



**PRELIMINARY FINAL REPORT OF
VITA LIFE SCIENCES LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2019**

This Preliminary Final Report is provided to the Australian Securities Exchange (“ASX”) under ASX Listing Rule 4.3A

Current Reporting Period:

Financial Year Ended 31 December 2019

Previous Corresponding Period:

Financial Year Ended 31 December 2018

**Vita Life Sciences Limited and its Controlled Entities
ABN 35 003 190 421**

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Name of Entity: Vita Life Sciences Limited

ABN: 35 003 190 421

Results for announcement to the market

		Percentage Change	2019
		%	\$'000
Revenue	up	3.2	42,452
Profit from continuing operations before tax and finance costs	up	2.1	4,443
Profit before income tax	up	2.3	4,428
Net profit after tax	up	27.2	3,094
Net profit attributable to members	up	28.6	3,136

Dividends (distributions)		Franked amount per security
Interim dividend per share	1.5 cents	1.5 cents
Final dividend per share	2.25 cents	2.25 cents

Ex-Dividend date for the purpose of receiving the dividend

19-Mar-2020

Record date for determining entitlements to dividends

20-Mar-2020

Payment date

3-Apr-2020

The Company's dividend reinvestment plan remains suspended, and as such does not apply to the final dividend.

Commentary on Results

Brief explanation of any of the figures above necessary to enable the figures to be understood

Key Financial Measures

\$'000	2019	2018	Change		
Revenue and Profitability					
Revenue	42,452	41,151	1,301	3.2%	↑
EBIT	4,443	4,351*	92	2.1%	↑
Net profit after tax	3,094	2,433	661	27.2%	↑
EPS (cents)	5.73	4.44	1.29	29.0%	↑
Cashflow and Capital Management					
Operating cashflow before interest and tax	3,874	6,497			
Net cash balance (cash less interest-bearing loans)	8,713	8,867			
Gross operating cashflow/ EBITDA	77%	98%+			
Dividends declared (cents)	3.75	3.75			
<i>*After revaluation charge of \$1.8m</i>					
<i>+Adjusted for revaluation charge and share options expense</i>					

Review of Business Operations

The VLS Group generated marginal revenue growth in 2019. Retail trading conditions across the Company's main markets remained challenging during the year, resulting in marginal revenue growth. Revenue gains from new distribution partners, underpinned the Group's overall performance.

The Group's investment plan focussed on a combination of key management appointments, a comprehensive Australian brand campaign and an increase in new customer trading expenditure. The additional investment costs impacted EBIT performance in 2019.

During 2019, the business undertook several initiatives which are expected to deliver growth in 2020 and beyond:

- National advertising brand campaign for Herbs of Gold Australia
- Launch of Herbs of Gold into the Australian pharmacy channel
- New distribution contracts to export the Herbs of Gold brand into Vietnam and China
- New distribution contracts to export the VitaHealth brand into China
- New senior management appointments across key markets including, Australia, Malaysia, Singapore and Vietnam.

Commentary on Results (continued)

A summary of the key results for the main operating markets are detailed below.

Divisional Results

Australia

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

Revenue contributions from the new pharmacy channel demonstrated growth, but was offset, by lower sales from traditional sales channels on the back of softer retail conditions.

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

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

Malaysia and Singapore

The Malaysian business generated a result consistent with 2018, with revenue from operations of \$15.5m (2018: \$14.9m). The Malaysian business was favourably influenced by sales growth of Herbs of Gold products.

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

Other Asia

Revenue from the Group’s expanding markets, Vietnam, Thailand, Indonesia grew to \$4.3m (2018: \$2.9m). Solid growth continued to be recorded in Vietnam and exports to other East Asian countries. Direct sales into China and Vietnam via new distributors are expected to drive growth.

Equal Reduction of Capital

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

Arising from the above, the Company recorded a net gain before income tax of \$0.28 million. Further details of this transaction are detailed in Note 4 of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

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

The accompanying notes should be read in conjunction with the above Statement of Comprehensive Income

Consolidated Statement of Financial Position

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

The accompanying notes should be read in conjunction with the above Statement of Financial Position

Consolidated Statement of Cash Flows

For the year ended 31 December	Notes	Consolidated	
		2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		45,115	44,634
Payments to suppliers and employees		(41,241)	(38,137)
Income tax paid		(1,831)	(2,221)
Interest received		131	108
Borrowing costs		(146)	(130)
Net cash flows provided by operating activities	7(d)	2,028	4,254
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(579)	(372)
Net cash flows used in investing activities		(579)	(372)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from leasing		523	
Repayment of external borrowings and leasing		(557)	(329)
Dividends Paid		(2,017)	(2,019)
Shares bought back (net of costs)		(145)	(757)
Net cash flows used in financing activities		(2,196)	(3,105)
Net increase in cash and cash equivalents		(747)	777
Net foreign exchange differences		284	199
Cash and cash equivalents at beginning of the year		10,941	9,965
Cash and cash equivalents at end of the year	7	10,478	10,941

Reconciliation of liabilities arising from financing activities

	Notes	2019 \$'000	Cashflows \$'000	Non-cash changes Foreign exchange movement \$'000	2018 \$'000
Interest bearing loans and borrowings	15	1,765	331	22	2,074

The accompanying notes should be read in conjunction with the above Statement of Cash Flows

Consolidated Statement of Changes in Equity

		Contributed Equity	Employee Share Based Payments Reserve	Share Options Reserve	Revaluation Reserve	Accumulated Losses	Foreign Currency Translation Reserve	Attributable to Equity Holders of Parent	Non- controlling Interest	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2019		43,742	570	992	325	(23,243)	(11)	22,375	32	22,407
Impact of changes in accounting standard		-	-	-	-	77	(32)	45	(54)	(9)
Adjusted Balance at 1 January 2019		43,742	570	992	325	(23,166)	(43)	22,420	(22)	22,398
Comprehensive income										
Profit attributable to members of parent entity		-	-	-	-	3,137	-	3,137	(42)	3,095
Other comprehensive income for the year		-	-	-	-	-	500	500	(1)	499
Total comprehensive income for the year		-	-	-	-	3,137	500	3,637	(43)	3,594
Transactions with owners, in their capacity as owners										
Equal Reduction in capital		(1,348)	-	-	-	-	-	(1,348)	-	(1,348)
Shares bought back		(145)	-	-	-	-	-	(145)	-	(145)
Employee share based (income)/expense		-	52	-	-	-	-	52	-	52
Dividends paid	19(e)	-	-	-	-	(2,017)	-	(2,017)	-	(2,017)
Total transactions with owners		(1,493)	52	-	-	(2,017)	-	(3,458)	-	(3,458)
Balance at 31 December 2019		42,249	622	992	325	(22,046)	457	22,599	(65)	22,534

The accompanying notes should be read in conjunction with the above Statement of Changes In Equity

Consolidated Statement of Changes in Equity (continued)

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

The accompanying notes should be read in conjunction with the above Statement of Changes in Equity

Notes to the Financial Statements

For the Year Ended 31 December 2019

1 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 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 2019. Interests in associates are equity accounted and are not part of the consolidated Group.

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

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

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

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

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

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

Minority interests represent the interests in Vita Life Sciences (Thailand) Co. Ltd and Vitahealth (Thailand) Co. Ltd not held by the Group. Minority interests are allocated their share of net profit or loss after tax in the statement of comprehensive income and are presented within Equity in the consolidated statement of financial position, separately from the parent shareholders' equity.

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

1 Summary of Significant Accounting Policies (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

(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 sheet 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 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 statement of comprehensive income.

(e) 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 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.

(f) 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 using the expected credit losses model.

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

1 Summary of Significant Accounting Policies (continued)

(g) 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 is accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis.

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

(h) Property, plant and equipment

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

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

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

Depreciation

The depreciable amounts of all fixed assets except for right-of-use 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:

	<i>Rate</i>	<i>Method</i>
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 statement of comprehensive income in the year the item is derecognised.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

1 Summary of Significant Accounting Policies (continued)

(h) Property, plant and equipment (continued)

Right-of-use assets

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

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

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

(i) 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 consistent with the methodology outlined for goodwill above. 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:

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

1 Summary of Significant Accounting Policies (continued)

(i) Intangibles (continued)

Impairment of non-financial assets other than goodwill

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 indicated 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 are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

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

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

Contract Return Liability

Contract return liability is recognised where the Group receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A contract return liability is measured at the amount of consideration received or receivable for which the consolidated entity does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product range to estimate such returns at the time of sale based on an expected value methodology.

(k) 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 sheet 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.

(l) 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 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

1 Summary of Significant Accounting Policies (continued)

(m) 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 outflow 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 national government 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.

(n) Leases

Lease Liabilities

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

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(o) 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.

(p) Revenue recognition

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

Sale of goods

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

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

Interest

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

1 Summary of Significant Accounting Policies (continued)

(q) 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 sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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 sheet 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 sheet 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 sheet 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 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 basis without adjusting for intercompany transactions" 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 payable (receivable) to (from) 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

1 Summary of Significant Accounting Policies (continued)

(r) Other taxes

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

- where the GST incurred is not recoverable from the Australian Taxation Office ("ATO") or similar tax authorities outside Australia, and is therefore recognised as part of the asset's cost or as part of the expense item.
- Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position. Cash flows are presented in the Statement of Cash Flow 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.

(s) Financial instruments

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

Loans and receivables

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

De-recognition of financial instruments

Financial assets

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

- the 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.

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

1 Summary of Significant Accounting Policies (continued)

(s) Financial instruments (continued)

Financial assets carried at amortised cost

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

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

Financial assets carried at cost

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

(t) 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.

(u) Share-based payment transactions

(i) 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 the 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).

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

1 Summary of Significant Accounting Policies (continued)

(u) Share-based payment transactions (continued)

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

- (i) the grant date fair value of the award;
- (ii) 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
- (iii) the expired portion of the vesting period.

The charge to the 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.

(v) New and Amended Accounting Standards and Interpretations Adopted by the Group

The Group has adopted all of the new or amended Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current period. The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16: Leases

The Group has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

(w) New and Amended Accounting Standards and Interpretations Adopted by the Group (continued)

AASB 16: Leases (continued)

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

Right-of-use assets

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

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

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

Lease liabilities

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

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Interpretation 23: Uncertainty over Income Tax Treatments

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

(w) New and Amended Accounting Standards and Interpretations Adopted by the Group (continued)

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

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

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

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

(x) New Accounting Standards and Interpretations for Application in Future Periods

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

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

The Standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

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

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

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards. The amendment includes guidance relating to obscuring information that could be reasonably expected to influence decisions of the primary users of the financial information. The amendments include additional guidance to the definition of material, gives it more prominence, and clarifies the explanation accompanying the definition of material.

Standard applies prospectively to annual reporting periods beginning on or after 1 January 2020. If the Standard is applied to annual reporting periods beginning before 1 January 2020, it shall disclose that fact. This amended Standard is not expected to have a significant impact on the Group's financial statements.

The following new and amended Standards apply to annual reporting periods beginning on or after 1 January 2019. These new and amended Standards are not expected to have a significant impact on the Group's financial statements:

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

(x) New Accounting Standards and Interpretations for Application in Future Periods (continued)

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

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

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

(y) 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.

Sale of goods

When recognising revenue in relation to sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Contract Return Liability

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

Allowance for expected credit losses

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

Taxation

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

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

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 1 (g).

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

2 Segment Information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. As the Board monitors business activity by each country the Group operates in, management has determined the Geographic Segment report to be of primary interest to users of this financial report.

Geographical segments

The consolidated entity operates in the regions identified as Australia, Singapore, Malaysia and others.

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

2 Segment Information (continued)

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

3 Revenue and Expenses

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
(a) Other income		
Realised (loss) on foreign exchange	-	(86)
Unrealised (loss)/ gain on foreign exchange	(6)	14
Other income	36	105
	30	33
(b) Administrative expenses		
Legal and other professional fees	(546)	(418)
Consultants	(244)	(212)
Allowance for impairment loss	5	10
Wages, salaries and other employee expenses	(11,786)	(10,667)
Defined contribution superannuation expense	(1,076)	(1,021)
Travelling expenses	(338)	(356)
Share based payment (expense)/ income	(52)	24
Depreciation	(532)	(392)
Amortisation	(72)	(11)
Other administrative expenses	(563)	(527)
	(15,204)	(13,570)
(c) Other expenses		
Product registration costs	(357)	(330)
Profit/(Loss) on disposal of property, plant and equipment	-	30
	(357)	(300)
(d) Share Option Expenses		
Share Option Expenses	-	(60)
(e) Finance income		
Interest received - external parties	131	108
	131	108
(f) Finance expenses		
Interest expense - external parties	(112)	(92)
Bank charges	(34)	(37)
	(146)	(129)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

4 Equal Reduction of Capital

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

- (a) the transfer of its shares and assets in Mitre Focus (owned by its subsidiary Lovin Pharma Ltd) to another wholly-owned subsidiary at the date of the transaction being completed, Macarthur National Ltd (MNL); and
- (b) a pro-rata in specie distribution of all the shares of MNL to all shareholders of the Company registered as at the Spinoff Record date and simultaneously effected a reduction in the issued share capital of the Company, without cancelling any shares, by an amount equal to the fair value of the total issued capital of MNL.

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

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

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

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

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

5 Earnings per share

(a) Earnings used in calculating earnings per share

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

(b) Weighted average number of shares

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

6 Income Taxes

(a) Income Tax Expense

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

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

	2019 \$'000	2018 \$'000
Total accounting profit before income tax	4,428	4,330
At the parent entity's statutory income tax rate of 27.5% (2018: 27.5%)	1,218	1,191
Adjustment in respect of current income tax of previous year	236	-
Foreign tax rate adjustment	(289)	(189)
Share based payments	(14)	(7)
Share options expense	-	17
Other expenditure not allowable for income tax purposes	402	817
Adjustment of deferred tax of prior periods	-	4
Deferred tax asset recognised during financial year	(417)	(62)
Tax losses and timing differences not brought to account	198	126
	1,334	1,897
Aggregate income taxes		
The applicable weighted tax rates are as follows:	30%	44%

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

6. Income Taxes (continued)

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

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

(d) Tax losses

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

(e) Tax consolidation

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

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

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

Measurement method adopted

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 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

6 Income Taxes (continued)

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 adjustment:

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

7 Cash and cash equivalents

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

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

8 Trade and other receivables

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

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

(b) Fair value

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

9 Inventories

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

10 Other assets

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

11 Investment in Associates

As stated in Note 4 above, the Company divested its investment in Associates during the year to Macarthur National Ltd (MNL). As MNL was a wholly-owned subsidiary of the Company prior to the Spinoff for a brief period and, shares common directors before and after the Spinoff, at the date of this report, MNL is considered a related party for purposes of disclosure.

	2019 \$'000	2018 \$'000
Non-Current		
Unlisted		
-Mitre Focus Sdn Bhd (a)	-	1,043
(a) Details of the carrying value of investment and share of profit in associate:		
- Investment in associate at cost	-	-
-Loan to associate	-	972
-Cumulative share of associate's profit	-	71
Carrying value of investment in associate	-	1,043

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

11 Investment in Associates (continued)

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

12 Property, plant and equipment

	Land and Building \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Leased Plant and Equipment \$'000	Right of Use-Building \$'000	Right of Use-Plant and Equipment \$'000	Total \$'000
Year ended 31 December 2019							
At 1 January 2019 net of accumulated depreciation and impairment	7,882	14	735	11	-	-	8,642
Adjustments due to AASB 16	-	-	-	-	240	59	298
Additions	-	10	44	-	489	36	579
Depreciation / amortisation for the year	(73)	(10)	(183)	(5)	(238)	(23)	(532)
Exchange differences	140	-	11	-	-	1	152
At 31 December 2019 net of accumulated depreciation, adjustments and impairment	7,949	14	607	6	491	72	9,139
At 31 December 2019							
Cost/ revalued	8,273	122	2,251	166	844	115	11,771
Accumulated depreciation and impairment	(324)	(108)	(1,644)	(160)	(353)	(43)	(2,632)
Net carrying amount	7,949	14	607	6	491	72	9,139

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

12 Property, plant and equipment (Continued)

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

In 2018, the Company engaged a professional independent valuer, to determine the fair value of its land and building, which was based on recent transactions for similar assets within the same location. The valuation was conducted in December 2018.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

13 Intangible assets

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

Development costs

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

14 Trade and other payables

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

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

15 Interest bearing loans and borrowings

	2019 \$'000	2018 \$'000
Current		
Property facility - secured (a)	364	342
	364	342
Non – Current		
Property facility - secured (a)	1,401	1,732
	1,401	1,732
At the balance date, the following financing facilities were available:	2019	2018
	\$'000	\$'000
Total facilities available:		
Property facility (a)	1,765	2,074
Facilities utilised at balance date:		
Property facility (a)	1,765	2,074
Facilities not utilised at balance date:		
Property facility (a)	-	-

(a) Property finance facility

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

(b) Default and breaches

During the current and prior year, there were no defaults nor breaches on any of the loans.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

16 Employee Entitlements

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

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

17 Contract Return Liability

In 2018, the Group adopted the new AASB 15 Revenue from Contracts with Customers as stated in Note 1, The impact of adoption on this resulted in the creation of a Contract Return Liability to account for the right of return assets and refund liabilities.

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

18 Lease Liability

Minimum lease payments due within:

	1 year \$'000	2-3 years \$'000	4-5 years \$'000	Total \$'000
31 December 2019				
Lease Payments	309	305	18	632
Finance charges	(29)	(19)	-	(48)
Lease Liability	280	286	18	584

19 Contributed equity

	2019 Number	2018 Number	2019 \$	2018 \$
Issued and paid up capital				
Ordinary shares	55,587,257	54,842,257	42,248,693	43,742,222
Ordinary shares				
Balance at beginning of the year	54,842,257	56,717,026	43,742,222	44,498,322
Share buy back (a)	(225,000)	(1,074,769)	(145,440)	(756,100)
Cancellation of Plan Shares of certain:				
- Employees and Directors (b)	(500,000)	(1,800,000)	-	-
Issue of shares to Employees and Director (c)	1,470,000	1,000,000	-	-
Equal Reduction of Capital (Note 10)	-	-	(1,348,089)	-
Balance at end of the year	55,587,257	54,842,257	42,248,693	43,742,222

(a) Share Buy-Back

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

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

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

In 2018, 800,000 Long Term Incentive Plan shares expired as the 2017 financial year performance conditions were not achieved. Another 1,000,000 shares were cancelled in 2018 as it became apparent the vesting conditions would not be met and subsequently reissued under new terms and conditions as stated in Note 19 (c) below.

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

19 Contributed equity (continued)

(d) Capital management

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

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

(e) Dividends

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

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

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

20 Net tangible assets per share

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

21 Subsidiaries

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2019

22 Subsequent events

The Directors have declared a final fully franked dividend of 2.25 cents per share in respect of the financial year ended 31 December 2019.

Other than the above matters, there are no subsequent events after balance date that affect the operating results or financial position of the Company and its subsidiaries.

23 Contingent assets and liabilities

The Group has no other contingent assets or liabilities as at 31 December 2019.

24 Information on audit or review

This preliminary final report is based on accounts to which one of the following applies:

- The accounts have been audited
- The accounts have been subject to review
- The accounts are in the process of being audited or subject to review
- The accounts have not yet been audited or reviewed

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

None noted

Compliance Statement

1. This report has been prepared in accordance with ASX Listing Rule 4.3A, Australian Accounting Standards (including Australian Accounting Interpretations) and other standards acceptable to the ASX.
2. This report, and the financial statements upon which the report is based, use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on financial statements which are in the process of being audited, and the audit report is not expected to contain any qualifications.
5. The entity has a formally constituted Audit Committee.

Chin L Khoo
Company Secretary
20 February 2020