VITA LIFE SCIENCES ANNUAL REPORT 2016

VITA LIFE SCIENCES

Vita Life Sciences Limited
ABN 35 003 190 421

CONTENTS

Who is Vita Life Sciences?	4
Chairman's Letter	6
Managing Director's Review	7
Directors' Report	10
Auditor's Independence Declaration	22
Corporate Governance Statement	23
Consolidated Statement of Comprehensive Income	35
Consolidated Statement of Financial Position	36
Consolidated Statement of Cash Flows	37
Consolidated Statement of Changes in Equity	38
Notes to the Financial Statements	40
Directors' Declaration	82
Independent Auditor's Report	83
ASX Additional Information	87
Corporate Directory	90

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 Super 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 China, Hong Kong, Thailand, Vietnam 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 50 million plus population 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.

VITA LIFE SCIENCES

VitaHealth®
Enriching Lives

herbsofgold™
Dedicated to your health

VITASCIENCE
THE SCIENCE OF HEALTHY LIVING

CHAIRMAN'S LETTER

Dear Shareholder,

In 2016 your Company continued to maintain its healthy financial base and its reputation for product and service excellence.

The strong financial position has enabled the Company to reduce group borrowings to $2.5m and declare a final unfranked dividend of 2.25 cents per share, bringing the full 2016 financial year dividend payout to 3.75 cents per share. Overall the Company returned $2.3m to shareholders in 2016 through the combination of dividends and the ongoing share buyback programme.

Much has been written about Australian vitamin, mineral and food supplement products and the Chinese market. Your Directors view China as being central to fulfilling Company growth objectives. Our highly regarded Herbs of Gold brand is now well placed to penetrate the China market as a result of entering into an exclusive arrangement in January 2017 with Jointown Pharmaceutical Group Co Ltd for the distribution of products in China. Directors are aiming to build a successful long term partnership with Jointown, one of China's largest pharmaceutical companies.

The Company's managing director, Mr Eddie Tie retired in December 2016. The group's strong financial position and operational performance is a direct result of Mr Tie's foresight, energy and commitment and on behalf of shareholders, the Board thanks him for his 12 years of service.

Mr Andrew O'Keefe has taken over as the Company's managing director, having been the CEO of the group's Australian Herbs of Gold business. Whilst the group's strategy remains to build a sustainable multi-brand, multi-Australian Asian business your Board has charged Mr O'Keefe with the responsibility for ensuring the Company grows sales and profit. As such, Mr O'Keefe is conducting a strategic review of all facets of our business and by mid-year the Board expects to update shareholders on Mr O'Keefe's initiatives.

In conclusion, our senior management team is positioning the Company for the next stage of its lifecycle and growth and your Directors are confidently looking forward to our business reaching new levels.

Henry Townsing
Acting Chairman
29 March 2017

MANAGING DIRECTOR'S REVIEW

MANAGING DIRECTOR'S REVIEW

Dear Shareholder,

I am very excited to be appointed to the position of Managing Director of Vita Life Sciences Limited and its subsidiaries ("Vita Life Sciences" or "the Group") effective 1 January 2017. I have been in the fortunate position to hit the ground running as I have been acting as Managing Director of the Group since 24 October 2016 and originally commenced work with the Group as CEO of the Australian business, Herbs of Gold, in November 2014.

My appointment signals a significant period of change for the organisation. The Board and management acknowledge the importance of setting a strategy agenda that supports growth within the business. As such, the business will undergo a comprehensive strategic review of its operations and brand positioning for the core markets including Australia, Malaysia and Singapore. The review will be completed within the first half of 2017.

Already a number of strategic decisions have been made and approved by the Board. These include approval to appoint a new CEO responsible to manage all South East Asian markets designed to play a vital role in driving our performance within established and emerging markets. In addition the Malaysian central facility will move into the final stage of completion with the incorporation of a packing line and laboratory providing greater control over the supply chain of our Malaysian brand.

Of significant note in terms of our strategic plan is the announcement in January 2017 that our highly regarded Herbs of Gold brand is now well placed to penetrate the China market as a result of entering into an exclusive arrangement with Jointown Pharmaceutical Group Co Limited ("Jointown") for the distribution of products in China. We are aiming to build a successful long term partnership with Jointown which is one of China's largest pharmaceutical companies.

Turning to the results for FY16, Vita Life Sciences recorded revenue of $37.9m and EBIT of $5.7m in FY16, down 1.8% and 6.5% respectively on FY15. Pleasingly the Group continued to generate substantial gross operating cash of $5.4m, a direct result of strict financial management and discipline. Included in EBIT for FY16 is a lump sum payment of $0.4m to recently retired Managing Director's (Mr Tie) company in recognition of his outstanding services over the past 12 years and a write back of share based payment reserve of $0.2m due to cancellations of employee Long Term Incentive Plan shares.

On the basis of sustained margins and EBITDA to cash conversion in FY16 of 90%, Directors have declared a final dividend of 2.25 cents per share (unfranked) for the 2016 financial year. This brings the 2016 total dividend to 3.75 cents per share (2015: 3.75 cents per share).

Other key financial results were:

- The Australian business was the Group's standout performer, achieving a record EBIT.
- Continued prudent financial management with the Company maintaining a net cash balance sheet, while:
  - Returning $2.3m to shareholders through dividend payments and the share buyback; and
  - Reducing borrowings associated with the Malaysian central facility to $2.5m.

MANAGING DIRECTOR'S REVIEW CONTINUED

Australia

The financial results from Australian operations were pleasing with EBIT increasing to $3.8m, up 19.9% on FY15.

The revenue base of the Herbs of Gold brand was sustained in a competitive environment, and rollout of the Vita Science brand in the pharmacy channel continued. The sale of Herbs of Gold under international distribution agreements continues to develop and evolve in line with China's regulatory environment. Strong EBIT was achieved as a result of the focus on high quality products and continued leveraging of the fixed cost base.

The primary strategy for Australia in 2016 remains unchanged and is to maintain our point of differentiation in the Australian healthcare OTC market by continuing to distribute unique premium ingredient product formulations through Healthcare retailers. This policy positions the Group for long term growth and sustainability in a mature and competitive market.

Malaysia

Revenue and EBIT declined by 1.3% and 8.1% respectively when compared to FY15. However when excluding Multi Level Marketing, revenue and EBIT increased by 7.5% and 10.6% respectively. The revenue base was sustained in continued difficult economic and trading conditions.

Overall, the Malaysian result is satisfactory given the difficult economic and trading conditions in FY16.

Singapore

Revenue and EBIT declined by 6.3% and 23.9% respectively in FY16 after a strong result in FY15. Revenue and EBIT margins were impacted by challenging trading conditions and aggressive competitive pressures. Advertising and promotional expenses were increased to maintain retail support.

Other Asia

Revenue in the Group's expansion markets, namely China, Thailand, Vietnam and Indonesia, contracted to $2.2m in FY16, or by 5.8% when compared to FY15. The modest contribution from these markets is primarily attributed to the inability of the Group to obtain registration of products in China under its new regulatory regime. Vietnam continued to outperform.

Outlook for 2017

Given the Company's diverse operating platform the Directors intend to provide more detailed guidance mid-way through the year.

Andrew O'Keefe
Managing Director
29 March 2017

DIRECTORS' REPORT

YOUR DIRECTORS SUBMIT THEIR REPORT FOR THE YEAR ENDED 31 DECEMBER 2016.

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
Non-Executive Director
Company Secretary
Acting Chairman
Dip Val

Mr Townsing brings over 20 years experience in corporate finance and private equity. He was a Director of Vita Life 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 when Mr Gould stepped down as the Chairman.

Mr Townsing was appointed as the Company Secretary effective 16 January 2017.

Mr Townsing lives in Melbourne.

Mr Andrew O'Keefe
Managing Director
Dip.Mkt Mgt

Mr O'Keefe was appointed as Acting Managing Director on 24 October 2016 and became Managing Director on 1 January 2017 upon the retirement of Mr Tie.

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

Mr O'Keefe resides in Sydney.

Mr Vanda R Gould
Non-Executive Director
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 serves as Chairman of the Audit and Risk, Board Nomination and Remuneration Committees.

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 serves 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.

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, Austock Group Limited (since May 2012) and Sensera Limited (since ASX listing on 23 December 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 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 Eddie L S Tie
Managing Director
FCPA (Australia), FCCA (UK), CPA (M), CA (M), CFP, EMBA

Mr Tie has over 25 years of experience in hotel and property development, manufacturing and education sectors, including holding key leadership positions as Managing Director and Chief Executive Officer. Earlier in his career he was the Finance Director for a regional subsidiary of a multinational information technology company and General Manager of Finance of a publicly listed company in Malaysia. Mr Tie acted as Chairman from October 2013 to May 2014, when Mr Gould resumed the role.

Mr Tie was appointed as the Managing Director of Vita Healthcare Asia Pacific Sdn Bhd and Vita Life Sciences Limited on 18 January 2005 and 1 January 2007 respectively. Mr Tie retired as the Managing Director on 31 December 2016.

Mr Tie lives in Kuala Lumpur, Malaysia.

DIRECTORS' REPORT

INTERESTS IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE

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 Director's report date
Mr Eddie L S Tie	BI	4,363,500
	NBI	30,000
Mr Vanda R Gould (1)	NBI	10,195,152
Mr Henry G Townsing	BI	15,270
	NBI	1,038,597
Mr Jonathan J Tooth	NBI	226,157
Mr Andrew O'Keefe	BI	200,000
Mr Shane Teoh	NBI	8,435,693

BI: Beneficial Interest NBI: Non beneficial interest

(1) 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.

DIVIDENDS

On 17 February 2017, the Directors declared a final unfranked dividend of 2.25 cents per share totalling $1,239,935 in respect of the financial year ended 31 December 2016 (2015: unfranked dividend of 2.25 cents per share totalling $1,244,000), paid on 23 March 2017. An unfranked interim dividend of 1.5 cents per share was paid on 30 September 2016 (2015: unfranked 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 2015 and 12 May 2016, 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 2016, the Company bought back 167,109 shares for total consideration of $217,327, excluding costs of $2,173.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Dividends

On 17 February 2017, the Directors declared a final unfranked dividend of 2.25 cents per share totalling $1,239,935 in respect of the financial year ended 31 December 2016 (2015: unfranked dividend of 2.25 cents per share totalling $1,244,000), paid on 23 March 2017.

Unlisted Options

On 3 January 2017, unlisted options convertible to ordinary shares in the Company were granted as key incentive to Mr Liyang Liu, a key executive based in China, as per Option Deed dated 3 January 2017, set out below:

FAIR VALUE AT GRANT DATE

Tranche	Number granted	Grant Date	Exercise Price ($)	Per right ($)	Full Value ($)	First Vesting Date*	Expiry Date
1	2,208,000	3/1/17	1.275	0.3297	727,978	anytime after the date of Option Deed (DOD)	12 months from DOD
2	1,106,000	3/1/17	2.000	0.3898	431,119	12 months after DOD	18 months from DOD
3	1,106,000	3/1/17	2.500	0.4416	488,410	18 months after DOD	24 months from DOD
TOTAL	**4,420,000**				**1,647,506**		

* Not subject to any performance hurdles.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Unlisted Options Continued

The expected volatility was determined using historic data over a 1 year period from January 2016 to December 2016.

If all the options are exercised by Mr Liyang Liu, share capital of $8,289,000 will be raised by no later than 3 January 2019.

FUTURE DEVELOPMENTS AND RISKS

The Board and management acknowledge the importance of setting a strategy agenda that supports growth within the business. As such, the business will undergo a comprehensive strategic review of its operations and brand positioning for the core markets including Australia, Malaysia and Singapore. The review will be completed within the first half of 2017.

Already a number of strategic decisions have been made and approved by the Board including approval to appoint a new CEO responsible to manage all South East Asian markets designed to play a vital role in driving our performance within established and emerging markets.

In addition the Malaysian central facility will move into the final stage of completion with the incorporation of a packing line and laboratory providing greater control over the supply chain of our Malaysian brand.

Of significant note in terms of our strategic plan is that Herbs of Gold brand products are now well placed to penetrate the China market as a result of entering into an exclusive arrangement with Jointown Pharmaceutical Group Co Limited ("Jointown") in January 2017 for the distribution of products in China.

The Board has continued confidence in the Company's strategies, in the capability of the 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.

The Company is also wary of the potential challenges ahead including the continued need to satisfy consumers and meet high quality standards. 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 very competitive and characterised by many companies supplying much of the global market requirements. Vita Life's reputation for high quality 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 country 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 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 $33,250 (2015: $17,000).

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.

DIRECTORS' REPORT

ENVIRONMENTAL REGULATIONS

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

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 Committe Meetings		Board nomination committee		Renumeration Committee Meetings	
	Held by members	Attended	Held by members	Attended	Held by members	Attended	Held by members	Attended
Mr Vanda R Gould	9	9	3	3	2	2	2	2
Mr Jonathan J Tooth	9	9	3	3	*	*	*	*
Mr Henry G Townsing	9	8	*	*	2	2	2	2
Mr Eddie L S Tie	9	7	*	*	*	*	*	*
Mr Shane Teoh#	4	4	*	*	*	*	*	*
Mr Andrew O'Keefe	9	4	*	*	*	*	*	*

* Not a member of the committee.
# Mr Teoh was appointed on 4 October 2016 and attended all board meeting since his appointment.

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.

Nexia Sydney Audit Pty Limited (and its associates) received or are due to receive the following amounts for the provision of non-audit services:

	$'000
Tax compliance services	8
Share registry services	20
TOTAL	**28**

ROUNDING OFF

In accordance with Australian Securities and Investments Commission (ASIC) ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, dated 1 April 2016, the amounts in the financial report and Directors' Report have 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.

SHAREHOLDING 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 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.

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 for all existing non-executive Directors during the financial year was $97,565 (2015:$76,000). These fees are within the aggregate remuneration of $150,000 (2015:$100,000) for all non-executive Directors as approved by shareholders at the Annual General Meeting (AGM) held on 12 May 2016 (2015: AGM held on 6 July 2006).

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.

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 incentive; and
  - Long term incentive.

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 800,000 plan shares equivalent to 1.4% 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.

Employment contracts

Managing Director

The Managing Director, Mr Tie, is employed under a rolling contract which commenced in January 2005.

The principal terms of Mr Tie's contract are:

- Fixed remuneration of RM556,270 (including superannuation) or AUD $180,770 at the prevailing exchange rates for the year ended 31 December 2016. The remuneration is reviewed by the Remuneration Committee on a yearly basis.
- Mr Tie is entitled to receive Plan shares subject to shareholders' approval. Refer to note 23, Share Based Payment Plans of the financial statements for information on Plan shares issued to Mr Tie.
- Mr Tie may be entitled to receive a bonus on achieving certain benchmarks and targets.
- The Company may terminate Mr Tie's employment agreement by providing 6 months' written notice. Mr Tie may resign by providing three months' written notice.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred.
- Mr Tie is entitled to a redundancy payment equivalent to 12 months of his remuneration if any of the following events occur:
  - The Company ceases its control or ownership of any of the established business units;
  - More than 50% of Directors retire or those who retire sell more than 50% of their shares in the Company;
  - A change in control of the Company resulting in Mr Tie reporting to another entity or other parties; or
  - A shareholder gains Board representation and the Group business plan changes substantially.

Business Intelligence & Support Inc. (BISI), a company in which Mr Eddie L S Tie is a Director, and therefore a related party, provides international business advisory, sales, marketing and promotional services to the Group and therefore receives consultancy fees from the Group.

Mr Tie retired as the Managing Director on 31 December 2016.

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 AU$438,000 (including superannuation) for the year ended 31 December 2017. 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 23, 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 to 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

REMUNERATION OF KEY MANAGEMENT PERSONNEL (AUDITED)

2016	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 Company Secretary	28,008	-	39,829	-	-	67,837	59%
Mr Eddie LS Tie Managing Director Mr Tie's remuneration is comprised of:							
- Employment Contract	151,705	-	(28,520)	-	29,065	152,250	-19%
- Related party service (1)	1,117,225	-	-	-	-	1,117,225	n/a
Mr Vanda R Gould Non-executive Director	40,992	-	-	-	-	40,992	n/a
Mr Jonathan J Tooth Non-executive Director	23,000	-	-	-	-	23,000	n/a
Mr Shane Teoh Non-executive Director	5,598	-	-	-	-	5,598	n/a
Total Directors Compensation (2)	**1,366,528**	**-**	**11,309**	**-**	**29,065**	**1,406,902**	**1%**
Key Management Personnel							
Andrew O'Keefe (3) CEO- Australia	272,398	35,000	38,286	5,077	18,783	369,544	20%
Dr Koay Suat Ling (4) General Manager - Business and Product Development	44,023	12,024	-	-	6,934	62,981	19%
Michelle Koh (5) Senior Vice President - Malaysia MLM	74,727	13,907	(54,400)	-	11,389	45,623	-89%
Dr. Purnawati Wibawa, MM (6) Director - Indonesia	32,843	1,825	-	-	-	34,668	5%
Chittaphat Yunanphong (7) Director - Thailand	28,181	1,886	-	-	-	30,067	6%
Total Key Management Compensation	**452,172**	**64,642**	**(16,114)**	**5,077**	**37,106**	**542,883**	**9%**
Grand total	**1,818,700**	**64,642**	**(4,805)**	**5,077**	**66,171**	**1,949,785**	**3%**

(1) Mr Tie's related company Business Intelligence & Support Inc. received consulting fees during the financial year, as disclosed at note 19(c)(i).

(2) Refer to Note 19 for transactions with companies related to Directors.

(3) Mr O'Keefe was appointed as the Managing Director effective 1 January 2017.

(4) Dr Koay Suat Ling resigned as General Manager – Malaysia on 16 August 2016.

(5) Ms Koh resigned as Senior Vice President – Malaysia MLM on 30 September 2016.

(6) Dr. Purnawati Wibawa became a member of the Key Management Personnel during 2016 due to her extensive duties and responsibilities.

(7) Mr Yunanphong became a member of the Key Management Personnel during 2016 due to his extensive duties and responsibilities.

TABLE 2: REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2015

2015	Short term employee benefits			Long term employee benefits	Post employment benefits Superannuation	Total	Performance Rated
	Salary & Fees	Bonus	Share based payments				
	$	$	$	$	$	$	%
Directors							
Mr Vanda R Gould Non-Executive Chairman	30,000	-	-	-	-	30,000	n/a
Mr Eddie L S Tie Managing Director Mr Tie's remuneration is comprised of:							
- Employment contract	135,435	-	28,520	-	40,631	204,586	14%
- Related party services (1)	493,175	-	-	-	-	493,175	n/a
Mr Henry G Townsing Non-Executive Director	23,000	-	71,300	-	-	94,300	n/a
Mr Jonathan J Tooth Non-Executive Director	23,000	-	-	-	-	23,000	n/a
Total Directors Compensation (2)	**704,610**	**-**	**99,820**	**-**	**40,631**	**845,061**	**12%**
Key Management Personnel							
Mr Edmund E M Sim Senior General Manager - Asian Business and Regulatory Affairs	258,261	42,766	55,250	-	13,991	370,268	26%
Mr Andrew O'Keefe CEO - Australia	254,216	35,000	38,286	300	18,783	346,585	21%
Ms Michelle Koh (3) Senior Vice President - Malaysia MLM	140,056	20,520	47,493	-	37,154	245,223	28%
Dr Koay Suat Ling General Manager - Business and Product Development	85,981	15,254	-	-	23,378	124,613	12%
Mr Tanakorn Chalermjiripas (4) General Manager - Thailand	65,476	4,868	27,200	-	-	97,544	33%
Total Key Management Compensation	**803,990**	**118,408**	**168,229**	**300**	**93,306**	**1,184,233**	**24%**
Grand total	**1,508,600**	**118,408**	**268,049**	**300**	**133,937**	**2,029,294**	**19%**

(1) Mr Tie's related company Business Intelligence & Support Inc. received consulting fees during the financial year, as disclosed at note 19(c)(i).

(2) Refer to Note 19 for transactions with companies related to Directors.

(3) Ms Koh became a member of key management personnel during 2015 due to her extensive duties and responsibilities.

(4) Mr Chalermjiripas resigned as General Manager – Thailand on 30 September 2015.

DIRECTORS' REPORT

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 2016 and 2015 financial years are as follows:

2016		At 1 January 2016	Purchases	LTIP Shares: Allocated / (cancelled) (1)	Disposal	At 31 December 2016 (2)
DIRECTORS						
Mr Eddie L S Tie (3)	Beneficial Interest	4,763,500	-	(400,000)	-	4,363,500
	Non beneficial interest	30,000	-	-	-	30,000
Mr Vanda R Gould (10)	Non beneficial interest	10,195,152	-	-	-	10,195,152
Mr Henry G Townsing	Beneficial Interest	15,270	-	-	-	15,270
	Non beneficial interest	1,477,729		(400,000)	(39,132)	1,038,597
Mr Jonathan J Tooth	Non beneficial interest	226,157	-	-	-	226,157
Mr Shane Teoh (4)	Non beneficial interest	4,604,894	3,830,799	-	-	8,435,693
KEY MANAGEMENT PERSONNEL						
Andrew O'Keefe (5)	Beneficial Interest	200,000	-	-	-	200,000
Ms Michelle Koh (6)	Beneficial Interest	160,000	-	(80,000)	-	80,000
Dr Koay Suat Ling (7)	Beneficial Interest	2,517	-	-	-	2,517
Total		**21,675,219**	**3,830,799**	**(880,000)**	**(39,132)**	**24,586,886**

2015		At 1 January 2015	Purchases	LTIP Shares: Allocated / (cancelled) (1)	Disposal	At 31 December 2015 (2)
DIRECTORS						
Mr Eddie L S Tie (3)	Beneficial Interest	4,330,500	33,000	400,000	-	4,763,500
	Non beneficial interest	30,000	-	-	-	30,000
Mr Vanda R Gould (10)	Non beneficial interest	10,155,152	40,000	-	-	10,195,152
Mr Henry G Townsing	Beneficial Interest	15,270	-	-	-	15,270
	Non beneficial interest	477,729		1,000,000	-	1,477,729
Mr Jonathan J Tooth	Non beneficial interest	226,157	-	-	-	226,157
KEY MANAGEMENT PERSONNEL						
Mr Edmund E M Sim (9)	Beneficial Interest	433,810	8,000	(162,500)	-	279,310
Ms Michelle Koh (6)	Beneficial Interest	160,000	80,000	(80,000)	-	160,000
Andrew O'Keefe (5)	Beneficial Interest	-	-	200,000	-	200,000
Dr Koay Suat Ling (7)	Beneficial Interest	35,517	-	-	(33,000)	2,517
Mr Tanakorn Chalermjiripas (8)	Beneficial Interest	160,000	-	(80,000)	-	80,000
Total		**16,024,135**	**161,000**	**1,277,500**	**(33,000)**	**17,429,635**

1 Refer to note 23 to the financial statements for details of Long Term Incentives.

2 Any Directors or Key Management Personnel as disclosed in the remuneration tables at pages 18 and 19 who are not explicitly referenced in the tables above did not hold any ordinary shares in the Company for the periods shown.

3 400,000 of Mr Tie's Long Term Incentive Plan Shares were cancelled during 2016, as the 2015 and 2016 financial year performance hurdle was not met. The final shareholding disclosed for Mr Tie is at the date of retirement on 31 December 2016.

4 Mr Teoh was appointed as a Non Executive Director of company on 4 October 2016.

5 Mr O'Keefe was appointed as a Managing Director of company on 1 January 2017.

6 80,000 of Ms Koh's Long Term Incentive Plan Shares were cancelled during 2016, as the 2015 financial year performance hurdle was not met. The final shareholding disclosed for Ms. Koh's is at the date of resignation on 30 September 2016.

7 Dr Koay Suat Ling resigned on 16 August 2016 and the final shareholding is at the date of resignation.

8 80,000 of Mr Chalermjiripas' Long Term Incentive Plan Shares were cancelled during 2015 financial year since the performance conditions were not met. Mr Chalermjiripas resigned on 30 September 2015.

9 162,500 of Mr Sim's Long Term Incentive Plan Shares were cancelled during 2015 financial year since the performance conditions were not met. Mr Sim resigned on 31 March 2015.

10 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.

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 2016.

2016	Number of LTIP shares on issue	Fair value at grant date	Exercise price per LTIP share	Amount payable	Term	Expiry Date	Performance Hurdle
DIRECTORS							
Mr Andrew O'Keefe (1)	200,000	0.67	1.60	320,000	3.5 years	30/6/2018	Cumulative PBT of HoG AU for 3 years ending 31 December 2015, 31 December 2016 and 31 December 2017 exceeds $13,600,000
Mr Henry Townsing	600,000	0.39	1.60	960,000	3 years	30/6/2018	Cumulative PBT of VSC (exc investment division) for 3 years ending 31 December 2015, 31 December 2016 and 31 December 2017 being not less than $25,000,000
Total	**800,000**			**1,280,000**			

(1) Mr O'Keefe was appointed as the Managing Director on 1 January 2017

OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT AS COMPENSATION

No options or rights have been granted to Directors or Key Management Personnel during the financial year to the date of the signing this report.

END OF REMUNERATION REPORT

Signed in accordance with a resolution of the Directors.

Andrew O'Keefe
Managing Director
29 March 2017

Nexia Australia

The Board of Directors
Vita Life Sciences Limited
Suite 650, Level 6
1 Queens Road, St Kilda Towers
MELBOURNE NSW 3004

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 2016, 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 Ltd

Stephen Fisher
Director

Dated: 29 March 2017

Nexia Sydney Audit Pty Ltd
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Nexia Sydney Audit Pty Ltd (ABN 77 606 785 399) is an independent firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd, deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes NEXIA) are not part of a worldwide partnership.

The trademarks NEXIA INTERNATIONAL, NEXIA and the NEXIA logo are owned by Nexia International Limited and used under licence.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

The policies and practices of the Company are in accordance with the ASX Corporate Governance Council's "*Corporate Governance Principles and Recommendations (3rd Edition)*" (ASX Guidelines) unless otherwise stated. Key disclosures as required under the Corporate Governance Principles and Recommendations are outlined in the Company's Appendix 4G, which has been released together with this Annual Report, with disclosures included either in this Corporate Governance Statement or on the Company's website. These documents are available at **www.vitalifesciences.com**

The Directors of Vita Life Sciences Limited are responsible for the corporate governance of the Vita Life Group ("Group"). The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Corporate Governance Statement below has been set out using the same headings used in the ASX Guidelines. The Corporate Governance Statement is current at the date of approval of this Annual Report and has been approved by the Board.

To assist the Board in fulfilling its duties and responsibilities, it has established the following committees:

- Audit and Risk Committee;
- Board Nomination Committee; and
- Remuneration Committee.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Board Role & Responsibilities (Principle 1.1)

Principle 1.1 recommends that listed entities should disclose the respective roles and responsibilities of its Board and management, including matters expressly reserved to the Board and those delegated to management. The Company has adopted a Board Charter, a copy of which it makes publicly available on its website, which outlines the principle functions of the Company's Board.

The Company's Constitution requires a minimum of three Directors and a maximum of nine Directors. As at 31 December 2016, there were four non-executive Directors and one executive Director, in conformity with the Company's policy that the Board has a majority of non-executive Directors. The terms and conditions of appointment and retirement of Directors are set out in the Company's Constitution. The Board believes that its membership should have enough Directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities.

Board Role And Responsibilities

The Board is responsible to shareholders and investors for the Group's overall corporate governance. The Board has established and approved a Board Charter. Under this Charter the Board is responsible for:

- Considering and approving the corporate strategies proposed by the Managing Director and monitoring their implementation;
- Approving, overseeing and monitoring financial and other reporting to shareholders, investors, employees and other stakeholders of the Company;
- Ensuring that the Company has the

appropriate human, financial and physical resources to execute its strategies;

- Appointing and monitoring the performance of, and removing the Managing Director;
- Ratifying the appointment, and where appropriate, the removal of the Chief Financial Officer (or equivalent) and / or Company Secretary;
- Reviewing the effectiveness of the Company's policies and procedures regarding risk management, including internal controls and accounting systems; and
- Ensuring appropriate governance structures are in place including standards of ethical behaviour and a culture of corporate and social responsibility.

Directors' Appointment (Principle 1.2)

Recommendations for nominations of new Directors are made by the Board Nomination Committee and considered by the Board in full. Mr Townsing and Mr Gould were members of the Board Nomination Committee during the financial year and Mr Gould is Chairman of the Committee. Board membership is reviewed annually by the Committee to ensure the Board has appropriate mix of qualifications, skills and experience. External advisers may be used in this process. Candidates are appointed by the Board and must stand for election at the next general meeting of shareholders. Shareholders are provided with relevant information on the candidates for election. The Board Nomination Committee reviews appointment criteria from time to time and makes recommendations concerning the re-election of any Director by shareholders.

Vita Life Sciences undertakes appropriate background and screening checks prior to nominating a Director for election by shareholders, and provides to shareholders all material information in its possession concerning the Director standing for election or re-election in the explanatory notes accompanying the notice of meeting.

Terms Of Appointment (Principle 1.3)

The term of appointment for each non-executive director of the Company shall be the period commencing on appointment and expiring when the director is next required to stand for election by the shareholders, or a period of 3 years, whichever is the lesser. At each AGM of the Company, subject to ASX Listing Rule 14.4, at least one director must retire from office, excluding 1) a Director who is a Managing Director; and 2) a Director appointed by the Directors under rule 9.1 (b) of the Company's Constitution and is standing for election. Board support for a Director's re-election is not automatic and is subject to satisfactory Director performance (in accordance with the evaluation process described for Principle 1.6). The Board Nomination Committee conducts a peer review of those Directors during the year in which that Director will become eligible for re-election. The Company has a written agreement with each Director and Senior Executive setting out the terms of their appointment. Further details of key executive terms are outlined in the Remuneration Report.

Company Secretary (Principle 1.4)

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed. All Directors have direct access to the Company Secretary. The appointment and removal of the Company Secretary is a matter for decision by the Board.

Diversity Policy (Principle 1.5)

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity, recognises the benefits arising from employee and Board diversity, the importance of benefiting from all available talent and has established a diversity policy which is available at www.vitalifesciences.com

The Company is required to report on matters relating to diversity, in particular Board diversity. The Company has a formal diversity policy, setting out a number of broad objectives:

- Introduce processes to ensure that diversity commitments are implemented appropriately;
- Implement processes to ensure transparency in the selection of qualified employees, senior management and Board candidates with regard to Company's diversity profile and objectives;
- Ensure that recruitment strategies allow the Company to maximise its opportunities to target diverse and appropriately qualified employees and that selection committee members understand the importance of diversity;
- Develop clear criteria on behavioural expectations in relation to promoting diversity;
- Recognise and cater for employees that may have special requirements (such as family member responsibilities) as part of the Company's overall diversity objectives;
- Consider whether the work environment is likely to attract a diversity of individuals; and
- Facilitate a corporate culture that embraces diversity and recognises employees at all levels have responsibilities outside of the workplace.

CORPORATE GOVERNANCE STATEMENT

The Board has set the following measurable objectives for achieving gender diversity:

- Promote flexible work practices to provide managers and staff with the tools to tailor flexible work options that suit both the business and the individual's personal requirements;
- Select new staff, development, promotion and remuneration based solely on performance and capability; and
- Annually assess gender diversity performance against objectives set by the Remuneration Committee.

The Company considers gender diversity to be a priority, and is committed to building a strong representation of female employees throughout the Group, including executive management. Specific objectives are aimed at women participating in senior leadership roles through identification and mentorship of talented female employees with a view of promotion to management. The Company is making good progress in achieving these objectives.

The proportion of women employees in various positions in the Group as at 31 December 2016 are as follows:

	2016	2015
Whole organisation	87%	89%
Senior Executives	65%	75%
Board of Directors	0%	0%

The Company considers the current combination of skills, experience and expertise when assessing the composition of the Board of Directors and deems the present Board to have a mix appropriate to its needs. Should a change to the composition of the Board be required, the Company will consider a mix of men and women to be shortlisted for the new position.

Board & Committee Performance (Principle 1.6)

The Chairman conducts a review of Board and Committee Performance at least once each calendar year. Matters covered in the annual performance review include:

- The Board's contribution to developing strategy and policy;
- Interaction between the Board and management, and between Board members;
- The Board's processes to monitor business performance and compliance, control risk and evaluate management;
- Board composition and structure; and
- The operation of the Board, including the conduct of Board meetings, Board Committee meetings and Group behaviours.

Senior Executive Performance (Principle 1.7)

Vita Life's processes require that reviews be undertaken in respect to all staff at least annually for the purpose of reviewing activities and setting key focus areas, goals and targets for the coming year. All Senior Executives participated in the review process in the financial year in accordance with the process.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Nomination Committee (Principle 2.1)

The Board Nomination Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Vita Life's website. The Board Nomination Committee performs review procedures to assist the Board in fulfilling its oversight responsibility to shareholders by ensuring that the Board comprises individuals best able to discharge the responsibilities of Directors having regard to the law and the highest standards of governance. The Committee as delegated by the Board is responsible for:

- Developing and reviewing policies on Board composition, strategic function and size;
- Performance review process of the Board, its Committees and individual Directors;
- Developing and implementing induction programs for new Directors and ongoing education for existing Directors;
- Developing eligibility criteria for nominating Directors;
- Recommending appointment of Directors of the Board;
- Reviewing Director independence; and
- Succession planning for the Board.

The number of times the Board Nomination Committee has formerly met and the number of meetings attended by Directors during the financial year are reported in the Directors' Report.

Board Composition (Principles 2.2 & 2.3)

The Company's Board comprises a majority of non-executive Directors. The Board has a range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, including details of Director backgrounds is contained within the Directors' Report.

In addition to the information outlined on page 11, Table 1 below sets out specific relevant skills and experience of the Board collectively.

Table 1 - Areas of competence and skills of the Board of Directors

Area	Competence
Leadership	Business leadership, public listed company experience
Business & Finance	Accounting, business strategy, competitive business analysis, corporate financing, legal, mergers & acquisitions, commercial agreements, risk management
Market & Industry	Healthcare industry expertise
Healthcare Products	Product development, product life cycle management, product formulation
Sustainability & Stakeholder Management	Corporate governance, human resources, remuneration
International	International business management, International geographical experience

Director Independence (Principle 2.4)

Using the criteria recommended by the ASX Guidelines, all four of the Company's non-executive Directors (Mr Gould, Mr Townsing, Mr Tooth and Mr Teoh) are independent Directors. Any change in Director's interest is disclosed in accordance with ASX Listing Rules. The Company's policies allow Directors to seek independent advice at the Company's expense.

The Company recognises that independent Directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the Directors against specific criteria to decide whether they are in a position to exercise independent judgement. Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, the exercise of their unfettered and independent judgement. Materiality is assessed on a case-by-case basis by reference to each Director's individual circumstances rather than general materiality thresholds.

In assessing independence, the Board considers whether the director has a business or other relationship with the Company, directly or as a partner, shareholder or officer of a Company or other entity that has an interest or a business relationship with the Company or another Vita Life Sciences Group member.

Mr Gould, Mr Tooth, Mr Townsing and Mr Teoh meet the Recommendations' various tests of independence. Therefore, there is a majority of independent non-executive Directors and independent Directors on the Board.

Independence Of Chairman (Principle 2.5)

The Chairman of the Board, Mr Townsing who was appointed to the role of Acting Chairman on 13 October 2016, is an independent non-executive Director and there is a clear division of responsibility between the Chairman and the CEO/ Managing Director. Mr Townsing holds approximately 1.9% of the Company's Shares (recommendations permit 5%).

The Chairman is elected by the full Board of Directors and is responsible for:

- Leadership of the Board;
- The efficient organisation and conduct of the Board's functions;
- The promotion of constructive and respectful relations between Board members and between the Board and management;
- Contributing to the briefing of Directors in relation to issues arising at Board meetings;
- Facilitating the effective contribution of all Directors; and
- Committing the time necessary to effectively discharge the role of the Chairman.

Director Induction & Training (Principle 2.6)

New Directors receive a letter of appointment and a deed of access and indemnity. The letter of appointment outlines ASX's expectations of Directors with respect to their participation, time commitment and compliance with ASX policies and regulatory requirements. An induction process for incoming directors is coordinated by the Company Secretary. The Board receives regular updates at Board meetings, industry workshops, meetings with customers and site visits. These assist Directors to keep up-to-date with relevant market and industry developments.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

Code Of Conduct (Principle 3.1)

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;

CORPORATE GOVERNANCE STATEMENT

- Be responsible and accountable for their actions; and
- Observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

The Company has a Code of Conduct which is published on its website. The Code is reviewed annually and updated where appropriate.

In accordance with the *Corporations Act 2001* and the Company's Constitution, Directors must keep the Board advised of any interest that could potentially conflict with those of the Company. In the event that a conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Audit Committee (Principle 4.1)

The role of the Audit and Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements, internal control structure, risk management procedures and the external audit function. The Audit and Risk Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Vita Life's website, at www.vitalifesciences.com

The Audit and Risk Committee comprises two Directors, who are non-executive Directors. The non-executive Directors are Mr Vanda Gould, Chairman of the Audit Committee and Mr Jonathan Tooth. The qualifications of the committee are located in the Directors Report. The Audit Committee's responsibilities include:

- Reviewing procedures, and monitoring and advising on the quality of financial reporting (including accounting policies and financial presentation);
- Reviewing the proposed fees, scope, performance and outcome of external audits. However, the auditors are appointed by the Board;
- Reviewing the procedures and practices that have been implemented by management regarding internal control systems;
- Ensuring that management have established and implemented a system for managing material financial and non-financial risks impacting the Company;
- Reviewing the corporate governance practices and policies of the Company; and
- Reviewing procedures and practices for protecting intellectual property (IP) and aligning IP to strategy.

The Board does not comply with the ASX requirement to have at least three members on the Audit and Risk Committee. The Board believes that the experience that Mr Gould and Mr Tooth have in the finance industry adequately mitigates this non-compliance.

The number of times the Audit and Risk Committee has formerly met and the number of meetings attended by Directors during the financial year are reported in the Directors' Report.

The Audit and Risk Committee monitors and reviews:

- The effectiveness and appropriateness of the framework used by the Company for managing operational risk;
- The adequacy of the Company's internal controls including information systems controls and security;
- The adequacy of the process for reporting and responding to significant control and regulatory breaches;
- The effectiveness of the compliance function in ensuring adherence to applicable laws and regulations, including the action of legal and regulatory developments which may have a significant impact;
- Operational risk issues; and
- Action plans to address control improvement areas.

Managing Director & CFO Assurance (Principle 4.2)

The Managing Director and Chief Financial Officer provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management and internal controls are operating efficiently and effectively in all material respects.

Auditor Attendance (Principle 4.3)

The Company's external auditor, Nexia Sydney Audit Pty Limited, has and will continue to attend the Annual General Meeting in order to be available to answer questions from security holders relevant to the conduct of the audit and the preparation and content of the Auditor's Report.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial

situation, performance, ownership and governance. The Company's market disclosure policy approved by the Board governs how the Company communicates with shareholders and the market. Shareholders are encouraged to participate in general meetings.

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Investor Relations (Principles 6.1 – 6.4)

The Company has developed a framework for communicating with shareholders which has been followed during the financial year, as outlined in its Shareholder Communications Policy. Where possible and practical, the Company communicates with Shareholders using its website and email.

This policy includes provision for communications by the Company to:

- Be factual and subject to internal vetting and authorisation before issue;
- Be made in a timely manner;
- Not omit material information;
- Be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions; and
- Be in compliance with ASX Listing Rules continuous disclosure requirements.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

The Company publishes on its website the annual reports, profit announcements, press releases and notices to meeting to encourage shareholder and investor participation in Vita Life. The Group commits to facilitating shareholder participation in shareholder meetings, and dealing with shareholder inquiries.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Risk Commitee (Principle 7.1)

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures. The Company recognises four main types of risk:

- Market risk, relates to the risk to earnings from changes in market conditions including economic activity, interest rates, investor sentiment and world events.
- Operational risk, relates to inadequacy of or a failure of internal processes, people or systems or from external events.
- Credit risk, relates to the risk that the other party to a transaction will not honour their obligation; and
- Regulatory risk, relates to the risk that there may be changes to legislation (including but not limited to laws which relate to corporations and taxation) in the future which restricts or limits in some way the Company's activities.

The Board, based on the recommendations of the Managing Director, Mr O'Keefe, makes decisions on investments for the Company. The Board considers that the general retention by it of the power to make the final investment or divestment decision by 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 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; and
- Regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

Risk Management Framework (Principle 7.2)

The Board has required management to design and implement a risk management and internal control system to identify and manage the Group's material business risks and to report to it on whether those risks are being managed effectively. The Board reviewed the Company's risk management framework in this financial year to satisfy itself that the framework continues to be sound.

CORPORATE GOVERNANCE STATEMENT

Internal Audit (Principle 7.3)

Assurance is provided to the Board by senior management on the adequacy and effectiveness of management controls for risk. The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business.

The Group does not currently have any internal audit function. The Board considers that at the Company's current stage of growth and size there is no particular benefit to appointing internal audit and in the alternative seeks independent advice as it considers appropriate. In all other respects, the Company complies with the recommendations set out in Principle 7.

Risk Management (Principle 7.4)

The Company monitors its exposure to all risks, including economic, environmental and social sustainability risks. Material business risks are described in the Director's report, which also outlines the Company's activities, performance during the year, financial position and main business strategies. This specific report and the Annual Report overall provide further details about how the Group manages its economic, environmental and social sustainability risks which are reviewed by the Audit and Risk Committee and also by the Board periodically.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee (Principle 8.1)

The Remuneration Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Vita Life's website, at www.vitalifesciences.com

The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, senior executives and non-executive Directors. Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights and responsibilities. Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance contribution to long-term growth, relevant comparative information and independent expert advice. As well as base salary, remuneration packages may include superannuation and retirement and termination entitlements.

The Remuneration Report, which has been included in the Directors' Report, provides information on the Group's remuneration policies and payment details for Directors and key management personnel. The Board does not comply with the ASX requirement to have at least 3 members on the Committee. The Board believes that the combined experience that Mr Gould and Mr Townsing possess adequately mitigates this requirement.

The number of times the Remuneration Committee has formerly met and the number of meetings attended by Directors during the financial year are reported in the Directors' Report.

Remuneration Policies (Principles 8.2 – 8.3)

The Remuneration Committee is responsible for reviewing the compensation arrangements for the Managing Director and other key personnel. The Remuneration Committee is also responsible for reviewing management incentive schemes, superannuation, retirement and termination entitlements, fringe benefits policies, and professional indemnity and liability insurance policies. The nature and amount of each element of the fee or salary of each director and each of the Company's officers and executives are set out in the Remuneration Report on page 15 to 21. Non-executive Directors' fees and payments are reviewed annually by the Board. Executive Directors are, subject to the information above, paid in salary or fees.

The Company does offer an equity based remuneration scheme to executives and staff. The Long Term Incentive Plan ("Plan") and Mr Tie's participation in the Plan as a Director of the Company were approved by shareholders at the Annual General Meetings held on 31 May 2007, 21 May 2009, 20 May 2010 and 16 May 2012 in Melbourne.

The Plan was refreshed at the 2014 Annual General Meeting held in Sydney on 22 May 2014, and includes Mr Tie (retired on 31 December 2016) and Mr Townsing's participation as Directors. The purpose of the Plan is to attract, retain and motivate employees and officers of the Company to drive performance at both the individual and corporate level. Any further participation by Directors in the Plan will require shareholders' approval in accordance with the ASX Listing Rules.

Participants of this Plan are not permitted to enter into transactions (whether through the use of derivatives, hedging or otherwise) which limit the economic risk of participating in this Plan.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Checklist for summarising the best practise recommendations and compliances

Principle 1: Lay solid foundations for management and oversight

ASX Principle		Compliance
1.1	A listed entity should disclose:	COMPLY
	(a) the respective roles and responsibilities of its board and management; and	
	(b) those matters expressly reserved to the board and those delegated to management.	
1.2	A listed entity should:	COMPLY
	(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	
	(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	COMPLY
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	COMPLY
1.5	A listed entity should:	COMPLY
	(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;	
	(b) disclose that policy or a summary of it; and	
	(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:	
	(i) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or	
	(ii) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	
1.6	A listed entity should:	COMPLY
	(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	
	(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	
1.7	A listed entity should:	COMPLY
	(a) have and disclose a process for periodically evaluating the performance of its senior executives; and	
	(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	

Principle 2: Structure the board to add value

ASX Principle		Compliance
2.1	The board of a listed entity should:	DO NOT COMPLY
	(a) have a nomination committee which:	
	(i) has at least three members, a majority of whom are independent directors; and	
	(ii) is chaired by an independent director,	
	and disclose:	
	(iii) the charter of the committee;	
	(iv) the members of the committee; and	
	(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	
	(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	COMPLY
2.3	A listed entity should disclose:	COMPLY

CORPORATE GOVERNANCE STATEMENT

	(a) the names of the directors considered by the board to be independent directors;	
	(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	
	(c) the length of service of each director.	
2.4	A majority of the board of a listed entity should be independent directors.	**COMPLY**
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	**COMPLY**
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	**COMPLY**

Principle 3: Act ethically and responsibly

ASX Principle		Compliance
3.1	A listed entity should:	**COMPLY**
	(a) have a code of conduct for its directors, senior executives and employees; and	
	(b) disclose that code or a summary of it.	

Principle 4: Safeguard integrity in financial reporting

ASX Principle		Compliance
4.1	The board of a listed entity should:	
	(a) have an audit committee which:	**DO NOT COMPLY**
	(i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	
	(ii) is chaired by an independent director, who is not the chair of the board,	
	and disclose:	
	(iii) the charter of the committee;	
	(iv) the relevant qualifications and experience of the members of the committee; and	
	(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	
	(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	**COMPLY**
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	**COMPLY**

Principle 5: Make timely and balanced disclosure

ASX Principle		Compliance
5.1	A listed entity should:	**COMPLY**
	(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	
	(b) disclose that policy or a summary of it.	

Principle 6: Respect the rights of security holde

ASX Principle		Compliance
6.1	A listed entity should provide information about itself and its governance to investors via its website.	**COMPLY**

6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	**COMPLY**
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	**COMPLY**
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	**COMPLY**

Principle 7: Recognise and manage risk

ASX Principle		**Compliance**
7.1	The board of a listed entity should:	**DO NOT COMPLY**
	(a) have a committee or committees to oversee risk, each of which:	
	(i) has at least three members, a majority of whom are independent directors; and	
	(ii) is chaired by an independent director,	
	and disclose:	
	(iii) the charter of the committee;	
	(iv) the members of the committee; and	
	(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	
	(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	**COMPLY**
7.2	The board or a committee of the board should:	**COMPLY**
	(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	
	(b) disclose, in relation to each reporting period, whether such a review has taken place.	
7.3	A listed entity should disclose:	**DO NOT COMPLY**
	(a) if it has an internal audit function, how the function is structured and what role it performs; or	
	(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	**COMPLY**

Principle 8: Remunerate fairly and responsibly

ASX Principle		**Compliance**
8.1	The board of a listed entity should:	**DO NOT COMPLY**
	(a) have a remuneration committee which:	
	(i) has at least three members, a majority of whom are independent directors; and	
	(ii) is chaired by an independent director,	
	and disclose:	
	(iii) the charter of the committee;	
	(iv) the members of the committee; and	
	(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	
	(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	**COMPLY**
8.3	A listed entity which has an equity-based remuneration scheme should:	**COMPLY**
	(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and	
	(b) disclose that policy or a summary of it.	

2016 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2016	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
Continuing operations			
Sale of goods		37,858	38,584
Cost of sales		(11,700)	(11,430)
Gross profit		26,158	27,154
Other income	4 (a)	242	37
Distribution expenses		(3,438)	(3,470)
Marketing expenses		(2,708)	(2,960)
Occupancy expenses		(921)	(893)
Administrative expenses	4 (b)	(13,275)	(13,506)
Other expenses	4 (c)	(368)	(254)
Share of associate's profit/(loss)		12	(13)
Profit from continuing operations before interest and taxes		5,702	6,095
Finance income	4 (d)	100	161
Finance costs	4 (e)	(165)	(254)
Profit before income tax		5,637	6,002
Income tax expense	6	(2,301)	(1,651)
Net profit for the year		3,336	4,351
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		(523)	(690)
Other comprehensive (loss)/income for the year, net of income tax		(523)	(690)
Total comprehensive income for the year		**2,813**	**3,661**
Net profit/(loss) for the year attributable to:			
Non-controlling interest		(7)	(40)
Members of the parent		3,343	4,391
		3,336	4,351
Total comprehensive income attributable to:			
Non-controlling interest		(1)	(6)
Members of the parent		2,814	3,667
		2,813	3,661
Earnings per share (cents per share)			
- basic earnings per share	5	6.06	7.89
- diluted earnings per share	5	5.88	7.69

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	9,411	9,734
Trade and other receivables	8	6,234	6,482
Inventories	9	5,421	6,593
Other assets	10	683	715
Total Current Assets		**21,749**	**23,524**
Non Current Assets			
Other assets	10	23	5
Investment in associates	11	925	937
Property, plant and equipment	12	9,381	7,629
Intangible assets	13	76	86
Deferred tax assets	6 (c)	205	207
Total Non Current Assets		**10,610**	**8,864**
Total Assets		**32,359**	**32,388**
LIABILITIES			
Current Liabilities			
Trade and other payables	14	4,208	5,785
Interest bearing loans and borrowings	15	279	243
Current tax liability		1,758	178
Provisions	16	602	663
Total Current Liabilities		**6,847**	**6,869**
Non Current Liabilities			
Deferred Tax Liability	6 (c)	51	21
Interest bearing loans and borrowings	15	2,181	2,567
Provisions	16	105	55
Total Non Current Liabilities		**2,337**	**2,643**
Total Liabilities		**9,184**	**9,512**
Net Assets		**23,175**	**22,876**
EQUITY			
Contributed equity	17	44,692	44,911
Accumulated losses		(20,590)	(21,863)
Employee share based payments reserve reserve	18 (a)	733	958
Foreign currency translation reserve	18 (b)	(1,702)	(1,180)
Parent entity interest		**23,133**	**22,826**
Non-controlling interest		42	50
Total Equity		**23,175**	**22,876**

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 2016	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		41,583	42,341
Payments to suppliers and employees		(36,188)	(36,579)
Income tax paid		(689)	(835)
Interest received		100	161
Borrowing costs		(112)	(165)
Net cash flows provided by operating activities	**7(d)**	**4,694**	**4,923**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	20
Purchase of property, plant and equipment		(2,214)	(879)
Net cash flows used in investing activities		**(2,214)**	**(859)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from external borrowings		2,741	2,811
Repayment of external borrowings		(3,091)	(3,355)
Proceeds from issue of shares		-	88
Dividends Paid		(2,070)	(1,947)
Shares bought back (net of costs)		(219)	(606)
Net cash flows used in financing activities		**(2,639)**	**(3,009)**
Net (decrease)/increase in cash and cash equivalents		(159)	1,054
Net foreign exchange differences		(164)	(479)
Cash and cash equivalents at beginning of the year		9,734	9,158
Cash and cash equivalents at end of the year	**7**	**9,411**	**9,734**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2016	Note	Contributed Equity $'000	Employee Share Based Payments 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 2016		44,911	958	(21,863)	(1,180)	22,826	50	**22,876**
Comprehensive income								
Profit attributable to members of parent entity		-	-	3,343	-	3,343	(7)	**3,336**
Other comprehensive income/(loss) for the year		-	-	-	(522)	(522)	(1)	**(523)**
Total comprehensive income for the year		-	-	3,343	(522)	2,821	(8)	**2,813**
Transactions with owners, in their capacity as owners								
Shares bought back		(219)	-	-	-	(219)	-	**(219)**
Repayment of loans on Employee share option scheme		-	-	-	-	-	-	**-**
Employee share option scheme		-	(225)	-	-	(225)	-	**(225)**
Dividends paid	17(e)	-	-	(2,070)	-	(2,070)	-	**(2,070)**
Total transactions with owners		(219)	(225)	(2,070)	-	(2,514)	-	**(2,514)**
Balance at 31 December 2016		**44,692**	**733**	**(20,590)**	**(1,702)**	**23,133**	**42**	**23,175**

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY (CONTINUED)**

2015	Note	Contributed Equity $'000	Employee Share Based Payments 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 2015		45,429	704	(24,307)	(357)	21,469	96	**21,565**
Comprehensive income								
Profit attributable to members of parent entity		-	-	4,391	-	4,391	(40)	**4,351**
Other comprehensive income/(loss) for the year		-	-	-	(823)	(823)	(6)	**(829)**
Total comprehensive income for the year		-	-	4,391	(823)	3,568	(46)	**3,522**
Transactions with owners, in their capacity as owners								
Shares bought back		(606)	-	-	-	(606)	-	**(606)**
Repayment of loans on Employee share option scheme		88	-	-	-	88	-	**88**
Employee share option scheme		-	254	-	-	254	-	**254**
Dividends paid	17(e)	-	-	(1,947)	-	(1,947)	-	**(1,947)**
Total transactions with owners		(518)	254	(1,947)	-	(2,211)	-	**(2,211)**
Balance at 31 December 2015		44,911	958	(21,863)	(1,180)	22,826	50	**22,876**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

The financial report of Vita Life Sciences Limited for the year ended 31 December 2016 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 VSC. 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.

(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 2016. Interests in associates are equity accounted and are not part of the consolidated Group. The Group considers an entity a subsidiary when the Group is exposed to or has rights to variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity.

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.

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

(d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising from the issue of equity instruments are recognised directly in equity.

Except for non-current assets classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the consolidated statement of comprehensive income,

but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present values as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) 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, Swiss Bio Pharma Sdn Bhd, Vitaron Jaya 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, VitaHealth (Thailand) Co Ltd and Vita Life Sciences (Thailand) Co Ltd are Thai Baht and VitaHealth (Vietnam) Company Limited is Vietnamese Dong.

(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.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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

(g) Trade and other receivables

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

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. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(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

Plant and equipment is measured at cost less accumulated depreciation and impairment losses.

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 measured. All other repairs and maintenance are charged to the Consolidated 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.

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

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.

(j) Goodwill and intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

From the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses recognised for goodwill are not subsequently reversed.

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:

	Patents and licences	Development costs
Useful lives	Indefinite	Finite
Method used	Not depreciated or revalued	3 years – Straight line
Internally generated or Acquired	Acquired	Internally generated
Impairment test or Recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end annually for indicator of impairment

(k) 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 that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(l) Trade and other payables

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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) Leases

Finance leases

Leases of fixed assets, which substantially transfer to the Group all the risks and benefits incidental to ownership of the leased item, but not the legal ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease.

(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

Revenue is recognised (net of returns, discounts and allowances excluding distribution costs) when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Consequently, transfers of goods to major distributors are considered as consignment inventory and revenue is only recognised upon the achievement of "in-market" sales.

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

(s) Investments in associates

The Group's investment in associates is accounted for using the equity method of accounting in the Consolidated Financial Statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems significant influence over an entity to exist if the Group has the power to participate in the financial and operating decisions of the entity but is not in control or joint control.

Under the equity method, investments in the associates are carried in the Consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reductions in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made

payments on behalf of the associate.

The reporting date of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(t) Income and other 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.

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.

Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except:

- Where the GST incurred is not recoverable from the Australian Taxation Office ("ATO"), 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.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB139: *Recognition and Measurement of Financial Instruments.*

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 rights to receive cash flows from the asset have expired;
- 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.

Impairment

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.

Impairment Reversal

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.

(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.

(x) Comparative figures

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

(y) Rounding of amounts

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

(z) 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 2016-1: Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Lossess [AASB 112]

This Standard amends AASB 112 Income Taxes to clarify the circumstances in which the recognition of deferred tax assets may arise in respect of unrealised losses on debt instruments measured at fair value.

AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This Standard amends AASB 107 Statement of Cash Flows to include additional disclosures and reconciliation relating to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Applicable to annual reporting periods beginning on or after 1 January 2017.

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

Amendments were to 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 2018 by AASB 2015-10. This amended Standard is not expected to have a significant impact on the Group's financial statements.

Classification and Measurement of Share–based Payment Transactions (AASB 2016-5)

Amendments were made to AASB 2 Share-based Payment which clarify how to account for cash-settled share-based payments with performance conditions, modifications that change a cash-settled arrangement to an equity-settled arrangement, and equity-settled awards that include a 'net settlement' feature which requires employers to withhold amounts to settle the employee's tax obligations

Applicable to annual reporting periods beginning on or after 1 January 2018.

AASB 9: Financial Instruments and associated Amending Standards

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

Applicable to annual reporting periods beginning on or after 1 January 2018.

AASB 15: Revenue from Contracts with Customers

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Applicable to annual reporting periods beginning on or after 1 January 2018.

AASB 16: Leases

AASB 16 replaces AASB 117 Leases and set out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the

underlying leased asset and a lease liability representing its obligations to make lease payments.

A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

This Standard applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided the entity also applies AASB 15 Revenue from Contracts with Customers at or before the same date.

Although the Directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

(aa) 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 2016:

AASB 1057: Application of Australian Accounting Standards

This Standard deletes the application paragraphs previously contained in each Australian Accounting Standard (or interpretation) and moves them into this Standard. The application requirements of each other Australian Accounting Standard have not been amended.

AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual reporting periods beginning on or after 1 January 2016)

This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method as per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 31 December 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity upon initial application of the Standard.

AASB 2014-4: Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)

These amendments to AASB 116 and AASB 138 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The standard also clarified that revenue is generally presumed to be an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

AASB 2014-6: Agriculture: Bearer Plants (Amendments to AASB 116 and AASB 141)

AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants amends AASB 116 and AASB 141 to add a definition of bearer plant and includes bearer plants within the scope of AASB 116 instead of AASB 141.

AASB 2014-9: Equity Method in Separate Financial Statements (Amendments to AASB 127)

Amends IAS 27 to permit entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

AASB 2015-1: Annual Improvements to Australian Accounting Standards 2012-2014

This Standard makes amendments to various Accounting Standards arising from the IASB's Annual Improvements process, namely:

AASB 5 – changes in methods of disposal from sale to distribution

AASB 7 – applicability of disclosures to servicing contracts and interim financial statements

AASB 119 – clarifies that the government bond rate used in measuring employee benefits should be those denominated in the same currency

AASB 134 – permits the cross referencing of disclosures elsewhere in the financial report

AASB 2015-2: Amendments to

Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

AASB 2015-5: Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

The Standard amends AASB 10, AASB 12 and AASB 128:

a) to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of AASB 10 is available to a parent entity that is a subsidiary of an investment entity;

b) to clarify the applicability of AASB 12 to the financial statements of an investment entity; and

c) to introduce relief in AASB 128 to permit a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

AASB 2015-9: Amendments to Australian Accounting Standards – Scope And Application Paragraphs

These amendments correct previous drafting errors resulting from the introduction of AASB 1057 and reintroduce the scope paragraphs of AASB 8 and AASB 133 into those Standards.

There is no change to the requirements or the applicability of AASB 8 and AASB 133.

(ab) 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.

Capitalised development costs

Included in intangible assets (Note 13) at the end of the year is an amount of $76,000 (2015: $86,000) relating to capitalised development cost. Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

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).

Recoverability of associate investment in Mitre Focus Sdn Bhd

At the end of each reporting period, the Group reviews the carrying amounts of its investment in associate to determine whether there is any indication that it has suffered impairment loss. If the recoverable amount of the investment is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. OPERATING SEGMENTS

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 China, Hong Kong, Thailand, Vietnam and Indonesia. It also includes an investment operation managed from the Republic of Ireland which is in respect of a property development business conducted via an associate entity in Malaysia. There are no revenues from that investment operation in 2016 or 2015 financial years.

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 31 December 2016 and 31 December 2015.

3. OPERATING SEGMENTS

Geographical segment (continued)

	Australia $'000	Singapore $'000	Malaysia $'000	Others $'000	Corporate $'000	Total $'000
Year ended 31 December 2016						
Revenue						
Sales to external customers	15,630	5,856	14,196	2,176	-	37,858
Total segment revenue	15,630	5,856	14,196	2,176	-	37,858
Segment results						
Earnings before interest and tax	3,873	1,567	1,751	(1,396)	(105)	5,690
Net interest	41	(3)	(99)	(3)	(1)	(65)
Share of profit of associates	-	-	-	12	-	12
Profit before income tax						5,637
Income tax expense						(2,301)
Net profit for the year						**3,336**
Assets and liabilities						
Segment assets	13,255	1,297	17,113	1,353	(1,584)	31,434
Investment in associates	-	-	-	925	-	925
Unallocated assets						-
Total assets						32,359
Segment liabilities	3,252	665	4,555	224	488	9,184
Total liabilities						9,184
Other segment information						
Capital expenditure	(9)	(17)	(2,169)	(19)	-	(2,214)
Depreciation	(8)	(14)	(192)	(32)	-	(246)
Amortisation	-	-	(17)	(3)	-	(20)

3. OPERATING SEGMENTS

Geographical segment (continued)

	Australia $'000	Singapore $'000	Malaysia $'000	Others $'000	Corporate $'000	Total $'000
Year ended 31 December 2015						
Revenue						
Sales to external customers	15,640	6,252	14,381	2,311	-	38,584
Total segment revenue	15,640	6,252	14,381	2,311	-	38,584
Segment results						
Earnings before interest and tax	3,588	2,060	1,905	(999)	(446)	6,108
Net interest	56	(2)	(141)	(6)	-	(93)
Share of loss of associates	-	-	-	(13)	-	(13)
Profit before income tax						6,002
Income tax expense						(1,651)
Net profit for the year						**4,351**
Assets and liabilities						
Segment assets	10,638	2,658	16,538	1,617	(845)	31,451
Investment in associates						937
Unallocated assets						-
Total assets						32,388
Segment liabilities	3,381	631	5,298	202	502	9,512
Total liabilities						9,512
Other segment information						
Capital expenditure	(32)	(22)	(779)	(46)	-	(879)
Depreciation	(9)	(17)	(57)	(15)	-	(98)
Amortisation	-	-	(14)	(2)	-	(16)

4. REVENUE AND EXPENSES

	2016 $'000	2015 $'000
(a) Other income		
Realised (loss)/gain on foreign exchange	(20)	17
Unrealised gain on foreign exchange	61	-
Other income	201	20
	242	37
(b) Administrative expenses		
Legal and other professional fees	(385)	(336)
Consultants	(1,364)	(806)
Allowance for impairment loss	(14)	13
Wages, salaries and other employee expenses	(9,435)	(10,563)
Defined contribution superannuation expense	(1,208)	(752)
Travelling expenses	(309)	(265)
Share based payment income / (expense)	225	(254)
Depreciation	(246)	(98)
Amortisation	(20)	(16)
Other administrative expenses	(519)	(429)
	(13,275)	(13,506)
(c) Other expenses		
Product registration costs	(365)	(250)
Loss on disposal of property, plant and equipment	(3)	(4)
	(368)	(254)
(d) Finance income		
Interest received - external parties	100	161
	100	161
(e) Finance expenses		
Interest expense - external parties	(112)	(165)
Bank charges	(53)	(89)
	(165)	(254)

5. EARNINGS PER SHARE

	2016 cents	2015 cents
Basic earnings per share	6.06	7.89
Diluted earnings per share	5.88	7.69

	2016 $'000	2015 $'000
Net profit attributable to equity holders from continuing operations	3,336	4,351
Net profit attributable to equity holders from discontinued operations	-	-
Profit/(loss) attributable to non-controlling interest	7	40
Earnings used to calculate basic and dilutive earnings per share	**3,343**	**4,391**

	2016 Number	2015 Number
Weighted average number of ordinary shares for basic earnings per share	55,204,372	55,641,822
Adjusted weighted average number of ordinary shares for diluted earnings per share. Long Term Incentive Plan shares are classified as dilutive for the purposes of this calculation.	56,858,538	57,063,906

6. INCOME TAXES

(a) Income tax expense

	2016 $'000	2015 $'000
The major components of income tax expense are:		
Income Statement:		
Current income tax		
Current income tax charge	1,859	1,541
Prior year under / (over) provision	428	44
Deferred income tax		
Write back of deferred tax assets	-	100
Adjustment of deferred tax of prior periods	(19)	-
Relating to origination and reversal of temporary differences	33	(34)
Income tax expense reported in the income statement	**2,301**	**1,651**

6. INCOME TAXES

(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:

	2016 $'000	2015 $'000
Total accounting profit before income tax	5,637	6,002
At the parent entity's statutory income tax rate of 30% (2015: 30%)	1,691	1,801
Adjustment in respect of current income tax of previous year	428	44
Write back of deferred tax assets	-	100
Foreign tax rate adjustment	(125)	(127)
Travel and staff amenities expenses	1	22
Share based payments	(68)	80
Other income/(expenditure) not allowable for income tax purposes	161	(210)
Adjustment of deferred tax of prior periods	(19)	-
Deferred tax asset recognised during financial year	33	(46)
Tax losses and timing differences not brought to account / (recognised)	199	(13)
Aggregate income taxes	**2,301**	**1,651**
The applicable weighted tax rates are as follows:	41%	28%

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

	2016 $'000	2015 $'000
Deferred tax assets/ (liabilities)		
Doubtful debts	5	3
Inventory obsolescence	15	21
Provision for annual leave	65	55
Provision for long service leave	32	17
Other provision	37	90
Net deferred tax assets/ (liabilities)	**154**	**186**
Presented in the consolidated Statement of Financial Position as follows:		
Deferred tax assets	205	207
Deferred tax liabilities	(51)	(21)
	154	**186**

(d) Tax losses

The Group has carry forward tax losses of SGD$17.4 million (A$16.7m) (2015: SGD $18.9 million (A$18.3)) 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 defaults 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.

(ii) Tax effect accounting by members of the tax consolidated group

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.

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.

Tax consolidation contributions / (distributions)

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

	2016 $'000	2015 $'000
Total increase in intercompany receivable of Vita Life Sciences Limited	1,245	1,244

7. CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
Cash at bank and in hand (a)	7,697	8,097
Short term deposit (b)	1,714	1,637
Total cash and cash equivalents	**9,411**	**9,734**

(a) Cash at bank of $7,697,000 (2015: $8,097,000) 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 $9,411,000 (2015: $9,734,000).

(d) Information pertaining to the Cash Flow Statement:
i) Reconciliation of net profit after tax to net cash flows from operations:

	2016 $'000	2015 $'000
Net profit after tax	**3,336**	**4,351**
Adjustments for non-cash income and expense items:		
Depreciation	246	98
Amortisation	20	16
Net loss on disposal of property, plant & equipment	3	(20)
Shared based payment (income)/expense	(225)	254
Allowance for / (reversal of) impairment loss	14	(13)
	3,394	**4,686**
Increase/decrease in assets and liabilities:		
Decrease / (increase) in inventories	1,172	(1,581)
(Increase) / decrease in investment in associates	(12)	13
Decrease / (Increase) in receivables	216	(408)
Decrease / (Increase) in other assets	32	(117)
Decrease in deferred tax balances	32	1,204
Increase / (decrease) in current income tax payable	1,580	(261)
(Decrease) / increase in trade and other payables	(1,593)	1,473
(Decrease) / increase in other liabilities	(11)	126
Effect of foreign exchange translation of assets and liabilities	(116)	(212)
Net cash provided by operating activities	**4,694**	**4,923**

ii) Non-cash financing and investing activities:

During the year ended 31 December 2016, 1,122,500 Long Term Incentive Plan (LTIP) Shares expired and were cancelled. Refer to Note 23 for further details.

During the year ended 31 December 2015, 1,600,000 LTIP Shares were issued to certain Key Management Personnel by way of loans. Refer to Note 23 for further details.

8. TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Current		
Trade receivables, third parties	4,899	4,844
Allowance for impairment loss (a)	(35)	(21)
	4,864	4,823
Other receivables:		
Other receivables (b)	1,350	1,641
Net tax receivable	20	18
	6,234	6,482

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 to 90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment expense of $14,000 (2015: impairment benefit of $13,000) has been recognised by the Group. These amounts have been included in the administrative expenses.

Movement in the provision for impairment loss were as follows:

	2016 $'000	2015 $'000
At 1 January	21	34
Charge (benefit) for the year	14	(13)
At 31 December	35	21

(b) Other receivables are non-interest bearing and have repayment terms between 30 to 90 days. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) 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.

(d) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risks exposure are disclosed in Note 22.

9. INVENTORIES

	2016 $'000	2015 $'000
Current		
Raw materials at cost	1,143	1,620
Finished goods at lower of cost and net realisable value	4,278	4,973
	5,421	**6,593**

10. OTHER ASSETS

	2016 $'000	2015 $'000
Current		
Prepayments	441	406
Security deposits	242	309
	683	715
Non-Current		
Other assets	23	5
	706	**720**

11. INVESTMENT IN ASSOCIATE

	2016 $'000	2015 $'000
Non-Current		
Unlisted		
– Mitre Focus Sdn Bhd (a)	925	937
Investment in associate	**925**	**937**

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

	2016 $'000	2015 $'000
Mitre Focus Sdn Bhd		
– Investment in associate at cost	–	–
– Loan to associate	880	904
– Cumulative share of associate's profit	45	33
Carrying value of investment in associate	**925**	**937**

11. INVESTMENT IN ASSOCIATE CONTINUED

(b) Investment details

	Measurement Method	Place of Incorporation / Business	31 December 2016 %	31 December 2015 %
Name of Company				
Unlisted				
- Mitre Focus Sdn Bhd				
	Equity Method	Malaysia	6.3	6.3

Mitre Focus Sdn Bhd is an investment holding company incorporated in Malaysia, with a principal investment of a property project in Malaysia.

Notwithstanding the fact that the Group holds an effective equity interest of 6.3% in Mitre Focus Sdn Bhd, the Directors consider the Group's representation on Mitre Focus Sdn Bhd's Board with associated participation in the policy making process of the Company demonstrates significant influence over Mitre Focus Sdn Bhd.

(c) Summarised financial information

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

	2016 $'000	2015 $'000
Extract from the associate's statement of financial position:		
Current assets	5,168	4,852
Non - current assets	1,640	1,971
	6,808	6,823
Current liabilities	(4,292)	(4,379)
Non - current liabilities	–	(160)
	(4,292)	(4,539)
Net assets	2,516	2,284
Share of associate's net assets	**159**	**144**
Extract from the associate's income statement:		
Revenue	3,190	2,869
Net profit/(loss)	188	(209)
Other comprehensive income	–	–
Total comprehensive income/(loss)	188	(209)

11. INVESTMENT IN ASSOCIATE (CONTINUED)

(d) The reporting date of the associate is 31 December 2016. The reporting date coincides with the Company's reporting date.

(e) The loan to the associate is interest free and has no fixed repayment term.

(f) As at 31 December 2016, there are no contingent liabilities relating to the associate.

12. PROPERTY, PLANT AND EQUIPMENT

	Property and Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased Plant and Equipment $'000	Total $'000
Year ended 31 December 2016					
At 1 January 2016 net of accumulated depreciation and impairment	7,316	13	266	34	7,629
Additions	1,444	11	759	-	2,214
Disposals	-	-	(2)	-	(2)
Exchange differences	(206)	(1)	(1)	(6)	(214)
Depreciation / amortisation for the year	(33)	(11)	(196)	(6)	(246)
At 31 December 2016 net of accumulated depreciation and impairment	**8,521**	**12**	**826**	**22**	**9,381**
At 31 December 2016					
Cost value	8,551	83	1,945	146	10,725
Accumulated depreciation and impairment	(30)	(71)	(1,119)	(124)	(1,344)
Net carrying amount	**8,521**	**12**	**826**	**22**	**9,381**

	Property and Buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Leased Plant and Equipment $'000	Total $'000
Year ended 31 December 2015					
At 1 January 2015 net of accumulated depreciation and impairment	6,705	34	171	-	6,910
Additions	611	7	233	28	879
Disposals	-	(10)	(10)	-	(20)
Exchange differences	-	(2)	(52)	12	(42)
Depreciation / amortisation for the year	-	(16)	(76)	(6)	(98)
At 31 December 2015 net of accumulated depreciation and impairment	**7,316**	**13**	**266**	**34**	**7,629**
At 31 December 2015					
Cost value	7,316	419	2,121	147	10,003
Accumulated depreciation and impairment	-	(406)	(1,855)	(113)	(2,374)
Net carrying amount	**7,316**	**13**	**266**	**34**	**7,629**

13. INTANGIBLE ASSETS

	Product Development costs $'000	Total $'000
Year ended 31 December 2016		
At 1 January 2016 net of accumulated depreciation and impairment	86	86
Additions	16	16
Impairment / amortisation	(20)	(20)
Exchange differences	(6)	(6)
At 31 December 2016 net of accumulated depreciation and impairment	**76**	**76**
At 31 December 2016		
Gross carrying amount	291	291
Accumulated amortisation and impairment	(215)	(215)
Total	**76**	**76**

	Product Development costs $'000	Total $'000
Year ended 31 December 2015		
At 1 January 2015 net of accumulated depreciation and impairment	97	97
Additions	28	28
Impairment / amortisation	(16)	(16)
Exchange differences	(23)	(23)
At 31 December 2015 net of accumulated depreciation and impairment	**86**	**86**
At 31 December 2015		
Gross carrying amount	321	321
Accumulated amortisation and impairment	(235)	(235)
Total	86	86

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 expenses". 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.

14. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current		
Trade payables (a)	1,287	2,849
Net tax payable	264	280
Other payables and accruals	2,657	2,656
	4,208	**5,785**

(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 22.

15. INTEREST BEARING LOANS AND BORROWINGS

	2016 $'000	2015 $'000
Current		
Property facility - secured (a)	279	243
	279	**243**
Non - Current		
Property facility - secured (a)	2,181	2,567
	2,181	**2,567**

At the balance date, the following financing facilitates had been negotiated and were available:

	2016 $'000	2015 $'000
Total facilities available:		
Property facility (a)	2,984	3,071
Bank overdrafts (b)	200	200
	3,184	**3,271**
Facilities utilised at balance date:		
Property facility (a)	2,460	2,810
	2,460	**2,810**
Facilities not utilised at balance date:		
Property facility (a)	524	261
Bank overdrafts (b)	200	200
	724	**461**

15. 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 2016 is fixed at 4.25% (2015: 4.25%) for a further term of 108 months from 1 January 2015. The facility is secured by a charge over the premises.

(b) Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 31 December 2016 is 9.47% p.a. (2015: 9.63% p.a.) The bank overdraft of the controlled entity is secured by way of a pledge of the short term deposits of the controlled entity.

(c) Fair value

Due to the short term nature of the bank overdraft, the carrying value is assumed to approximate the fair value.

In regards to the 10-year property facility loan, a further term of 7 years exists post 31 December 2016, which is secured by the charge over the premises. The carrying value of the loan approximates to the fair value amount.

(d) Interest rate, foreign exchange and liquidity risks

Details regarding the interest rate, foreign exchange and liquidity risks are disclosed in Note 22.

(e) Default and breaches

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

16. PROVISIONS

	Employee Entitlements $'000	Total $'000
Consolidated		
Balance at 1 January 2016	**718**	**718**
Charged during year	704	704
Used during year	(702)	(702)
Foreign exchange difference	(13)	(13)
Balance at 31 December 2016	**707**	**706**
At 31 December 2016		
Current	602	602
Non-Current	105	105
	707	**707**
At 31 December 2015		
Current	663	663
Non-Current	55	55
	718	**718**

(a) 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.

17. CONTRIBUTED EQUITY

	2016 Number	2015 Number	2016 $	2015 $
Issued and paid up capital				
Ordinary shares	**55,908,230**	**57,197,839**	**44,691,656**	**44,911,156**
Ordinary shares				
Balance at beginning of the year	57,197,839	56,466,189	44,911,156	45,428,667
Share buy back (a)	(167,109)	(625,850)	(219,500)	(605,511)
Cancellation of Plan Shares of certain:				
- Employees and Directors (b)	(1,122,500)	(242,500)	-	-
Issue of shares to employee / director (c)	-	1,600,000	-	-
Plan shares exercised	-	-	-	88,000
Balance at end of the year	**55,908,230**	**57,197,839**	**44,691,656**	**44,911,156**

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 167,109 ordinary shares were bought back for year ended 31 December 2016 as approved by the shareholders in the 12 May 2016 and 25 May 2015 Annual General Meetings at a total cost of $219,500 (2015: $605,511).

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

In 2014, the Company granted limited recourse loans and approved the issue of 645,000 ordinary shares to senior executives of the Group under the Long Term Incentive Plan.

During the financial year 2015, 2014 financial year performance hurdles relating to 242,500 Long Term Incentive Plan shares held by two key executives were reached, 80,000 of these shares were exercised, whilst the remaining 162,500 shares expired and were cancelled. In addition, 80,000 shares were cancelled due to 2014 financial year performance hurdles not reached.

In 2015, the Company granted limited recourse loans and approved the issue of 1,600,000 ordinary shares to senior executives of the Group under the Long Term Incentive Plan.

During the financial year 2016, 2015 and 2016 financial year performance hurdles relating to 322,500 and 560,000 Long Term Incentive Plan shares respectively were not reached and hence were cancelled. In addition, 240,000 shares were cancelled due to retirement of a senior executive.

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

During the year ended 31 December 2015, the Company approved loans to the Managing Director Mr Eddie Tie totalling $624,000 in order for Mr Tie to purchase a total of 400,000 shares under the Company's Long Term Incentive Plan.

During the year ended 31 December 2015, the Company approved loans to Executive Director Mr Henry Townsing totalling $1,560,000 in order for Mr Townsing to purchase a total of 1,000,000 shares under the Company's Long Term Incentive Plan.

The issue of these shares was authorized at the Company's Annual General Meeting held on 25 May 2015.

During the year ended 31 December 2015, the Company also approved loans to one senior executive of the Group totalling $320,000 in order for the executive to purchase a total of 200,000 shares under the Company's Long Term Incentive Plan.

The cost of the equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they were granted. The cost is recognised in the income statement 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 employees become fully entitled to the award (the vesting date).

For the full year ended 31 December 2016, the Company recognised net income of $225,071 (2015: net expense of $254,000) in the income statement with a corresponding decrease (2015: increase) 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 an unfranked interim dividend of 1.5 cents per share and an unfranked final dividend of 2.25 cents per share in respect of the financial year ended 31 December 2016 (2015: interim dividend of 1.5 cents unfranked and an unfranked final dividend of 2.25 cents).

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 2016.

	2016 Cents per Share	2015 Cents per Share	2016 $'000	2015 $'000
Fully paid ordinary shares				
Final dividend for the previous financial year				
- No franking credits attached	2.25	2.00	1,243	1,116
Interim dividend for the financial year				
- No franking credits attached	1.50	1.50	827	831
	3.75	**3.50**	**2,070**	**1,947**

The Group has no remaining imputation credits to distribute at 31 December 2016.

18. 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.

19. RELATED PARTY DISCLOSURE

(a) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included in note 20.

(b) Ultimate holding company

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

(c) Transactions with related parties

The total amount of transactions that were entered into with related parties for the relevant financial year were:

	2016 $'000	2015 $'000
Other transactions with related parties		
Business Intelligence & Support Inc (i)	1,117	493
CVC Venture Managers Pty Ltd (ii)	115	190
Pilmora Pty Ltd (iii)	29	23
Henslow Pty Ltd (iv)	23	23
Vanda Gould (v)	41	-
Shane Teoh (vi)	6	-

(i) During the financial year, Business Intelligence & Support Inc. (BISI), a company in which Mr Eddie L S Tie is a Director, and therefore a related party, provided international business advisory, sales, marketing and promotional services to the Group for a total amount of $1,117,225 (2015:$493,000). The total includes payment of $415,595 as a compensation for retirement of Mr Tie on 31 December 2016. An amount of $415,595 was payable as at 31 December 2016 (2015: A minor amount was payable (<$200)), and is included in trade and other creditors.

(ii) CVC Venture Managers Pty Ltd, a company in which Mr Henry Townsing is a Director and therefore a related party, was paid $115,000 (2015: $190,000) for consultancy services during the financial year. $Nil was payable as at 31 December 2016 (2015: $9,500).

(iii) Pilmora Pty Ltd, a company in which Mr Henry Townsing is a Director and therefore a related party, was paid $28,808 (2015: $23,000) for Director Fees during the financial year. An amount of $28,008 was payable as at 31 December 2016, and is included in trade and other creditors (2015: $23,000).

(iv) Henslow Pty Ltd, a company in which Mr Jonathan Tooth is a Principal and therefore a related party, was paid $23,000 (2015: $23,000) for Director Fees during the financial year. An amount of $9,475 was payable as at 31 December 2016, and is included in trade and other creditors (2015: $6,881).

(v) Mr. Vanda Gould had provided his services as a Director to the Group during the financial period. An amount of $39,242 was payable as at 31 December 2016 (2015: $nil).

(vi) Mr. Shane Teoh had provided his services as a Director to the Group during the financial period. An amount of $5,598 was payable as at 31 December 2016 (2015: $nil).

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

(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.

		Percentage of Equity Interest	
Name	Place of Incorporation	2016 %	2015 %
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 Institure of Health Pty Ltd (formerly Premier Foods Australia 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 (formerly Supplements World Pte Ltd)	Singapore	100	100
VitaHealth Laboratories (HK) Limited	Hong Kong	100	100
Vita Healthcare Asia Pacific Sdn Bhd	Malaysia	100	100
Swiss Bio Pharma Sdn Bhd	Malaysia	100	100
VitaHealth Biotech Sdn Bhd (formerly Vita ron Japya Sdn Bhd)	Malaysia	100	100
Vita Lifesciences Sdn Bhd (formerly known as Vitaherbs (M) 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	Hong Kong	100	100
VitaHealth (Macao Commercial Offshore) Limited	Hong Kong	100	100
Pharma Direct Sdn Bhd	Malaysia	100	100
PT. Vita Health Indonesia	Indonesia	100	100

20. 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 $
2016	1,883,341	66,171	5,077	(4,805)	1,949,785
2015	1,627,008	133,937	300	268,049	2,029,294

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.

21. PARENT ENTITY DISCLOSURES

Financial Position as at 31 December	2016 $'000	2015 $'000
ASSETS		
Current Assets	179	303
Non - Current Assets	4,812	5,524
Total Assets	4,991	5,827
LIABILITIES		
Current Liabilities	399	358
Total Liabilities	399	358
Equity		
Issued capital	44,692	44,911
Accumulated losses	(40,834)	(40,400)
Employee share based payments reserve	734	958
Parent entity interest	4,592	5,469
Non-controlling Interest	-	-
Total Equity	**4,592**	**5,469**
Financial performance for the year ended 31 December		
Profit for the year	1,666	1,400
Other comprehensive income / (expense)	-	-
Total comprehensive income for the year	**1,666**	**1,400**

The Parent Entity (Vita Life Sciences Limited) has a net current asset deficiency at 31 December 2016, consistent with that at 31 December 2015. The Parent Entity is able to call on the resources of the Vita Life Group as required, and as such the financial statements of the Parent Entity are prepared on a going concern basis.

22. 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 short term borrowing obligations. The level of borrowings is disclosed in note 15. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

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

	2016 $'000	2015 $'000
Financial assets		
Cash at bank and in hand	7,697	8,097
Short term deposit	1,714	1,637
	9,411	9,734
Financial liabilities		
Property facility	2,460	2,810
	2,460	**2,810**
Net exposure	**6,951**	**6,924**

At 31 December 2016, 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 – Higher/ (Lower)	
	2016 $'000	2015 $'000
+ 1.00% (100 basis points)	49	66
- 0.50% (50 basis points)	(24)	(33)

22. 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:

	2016 $'000	2015 $'000
Financial assets		
Cash at bank and in hand (a)	7,697	8,097
Short term deposit (a)	1,714	1,637
Trade and other receivables (b)	6,234	6,482
	15,645	**16,216**

(a) Cash at bank and short term deposit

The Group mitigates credit risk on cash at bank and short term deposit by dealing with 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.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Foreign currency risk (continued)

At 31 December 2016, the Group had the following exposure to foreign currencies:

	2016 $'000	2015 $'000
Financial assets		
Cash and cash equivalents		
Singapore Dollar (SGD)	498	1,869
Malaysia Ringgit (RM)	2,556	3,270
Hong Kong Dollar (HKD)	31	100
Chinese Yuan Renminbi (RMB)	90	270
Indonesian Rupiah (Rp)	217	36
Vietnamese Dong (VND)	154	132
Thai Baht	404	436
Trade and other receivables		
Singapore Dollar (SGD)	885	837
Malaysia Ringgit (RM)	2,082	2,311
Hong Kong Dollar (HKD)	-	-
Chinese Yuan Renminbi (RMB)	4	37
Indonesian Rupiah (Rp)	1	1
Vietnamese Dong (VND)	255	122
Thai Baht	330	373
	7,507	**9,794**
Financial liabilities		
Trade and other payables		
Singapore Dollar (SGD)	377	517
Malaysia Ringgit (RM)	999	2,003
Hong Kong Dollar (HKD)	243	6
Chinese Yuan Renminbi (RMB)	28	32
Indonesian Rupiah (Rp)	10	2
Vietnamese Dong (VND)	116	87
Thai Baht	13	11
Property Facility		
Malaysia Ringgit (RM)	2,460	2,810
	4,246	**5,468**
Net exposure	**3,261**	**4,326**

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Foreign currency risk (continued)

The following sensitivity is based on the foreign currency risk exposures in existence at the balance date.

At 31 December 2016, had the Australian Dollar 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 Higher/ (Lower)		Equity Higher/ (Lower)	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
AUD/ SGD + 10.0%	(117)	(108)	(226)	(356)
AUD/ SGD - 5.0%	58	54	113	178
AUD/ RM + 10.0%	(97)	241	(1,457)	1,240
AUD/ RM - 5.0%	45	(124)	726	(637)
AUD/ HK + 10.0%	78	(38)	201	(127)
AUD/ HK - 5.0%	(39)	19	(101)	64
AUD/ RMB + 10.0%	36	(34)	(13)	47
AUD/ RMB - 5.0%	(18)	17	7	(24)
AUD/ THB + 10.0%	9	(25)	13	(10)
AUD/ THB - 5.0%	(5)	12	(6)	5
AUD/ VND + 10.0%	(14)	9	(46)	32
AUD/ VND - 5.0%	7	(5)	23	(16)

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 bank overdrafts and 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.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

Liquidity risk (continued)

At 31 December 2016, the Group has available approximately $0.724 million (2015 $0.461 million) of unused credit facilities available for immediate use.

	Weighted average interest rate	Interest Free $'000	Floating interest rate $'000	Fixed interest maturing 1 year or less $'000	Fixed interest maturing 1 to 5 years $'000	Total $'000
2016						
Financial Assets						
Cash assets	2.30%	-	9,399	12	-	9,411
Trade and other receivables	n/a	6,234	-	-	-	6,234
		6,234	9,399	12	-	15,645
Financial Liabilities						
Trade and other payables	n/a	4,208	-	-	-	4,208
Property facility	4.25%	-	-	279	2,181	2,460
		4,208	**-**	**279**	**2,181**	**6,668**
2015						
Financial Assets						
Cash assets	1.52%	-	8,096	1,638	-	9,734
Trade and other receivables	n/a	6,482	-	-	-	6,482
		6,482	8,096	1,638	-	16,216
Financial Liabilities						
Trade and other payables	n/a	5,785	-	-	-	5,785
Property facility	4.25%	-	-	243	2,567	2,810
		5,785	**-**	**243**	**2,567**	**8,595**

Fair value

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

23. SHARE BASED PAYMENT PLANS

(a) Recognised share based payment expenses

	2016 $'000	2015 $'000
(Income)/Expense arising from equity settled share based payment transactions	(225)	254
	(225)	**254**

The share-based payment plans are described below.

23. SHARE BASED PAYMENT PLANS CONTINUED

(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 2015

During the 2015 financial year, 1,600,000 Long Term Incentive Plan Shares were issued to key executives of the Group. 560,000 shares have performance hurdles combining the 2015 and 2016 financial years with a final expiry date of 30 June 2017 and an exercise price of $1.50 should the hurdle be reached. 560,000 and 240,000 shares were cancelled in the 2016 financial year due to 2015 financial year performance hurdles were not reached and retirement of a senior executive respectively. The other 800,000 shares have performance hurdles combining the 2015, 2016 & 2017 financial years with a final expiry date of 30 June 2018 and an exercise price of $1.60 should the hurdle be reached.

(iii) Plan Shares issued in 2014

During the 2014 financial year, 645,000 Long Term Incentive Plan Shares were issued to key executives of the Group. 322,500 of these have performance hurdles relating to the 2014 financial year with a final expiry date of 30 June 2015, and an exercise price of $1.10 should the hurdle be reached. The 2014 financial year performance hurdles relating to 242,500 Long Term Incentive Plan shares held by two key executives were reached. 80,000 of these shares were exercised in financial year 2015, whilst the remaining 162,500 shares expired and were cancelled. In addition, 80,000 shares were cancelled in the financial year 2015 due to 2014 financial year performance hurdles not reached. During the 2016 financial year, 2015 financial year performance hurdles relating to 322,500 Long Term Incentive Plan shares were not reached and hence were cancelled.

(iv) 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 expired during the year.

	2016 No.	2015 No.	2016 WAEP	2015 WAEP
Outstanding at the beginning of the year	1,922,500	645,000	1.25	1.15
Granted during the year - b(ii), b(iii)	-	1,600,000	-	1.57
Exercised during the year - b(iii)	-	(80,000)	-	1.10
Expired during the year - b(iii)	(1,122,500)	(242,500)	-	-
Outstanding at the end of the year	**800,000**	**1,922,500**	**1.60**	**1.25**

(v) 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

The range of exercise prices for Plan Shares outstanding at the end of the financial year was $1.60 (2015: $1.20 to $1.60).

The weighted average remaining contractual life for the Plan Shares outstanding at the end of the financial year was 1.50 years (2015: 1.50 years).

No Plan Shares were granted during the year. The weighted average fair value of Plan Shares granted in 2015 year was $0.55.

No plan shares were exercised during the year (2015: 80,000 Plan Shares were exercised).

(vi) Implied option 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:

23. SHARE BASED PAYMENT PLANS CONTINUED

Plan Shares issued in 2015			
No of shares issued -b(ii)	560,000	840,000	200,000
Exercise price per implied option	$1.50	$1.60	$1.60
Dividend yield	-	-	-
Expected annual volatility	47.67%	47.67%	77.00%
Risk-free interest rate (p.a.)	2.00%	2.00%	2.50%
Expected life of implied option (Years)	2 years	3 years	3 years
Fair value per implied option	$0.42	$0.55	$0.67
Exercise price per implied option	$1.50	$1.60	$1.60
Share price at grant date	$1.35	$1.35	$1.48
Model used	Black Scholes	Black Scholes	Black Scholes

In respect of the implied options arising from the Shares granted in 2015, the expected volatility was determined using historic data over a 5-year period from August 2009 to April 2014.

Plan Shares issued in 2014			
No of shares issued -b(ii)	322,500	322,500	
Exercise price per implied option	$1.10	$1.20	
Dividend yield	-	-	
Expected annual volatility	77.00%	77.00%	
Risk-free interest rate (p.a.)	2.50%	2.50%	
Expected life of implied option (Years)	1.5 years	2.5 years	
Fair value per implied option	$0.76	$0.85	
Exercise price per implied option	$1.10	$1.20	
Share price at grant date	$1.56	$1.56	
Model used	Black Scholes	Black Scholes	

In respect of the implied options arising from the Shares granted in 2014, the expected volatility was determined using historic data over a 5-year period from August 2008 to April 2013.

24. COMMITMENTS

Operating lease commitments – Group as lessee

The Group has entered into commercial property leases for various offices and warehouse facilities. These leases have an average life of between 1 and 3 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2016 $'000	2015 $'000
Within one year	277	314
After one year but not more than five years	272	161
	549	**475**

The Group incurred $419,993 (2015: $440,000) of operating lease expenditure during the financial year.

25. NET TANGIBLE ASSETS PER SHARE

	2016 $	2015 $
Net assets per share	0.41	0.40
Net tangible assets per share	0.41	0.40
	Number	**Number**
Number of ordinary shares for net assets per share	55,908,230	57,197,839

26. SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

Unlisted Options

On 3 January 2017, unlisted options convertible to ordinary shares in the Company were granted as key incentive to Mr Liyang Liu, a key executive based in China, as per Option Deed dated 3 January 2017, set out below:

				Fair Value at Grant Date			
Tranche	Number granted	Grant Date	Exercise Price ($)	Per right ($)	Full Value ($)	First Vesting Date*	Expiry Date
1	2,208,000	03/01/2017	1.275	0.330	727,978	anytime after the date of Option Deed (DOD)	12 months from DOD
2	1,106,000	03/01/2017	2.000	0.390	431,119	12 months after DOD	18 months from DOD
3	1,106,000	03/01/2017	2.500	0.442	488,410	18 months after DOD	24 months from DOD
Total	**4,420,000**				**1,647,506**		

* Not subject to any performance hurdles.

The expected volatility was determined using historic data over a 1 year period from January 2016 to December 2016.

If all the options are exercised by Mr Liyang Liu, share capital of $8,289,000 will be raised by no later than 3 January, 2019.

Final Dividend

On 17 February 2017, the Directors declared a final unfranked dividend of 2.25 cents per share totalling $1,239,935 in respect of the financial year ended 31 December 2016 and paid on 23 March 2017.

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.

27. AUDITOR'S REMUNERATION

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

	2016 $'000	2015 $'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	104	103
Other services in relation to the entity and any other entity in the consolidated group provided by associate firm of auditor		
- tax compliance services	8	14
- share registry	20	39
	132	**156**
Amount receivable or due and receivable by other:		
- audit or review of the financial reports of controlled entities	93	85
	225	**241**

28. CONTINGENT ASSETS AND LIABILITIES

The Group has no contingent assets or liabilities at 31 December 2016.

29. CAPITAL COMMITMENTS

The Group has no capital commitments as at 31 December 2016. (2015:$Nil)

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The Financial Statements and notes as set out on pages 35 to 81 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 2016 and of the performance for the year ended on that date of the Company and Consolidated Group;

2. The Managing Director has 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
29 March 2017

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 2016, the consolidated statement of 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 2016 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 responsibilities for the audit of the financial report' section of our report. We are independent of the entity 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.

Nexia Sydney Audit Pty Ltd
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Nexia Sydney Audit Pty Ltd (ABN 77 606 785 399) is an independent firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd, deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes NEXIA) are not part of a worldwide partnership.

The trademarks NEXIA INTERNATIONAL, NEXIA and the NEXIA logo are owned by Nexia International Limited and used under licence.

Key audit matters	How our audit addressed the key audit matter
Valuation of Inventory ($5,421,000) *Refer to note 9 to the financial report* The valuation of inventory is considered to be a key audit matter due to fluctuations in raw material prices and slow moving stock items which may impact the inventory values. As a result there is a risk that inventory is carried in excess of its net realisable value.	Our procedures included, amongst others: ▪ We agreed a sample of inventory line items to purchase invoices to test that costs assigned to inventories are appropriate. ▪ We obtained evidence that inventory did not exceed its net realisable value by: – checking a sample of inventory items to subsequent selling prices; and – reviewing aged inventory report for any slow moving items that are potentially beyond their use-by dates or are unlikely to be sold by their use-by dates. ▪ We tested the expiration dates of a sample of stock items and agreed the ageing and provisioning of the selected items to the accounting records.
Recoverability of Loan to Associate ($925,000) *Refer to note 11 to the financial report* The loan provided by Lovin Pharma International Limited ("Lovin Pharma"), domiciled in Ireland, to its associate company in Malaysia, Mitre Focus Sdn Bhd ("Mitre Focus"), was made for the purpose of financing property development in Malaysia. The loan to Mitre Focus is considered to be a key audit matter due to the significant judgements and estimates required to assess the loan's recoverability, including the Group's assumptions about the expected sale prices and demand for the land development project lots supporting recoverability of the loan.	Our procedures included, amongst others: ▪ Instructing the auditor of Lovin Pharma to perform an audit of its financial statements for the purpose of the Group's consolidated financial statements. In doing so, we discussed the risk assessment and audit strategy undertaken by the component auditor. ▪ We reviewed the audit work papers of the component auditor in respect of the loan to Mitre Focus, whose audit procedures included: – examining the key assumptions and judgements made in capitalising costs to land development projects; – review of management's assessment of the fair value of the remaining land held by the Mitre Focus group; and – performance of sensitivity analysis in respect of scenarios of decreases in undeveloped land valuation, increases in construction costs and decreases in expected sales values of completed properties.

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 2016, 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 entity'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 entity 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: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 21 of the directors' Report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Vita Life Sciences Limited for the year ended 31 December 2016, 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 Ltd

Stephen Fisher
Director

Dated: 29 March 2017
Sydney

ASX ADDITIONAL INFORMATION

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 shares held	Percentage held of issued ordinary capital
Chemical Trustee Limited	8,551,439	15.5%
Mrs Vicky Teoh (via Pershing Australia & direct interest)	8,154,218	14.8%
Barings Acceptance Limited	7,371,832	13.4%
Anglo Australian Christian & Charitable Fund	6,276,040	11.4%
Mr Eddie L S Tie	4,363,500	7.9%

B. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(i) Analysis of number of equity security holders by size of holding as at 23 March 2016:

Category	Ordinary shareholders
1 - 1,000	141
1,001 - 5,000	370
5,001 - 10,000	164
10,001 - 100,000	188
100,001 and over	30
	893

(ii) There were 62 holders of less than a marketable parcel of ordinary shares.

ASX ADDITIONAL INFORMATION

C. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders	Ordinary shares	
	Number held	Percentage of shares issued
CHEMICAL TRUSTEE LIMITED	8,551,439	15.5%
MRS VICKY TEOH (PERSHING AUSTRALIA NOMINEES)	8,154,218	14.8%
BARINGS ACCEPTANCE LIMITED	7,371,832	13.4%
ANGLO AUSTRALIAN CHRISTIAN & CHARITABLE FUND	6,276,040	11.4%
MR TIE LIM SUNG	4,363,500	7.9%
CITICORP NOMINEES PTY LIMITED	2,298,772	4.2%
HSBC CUSTODY NOMINEES	2,258,377	4.1%
STINOC PTY LIMITED	1,414,038	2.6%
SOUTH SEAS HOLDINGS PTY LTD	1,345,430	2.4%
TAN TEIK WEI	911,607	1.7%
NORMANDY FINANCE & INVESTMENTS	477,381	0.9%
ABN AMRO CLEARING SYDNEY	460,673	0.8%
SYCAMOOR PTY LIMITED	427,323	0.8%
REDBROOK NOMINEES PTY LTD	330,000	0.6%
B F A PTY LTD	297,051	0.5%
CVC VENTURE MANAGERS PTY	281,563	0.5%
MRS VICKY TEOH	281,475	0.5%
CRX INVESTMENTS PTY LTD	270,000	0.5%
KANGIARA PTY LIMITED	252,268	0.5%
LOCHRIE PTY LTD	196,357	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.

2016
ANNUAL
REPORT

CORPORATE DIRECTORY

Board of Directors

Henry Townsing
Acting Chairman
Non-Executive Director
Company Secretary

Andrew O'Keefe
Managing Director – appointed 1 January 2017

Vanda Gould
Non-Executive Director

Jonathan Tooth
Non-Executive Director

Shane Teoh
Non-Executive Director

Eddie L S Tie
Managing Director – resigned 31 December 2016

Corporate Office
Suite 650, Level 6
1 Queens Road
Melbourne VIC 3004
T: 61 (03) 9828 0500
F: 61 (03) 9820 5957

Australian Regional Office
Unit 1/ 102,
Bath Road Kirrawee
NSW 2232
T: 61 (02) 9545 2633
F: 61 (02) 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 (03) 5569 6323
F: 60 (03) 5569 2393

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

(code: VSC).

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

Banker
Westpac Banking Corporation
National Australia Bank Limited

Solicitor
Mark J Ord
Lawyer & Consultant
Suite 650, Level 6
1 Queens Road
Melbourne VIC 3004

Share Registry
Next Registries
Level 16, 1 Market Street
Sydney NSW 2000
T: 61 (02) 9276 1700
F: 61 (02) 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

VITA LIFE
SCIENCES

Vita Life Sciences Limited
ACN 003 190 421
ABN 35 003 190 421

enqries@vitalifesciences.com
vitalifesciences.com

Corporate Office
Suite 650, Level 6
1 Queens Road
Melbourne Victoria 3004
T: 61 (03) 9828 0500
F: 61 (03) 9820 5957

Australian Regional Office
Unit 1/102 Bath Road
Kirrawee NSW 2232
T: 61 (02) 9545 2633
T: 61 (02) 9545 1311

Asian Regional Office
No. 23, Jalan Jurunilai
U1/20Seksyen U1
Hicom Glenmarie Industrial Park
40150 Shah Alam Selangor
Darul Ehsan Malaysia
T: 60 (03) 55696323
F: 60 (03) 55692393