Science Sdn Bhd	Malaysia	100	100
Herbs of Gold Sdn Bhd	Malaysia	100	100
VitaHealth Asia Pacific (S) Pte Limited	Singapore	100	100
Vita Life Sciences (S) Pte Limited	Singapore	100	100
VitaHealth IP Pte Limited	Singapore	100	100
Vita Life Sciences (Thailand) Co. Ltd	Thailand	49	49
VitaHealth (Thailand) Co. Ltd	Thailand	74	74
Vita Health Vietnam Company Limited	Vietnam	100	100
Sino Metro Developments Limited	British Virgin Island	100	100
VitaHealth (Macao Commercial Offshore) Limited	Macao, SAR	100	100
Pharma Direct Sdn Bhd	Malaysia	100	100
PT. Vita Health Indonesia	Indonesia	100	100

24. DIRECTORS AND KEY MANAGEMENT PERSONNEL REMUNERATION

Information regarding individual Directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 are provided in the Remuneration Report section of the Directors' Report.

Summary of remuneration of Directors and Key Management Personnel (KMP):

	Short term salary, bonus, fees and leave \$	Post- employment benefits \$	Other long term benefits \$	Share based payment expense \$	Total \$
2019	1,290,792	92,099	11,950	46,156	1,440,997
2018	1,183,378	100,972	8,360	(24,125)	1,268,585

Short-term salary, bonus, fees and leave

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive Directors and other KMP.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for superannuation contributions made during the year and post-employment life insurance benefits.

Other long term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments

Share based payment expense

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

25. PARENT ENTITY DISCLOSURES

Financial Position as at 31 December	2019 \$'000	2018 \$'000
ASSETS		
Current Assets	249	173
Non - Current Assets	10,392	10,392
Total Assets	10,642	10,565
LIABILITIES		
Current Liabilities	848	866
Non-Current Liabilities	13,382	11,000
Total Liabilities	14,230	11,866
Equity		
Issued capital	42,249	43,742
Accumulated losses	(47,451)	(46,605)
Employee share based payments reserve	1,614	1,562
Parent entity interest	(3,588)	(1,301)
Non-controlling Interest		-
Total Equity	(3,588)	(1,301)
Financial performance for the year ended 31 December		
Loss for the year	851	(597)
Other comprehensive income / (expense)	-	-
Total comprehensive (loss)/ income for the year	851	(597)

The Parent Entity (Vita Life Sciences Limited) has a net current asset deficiency at 31 December 2019, consistent with that at 31 December 2018. The Parent Entity is able to call on the resources of the Vita Life Sciences Group as required, and as such the financial statements of the Parent Entity are prepared on a going concern basis.

Guarantees

The parent entity and some of its subsidiaries are party to deed of cross guarantees under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries which the Group is not unable to support.

Contingent liabilities

The parent entity had no contingent liabilities as at the end of the financial year (2018: Nil)

Capital commitments

The parent entity had no contingent liabilities as at the end of the financial year (2018: Nil)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank overdrafts, secured loans, finance leases, cash and short-term deposits.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and credit risk. The Group manages these risks in accordance with the Group's financial risk management policy. The objective of this policy is to support the delivery of the Group's financial targets whilst protecting future financial security. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate movements. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Risk exposures and responses

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term property loan obligations. The level of borrowings is disclosed in note 16. The Group's policy is to manage its interest cost using a variable rate debt.

At balance date, the Group had the following mix of financial assets exposed to variable interest rate risk:

	2019 \$'000	2018 \$'000
Financial assets		
Cash at bank and in hand – see Note 8	8,370	10,415
Short term deposit – see Note 8	2,108	526
	10,478	10,941
Financial liabilities		
Property loan Facility – see Note 16	1,765	2,074
	1,765	2,074
Net exposure	8,713	8,867

At 31 December 2019, if interest rates had moved, as illustrated in the table below, with all variables held constant, post-tax profit and equity would have been affected as follows:

	Annual Post Tax Profit and Equity Higher/ (Lower)	
	2019 \$'000	2018 \$'000
+ 1.00% (100 basis points)	60	51
- 0.50% (50 basis points)	(30)	(26)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

	2019 \$'000	2018 \$'000
Financial assets		
Cash at bank and in hand (a)	8,370	10,415
Short term deposit (a)	2,109	526
Trade and other receivables (b)	7,761	7,093
	18,240	18,034

(a) Cash at bank and short term deposit

The Group mitigates credit risk on cash at bank and short term deposit by dealing with government regulated banks in Australia and Asia.

(b) Trade and other receivables

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For transactions that are not denominated in the measurement currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Managing Director or Executive Director of that business.

Exposure at balance date is addressed in each application note. The Group does not have any assets which are past due at balance date.

Foreign currency risk

As a result of significant operations in the Asian countries, the Group's statement of financial position can be affected significantly by movements in the exchange rates of these countries. The Group does not hedge this exposure. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

At 31 December, the Group had the following exposure to foreign currencies:

	2019 \$'000	2018 \$'000
Financial assets		
Cash and cash equivalents		
Singapore Dollar (SGD)	1,797	2,599
Malaysia Ringgit (RM)	4,064	3,974
Hong Kong Dollar (HKD)	449	215
Chinese Yuan Renminbi (RMB)	127	63
Indonesian Rupiah (IDR)	122	6
Vietnamese Dong (VND)	1,064	739
Thai Baht (THB)	152	213
Trade and other receivables		
Singaporean Dollar (SGD)	953	1,137
Malaysian Ringgit (RM)	2,859	3,062
Chinese Yuan Renminbi (RMB)	2	-
Indonesian Rupiah (IDR)	2	13
Vietnamese Dong (VND)	223	237
Thai Baht (THB)	498	530
	12,312	12,788
Financial liabilities		
Trade and other payables		
Singapore Dollar (SGD)	402	601
Malaysia Ringgit (RM)	2,063	1,806
Hong Kong Dollar (HKD)	128	69
Chinese Yuan Renminbi (RMB)	5	8
Indonesian Rupiah (IDR)	66	36
Vietnamese Dong (VND)	98	65
Thai Baht (THB)	40	30
Property Facility		
Malaysia Ringgit (RM)	1,765	2,075
	4,567	4,690
Net exposure	7,745	8,098

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Price Risk

The Group's direct exposure to commodity price risk is minimal.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans.

The table below reflects all contractually fixed pay-offs for settlement of financial liabilities and collection of financial assets. Trade payables and other financial liabilities generally originate from the financing of assets used in our ongoing operations such as investment in working capital (inventories, trade receivables and investment in property, plant and equipment). These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group monitors its expected settlement of financial assets and liabilities on an ongoing basis.

At 31 December 2019, the Group has \$Nil (2018: \$Nil) unused credit facilities.

	Weighted average interest rate	Interest Free \$'000	Floating interest rate \$'000	Fixed interest maturing 1 year or less \$'000	1 to 5 years \$'000	Total \$'000
2019						
Financial Assets						
Cash assets-see Note 8	2.33%	-	8,432	2,046	-	10,478
Trade and other receivables - see Note 9	n/a	7,760	-	-	-	7,760
		7,760	8,432	2,046	-	18,238
Financial Liabilities						
Trade and other payables - see Note 15	n/a	5,669	-	-	-	5,669
Property facility-see note 16	4.25%	-	-	364	1,401	1,765
		5,669	-	364	1,401	7,434
2018						
Financial Assets						
Cash assets-see Note 8	2.38%	-	10,415	526	-	10,941
Trade and other receivables - see Note 9	n/a	7,093	-	-	-	7,093
		7,093	10,415	526	-	18,034
Financial Liabilities						
Trade and other payables - see Note 15	n/a	5,145	-	-	-	5,145
Property facility-see Note 16	4.25%	-	-	342	1,732	2,074
		5,145	-	342	1,732	7,219

Fair value

All of the Group's financial instruments recognised in the Consolidated Statement of Financial Position have been assessed as at fair values.

27. SHARE BASED PAYMENT PLANS

(a) Recognised share based payment expenses

Expense/ (Income) arising from equity settled share based payment transactions:

	2019 \$'000	2018 \$'000
Share based income on long term incentive plan	52	(24)
Share options expense	-	60

The share-based payment plans are described below.

(b) Types of share based payment plans

(i) Shares

Long Term Incentive Plan ("Plan") Shares are granted to certain executive Directors and certain employees.

In valuing transactions settled by way of issue of shares, no account is taken of any performance conditions, other than market conditions linked to the price of the shares of Vita Life Sciences Limited.

All Plan Shares issued have market performance conditions and certain performance conditions ("Hurdles") so as to align shareholder return and reward for the Company's selected management and staff ("Participants").

The Board has residual discretion to accelerate vesting i.e. reduce or waive the Hurdles and exercise of Plan Shares in the event of a takeover or merger or any other circumstance in accordance with the terms of the Plan.

Plan Shares in relation to which Hurdles have not been satisfied i.e. that do not vest will lapse and will not be able to be exercised, except in the circumstances described below.

Plan Shares which have not vested will lapse where a Participant ceases employment with the Company other than on retirement, redundancy, death or total and permanent disablement or unless as otherwise determined by the Board in its absolute discretion.

Where a Participant has ceased employment with the Company as a result of resignation, retirement, redundancy, death or total and permanent disablement prior to the end of a performance period, only Plan Shares that have vested may be retained by the Participant on a pro-rata basis. If a Plan share holder ceases employment for any reasons mentioned above prior to the first anniversary of the grant date, the Participant forfeits all entitlement to Shares.

(ii) Plan Shares issued in 2018

In 2018, the Company approved loans to the Managing Director totalling \$900,000 (2017: \$1,380,000) in order for Mr O'Keefe to purchase a total of 1,000,000 (2017:1,000,000) new shares in place of the 1,000,000 shares issued in 2017 which has since been cancelled. 500,000 shares have performance hurdles combining the 2018 and 2019 financial years with a final expiry date of 30 June 2020 and an exercise price of \$0.80 should the hurdle be reached. The other 500,000 shares have performance hurdles combining the 2019 and 2020 financial years with a final expiry date of 30 June 2021 and an exercise price of \$1.00 should the hurdle be reached

(iii) Plan shares issued in 2019

In 2019, the Company at the AGM, approved loans to a Director, Mr Henry Townsing totalling \$550,000 in order for Mr Townsing to purchase a total of 500,000 shares under the Company's Plan. The Company also approved loans to employees totalling \$1,067,000 in order for them to purchase a total of 970,000 shares under the Plan. Of these, 500,000 shares with loans totalling \$550,000, were cancelled during the year following the resignation of the relevant employee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

27. SHARE BASED PAYMENT PLANS (CONTINUED)

(iii) Plan Shares

AASB 2 Share Based Payments requires that the benefit to an employee arising from an employee share scheme such as the Vita Life Plan be treated as an expense over the vesting period. All of the above issues of Plan shares have been treated as Plan Share Options ("implied options") in accordance with AASB 2. The employee benefit is deemed to be the fair value of the implied option arising from the Plan. Consequently, the value of the discount which has been determined using the Black Scholes option pricing model will be charged to the Statement of Comprehensive Income and credited to the Employee Share Based Payments Reserve over the vesting period.

Where employee shares are issued under a non-recourse loan payment plan, the loan assets and the increments to Contributed Equity are not recognised at grant date but rather the increments to Contributed Equity are recognised when the share loans are settled by the relevant employees.

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in Plan Shares during the year:

	2019 No.	2018 No.	2019 WAEP	2018 WAEP
Outstanding at the beginning of the year-b(ii)	1,000,000	1,800,000	0.90	1.48
Granted during the year - b(iii)	1,470,000	1,000,000	1.10	0.90
Cancelled/ Expired during the year-b(iii)	(500,000)	(1,800,000)	(1.10)	1.48
Outstanding at the end of the year	1,970,000	1,000,000	1.00	0.90

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of, and movements in unlisted Share options during the year:

	2019 No.	2018 No.	2019 WAEP	2018 WAEP
Outstanding at the beginning of the year	1,106,000	4,420,000	2.50	1.76
Cancelled/ Expired during the year	(1,106,000)	(3,314,000)	(2.50)	1.52
Outstanding at the end of the year	-	1,106,000	-	2.50

27. SHARE BASED PAYMENT PLANS (CONTINUED)

(vii) Range of exercise price, weighted average remaining contractual life, weighted average fair value and weighted average value of share price at date of exercise of Plan Shares and unlisted Share Options

The range of exercise prices for Plan Shares outstanding at the end of the financial year was \$0.80 to \$1.20 (2018: \$0.80- \$2.50).

The weighted average remaining contractual life for the Plan Shares and unlisted Share Options outstanding at the end of the financial year was 1.5 years (2018: 2.0 years). The weighted average fair value of Plan Shares and unlisted Share Options granted in 2019 financial year was \$0.16 (2018: \$0.12).

No plan shares nor unlisted share options were exercised during the year (2018: Nil).

(viii) Implied option and share options pricing

The following assumptions were used to derive a value for the implied options granted using the Black Scholes Option model as at the grant date, taking into account the terms and conditions upon which the Plan Shares were granted:

Plan Shares issued in 2018			
No of shares issued -b(ii)	500,000		500,000
Exercise price per implied option	\$0.80		\$1.00
Dividend yield	-		-
Expected annual volatility	31.51%		31.51%
Risk-free interest rate (p.a.)	2.01%		2.01%
Expected life of implied option (Years)	2.0		3.0
Fair value per implied option	\$0.13		\$0.11
Exercise price per implied option	\$0.80		\$1.00
Share price at grant date	\$0.76		\$0.76
Model used	Black Scholes		Black Scholes

In respect of the implied options arising from the Shares granted in 2018, the expected volatility was determined using historic data over a 1-year period from Jan 2017 to Dec 2017.

Plan Shares issued in 2019				
No. of shares issued - b (iii)	485,000	485,000	250,000	250,000
Exercise price per implied option	1.00	1.20	1.00	1.20
Dividend yield	-	-	-	-
Expected annual volatility	50.31%	50.31%	46.85%	46.85%
Risk-free interest rate (p.a.)	1.58%	1.58%	1.46%	1.46%
Expected life of implied option (Years)	2.2	3.2	2.0	3.0
Fair value per implied option	\$0.22	\$0.23	\$0.18	\$0.17
Exercise price per implied option	\$1.00	\$1.20	\$1.00	\$1.20
Share price at grant date	\$0.87	\$0.87	\$0.84	\$0.84
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes

In respect of the implied options arising from the Shares granted in 2019, the expected volatility was determined using historic data over a 1-year period from Mar 2018 to Mar 2019 and, Apr 2018 to Apr 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

27. SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

Final Dividend

On 13 February 2020, the Directors declared a final fully franked dividend of 2.25 cents per share in respect of the financial year ended 31 December 2019.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, financial position of the Group or the state of affairs of the Group in future financial periods.

28. AUDITOR'S REMUNERATION

The auditor of Vita Life Sciences Limited is Nexia Sydney Audit Pty Limited.

	2019 \$'000	2018 \$'000
Amount receivable or due and receivable by the auditor of the parent entity:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	121	116
Other services in relation to the entity and any other entity in the consolidated group provided by associate firm of auditor		
- tax compliance services	21	17
- share registry	20	39
	162	172
Amount receivable or due and receivable by other auditors:		
- audit or review of the financial reports of controlled entities	119	105
	281	277

29. CONTINGENT ASSETS AND LIABILITIES

The Group has no contingent assets or liabilities at 31 December 2019 (2018: \$Nil).

30. CAPITAL COMMITMENTS

The Group has no capital commitments as at 31 December 2019 (2018: \$Nil).

DIRECTORS DECLARATION

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The Financial Statements and notes as set out on pages 22 to 71 are in accordance with the Corporations Act 2001 and:

- (a) Comply with Accounting Standards, which, as stated in accounting policy note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
- (b) Give a true and fair view of the financial position as at 31 December 2019 and of the performance for the year ended on that date of the Company and Consolidated Group.

2. The Chief Executive Officer/Managing Director and Chief Financial Officer have each declared that:

- (a) The financial records of the Consolidated Group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
- (b) The financial statements and notes for the financial year comply with Accounting Standards; and
- (c) The financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Andrew O'Keefe
Managing Director
26 March 2020



Independent Auditor's Report to the Members of Vita Life Sciences Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vita Life Sciences Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'Auditor's responsibility for the audit of the financial report' section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
<p>Divestment of investment in associate – Lovin Pharma International Ltd</p> <p><i>Refer to note 5 in the financial report.</i></p> <p>During the year the Group sold its interest in Mitre Focus (owned by its subsidiary Lovin Pharma International Ltd ('LPI')) to Macarthur National Ltd. The transfer occurred at the fair value of Mitre Focus as at 12 June 2019, when the transaction was completed. The transfer resulted in a reduction of issued capital in the Group equal to the fair value of issued capital of Macarthur National Ltd.</p> <p>This matter is considered to be a key audit matter as it is a non-routine transaction for the group and involved a number of separate but related considerations that involved judgements and estimation.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Reviewed the executing documents and verified the calculation and treatment of the fair value of the assets transferred from the Group was correct. Tested the fair value of the divestment shares and assets, including testing: <ul style="list-style-type: none"> the valuation of inventory by reviewing the ageing and risk of impairment of inventory by comparing to recent sales; and the valuation of land and development costs by reference to an independent third party valuation report as at 31 December 2018 and considered directors assessment of impacts to this up to the transaction date. Checked the transaction was correctly accounted for and disclosed in the Group's financial statements; and Verified that there was no change, and no subsequent impact, between the fair value reported in the Group's financial statements at 30 June 2019 (first reported) and the current financial statements at 31 December 2019.
<p>Revenue recognition (\$42,452,000)</p> <p><i>Refer to note 2(r) in the financial report.</i></p> <p>Revenue is an important measure by which to assess the performance of the Group.</p> <p>The Group receives revenue from contracts with customers based upon a number of measures including volume discounts, marketing rebates, and sales returns particularly in the Group's Malaysian operations.</p> <p>Revenue recognition is considered a key audit matter as it is the most significant balance in the Group's statement of</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Evaluated and tested the Group's processes and controls relating to the recognition and measurement of revenue. Performed gross margin analysis at a product level to determine whether trends were aligned to expectations; We tested the occurrence and valuation of sales by agreeing a sample of transactions to their source and initiating documentation Instructed and reviewed the audit work papers of the component auditor in Malaysia including reviewing management assumptions relating to volume discounts, marketing rebates and historical return values in order to assess management's estimate of the transaction price and the value of contract liabilities. We considered the quantum of claims and sales returns during the current and previous years to assess the accuracy of management's estimates; and Performed testing on sales transactions for cut-off and completeness.

Key audit matter	How our audit addressed the key audit matter
comprehensive income, is the key driver to the Group's operations and includes an element of judgement and estimation in respect of contract refund liabilities.	

Other information

The directors are responsible for the other information. The other information comprises the information in Vita Life Sciences Limited's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 19 of the directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Vita Life Sciences Limited for the year ended 31 December 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Nexia Sydney Audit Pty Limited



Joseph Santangelo

Director

26 March 2020

Sydney





ASX ADDITIONAL INFORMATION

THE FOLLOWING INFORMATION IS CURRENT AS AT 29 FEBRUARY 2020

A. SUBSTANTIAL SHAREHOLDERS

The following have advised that they have a relevant interest in the capital of Vita Life Sciences Limited. The holding of a relevant interest does not infer beneficial ownership. Where two or more parties have a relevant interest in the same shares, those shares have been included for each party.

Shareholder	No of ordinary	Percentage held of issued ordinary capital
CHEMICAL TRUSTEE LIMITED	8,551,439	15.4%
VICKY TEOH	8,435,693	15.2%
BARINGS ACCEPTANCE LIMITED	7,371,832	13.3%
ANGLO AUSTRALIAN CHRISTIAN & CHARITABLE FUND	6,276,040	11.3%
TIE LIM SUNG	5,396,017	9.7%

B. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(i) Analysis of number of equity security holders by size of holding as at 29 February 2020:

Category	Ordinary shareholders
1 – 1,000	135
1,001 – 5,000	293
5,001 – 10,000	117
10,001 – 100,000	164
100,001 and over	39
	748

(ii) There were 108 holders of less than a marketable parcel of ordinary shares.

C. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders	Ordinary shares	
	Number held	Percentage of shares issued
CHEMICAL TRUSTEE LIMITED	8,551,439	15.4%
VICKY TEOH	8,435,693	15.2%
BARINGS ACCEPTANCE LIMITED	7,371,832	13.3%
ANGLO AUSTRALIAN CHRISTIAN & CHARITABLE FUND	6,276,040	11.3%
TIE LIM SUNG	5,396,017	9.7%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,636,681	2.9%
SOUTH SEAS HOLDINGS PTY LTD	1,345,430	2.4%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,224,333	2.2%
ANDREW W O'KEEFE	1,000,000	1.8%
TAN TEIK WEI	811,607	1.5%
CVC LIMITED	647,492	3.5%
NORMANDY FINANCE & INVESTMENTS ASIA LIMITED	577,381	1.0%
HENRY TOWNSING	515,270	0.9%
REDBROOK NOMINEES PTY LTD	363,375	0.7%
BFA PTY LTD	327,591	0.6%
LAND REAL PTY LIMITED	281,563	0.5%
CITICORP NOMINEES PTY LTD	271,399	0.5%
KANGIARA PTY LIMITED	252,268	0.5%
ABEVILLE INVESTMENTS PTY LTD	246,480	0.4%
SYCAMOOR PTY LIMITED	237,857	0.4%

D. VOTING RIGHTS

The Company's Constitution details the voting rights of members and states that every member, present in person or by proxy, shall have one vote for every ordinary share registered in his or her name.

CORPORATE DIRECTORY

Board of Directors

Henry Townsing

Acting Chairman
Non-Executive Director

Andrew O'Keefe

Managing Director

Jonathan Tooth

Non-Executive Director

Shane Teoh

Non-Executive Director

Company Secretary

Chin L Khoo

Company Secretary
Chief Financial Officer

Registered Office

Australian Head Office

Unit 1/ 102,
Bath Road Kirrawee
NSW 2232
T: 61 2 9545 2633
F: 61 2 9545 1311

Asian Regional Office

No. 23, Jalan Jurunilai U1/20
Hicom Glenmarie Industrial Park
Seksyen U1
40150 Shah Alam
Selangor Darul Ehsan
Malaysia
T: 60 3 5569 6323
F: 60 3 5569 2393

Securities Exchange Listing

The ordinary shares of Vita Life Sciences Limited are listed on the Australian Securities Exchange Ltd

(code: VLS)

Auditor

Nexia Sydney Audit Pty Limited
Level 16, 1 Market Street
Sydney NSW 2000

Banker

National Australia Bank Limited
Westpac Banking Corporation

Solicitor

Mark J Ord
Lawyer & Consultant
68 Dorcas Street
Southbank VIC 3006

Share Registry

Next Registries
Level 16, 1 Market Street
Sydney NSW 2000
T: 61 2 9276 1700
F: 61 2 9251 7138

Change of Address

Shareholders who have changed address should advise our share registry in writing.

Annual Report Mailing

Shareholders who do not want the annual report or who are receiving more than one copy should advise the share registry in writing.

Vita Life Sciences Website

Vita Life Sciences has a website containing information about the Company, its Business and Products.

www.vitalifesciences.com

Corporate Governance Statement

www.vitalifesciences.com/investors/#governance



Vita Life Sciences Limited

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