



Preliminary Final Report of Vita Life Sciences Limited For the Year Ended 31 December 2010

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 2010

Previous Corresponding Period: Financial Year Ended 31 December 2009

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Name of Entity: Vita Life Sciences Limited

ABN: 35 003 190 421

Results for announcement to the market

		Percentage Change %	2010 A\$
Revenue	up	18.7	20,190,561
Profit from continuing operations before tax and finance costs	up	4,664	4,904,663
Profit before income tax	up	1,488	4,626,247
Net profit after tax	up	1,459	4,459,519
Net profit attributable to members	up	1,459	4,459,519

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend per share	Nil	Nil
Final dividend per share	0.5 cent	0.5 cent

Ex-Dividend date for the purpose of receiving the dividend

Record date for determining entitlements to dividends

Payment date

Dividend Reinvestment Plan ("DRP")

Key terms of Vita Life Sciences Limited's DRP in operations are:

- The price at which shares are issued under the DRP is 97.5% of the daily volume weighted average market price per share of Vita Life Sciences Limited ordinary shares sold in the ordinary course of trading on the Australian Securities Exchange over a period of 5 trading days up to and including the Record Date (or 2.5% discount is applicable to shares issued under DRP);
- No brokerage, commission or other transaction costs will be payable by participants on shares acquired under DRP;
- No foreign conduit income is attributed to the dividend.

The last date for receipt of election notices for DRP

Commentary on Results

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

Financial Overview

Vita Life Sciences Limited and its subsidiaries ("Group") sales revenue of \$20.19 million for the financial year was \$3.18 million or 18.7% higher than 2009. Solid sales growth was achieved in the Group's principal markets (measured in local currency); Australia, Malaysia and Singapore increased by 13.4%, 20.2% and 15.7% respectively. The Group's Malaysian multi-level marketing business unit achieved three fold sales growth. The stronger Australian dollar offset the Group's Asian sales growth by approximately 4.0%

The Group's net profit of \$4.46 million (2009: loss after tax of \$0.33 million) includes \$4.10 million, net of legal and professional costs, received from the Commonwealth of Australia and Pan Pharmaceuticals Limited Liquidator in relation to losses the Group suffered from Pan Pharmaceuticals Limited going into liquidation ("Pan Case").

On a normalised basis, profit after tax was \$0.36 million (excluding Pan Case proceeds net of costs) compared to normalised profit of \$0.31 million in 2009 (excluding Pan Case costs of \$0.63 million).

Other key financial results were:

- Variable operating expenses (distribution and marketing expenses) were equivalent to 14.4% of sales revenue (2009: 15.1%). The improvement in variable operating costs as a percentage of sales revenue was mainly due to cost control measures;
- Other operating expenses (occupancy, administrative and sundry expenses) were \$8.82 million (2009: \$7.34 million), before \$1.85 million Pan Case costs (2009: \$0.63 million). Higher fixed operating expenses arose from increased salaries as a result of Health division's expanding staff base for its New and Established business units, higher sales incentives paid in line with sales revenue growth and inflationary factors; and
- Net interest costs increased to \$0.28 million (2009: \$0.23 million) as a result of higher average borrowings of \$1.57 million in 2010 (2009: \$1.30 million) in line with higher trading activities.

The Group's net assets more than doubled during the financial year to \$8.13 million (2009: \$3.90 million) with net tangible assets per share of \$0.15 per share (2009: \$0.08 per share).

Divisional Results

The Group's divisional result for the financial year is summarised in the table below.

	Continuing Operations		
	Health	Investment	Total
	\$	\$	\$
Year ended 31 December 2010			
Result			
Segment results	1,035,102	51,621	1,086,723
Legal settlement			5,000,000
Proceeds from Pan Pharmaceuticals Ltd Liquidator			954,499
TGA Pan legal and professional costs			(1,850,908)
Unallocated expenses	-	-	(275,151)
Profit before tax and finance costs			4,915,163
Finance costs			(288,916)
Profit before income tax			4,626,247
Income tax expense			(166,728)
Net profit for the year			4,459,519

Commentary on Results (Continued)

Divisional Results (Continued)

Health Division

The positive sales growth of Health division, mainly from its Established businesses, continued in 2010 as sales grew by 18.7%. The Established business units had solid sales growth of 11.9%. The revenue contributions of New Business units in China, Malaysia and Thailand were 7.5% of Group's sales revenue (2009: 2.5%).

Health division's Earnings before Interest and Taxes ("EBIT") of \$1.04 million was 31.4% higher than the preceding year of \$0.79 million.

The New business units' progress during the 2010 period is summarised as follows:

- In 2010, the Thailand business unit showed positive growth as sales doubled, as compared to preceding year and recorded its maiden profit despite the political situation in Thailand that affected sales for several months;
- The Group obtained approval from the Vietnam authority to commence the sale of over-the-counter pharmaceutical products and marketing commenced in fourth quarter of 2010. Set-up costs including manpower and recruitment costs, advertising and brand awareness marketing expenses were incurred during the year;
- Whilst the MLM business unit in Malaysia gained momentum and contributed 6.7% of the Group's sales revenue (2009: 1.7% of Group's sales revenue), the loss increased from the previous year as a result of increased marketing and distributors development activities and set-up costs of two outlets in Malaysia; and
- In 2010, continued efforts were made to obtain new product approvals in China, Hong Kong and Vietnam. In Asia, the time taken for a new product to be registered for sale varies between 8 and 24 months, including the review of a product dossier by health authorities. Thus, revenue contribution was minimal and losses are attributable to product development, product registration, manpower and marketing expenses to build the brand in new countries. The continued efforts from these exciting ventures will bring meaningful revenue and to enhance shareholders' value in the medium to long term.

Investment Division

The Group has an equity interest of 6.3% (profit share of 20.1%) in a property project in Malaysia. The Investment division recorded \$0.05 million EBIT during the year (2009: EBIT loss of \$16,039).

Pan Case

In December 2010, Vita Life Sciences Limited and six of its subsidiaries (being Vita Health Laboratories (Australia) Pty Ltd, Supplements World Pte Ltd (in liquidation), Herbs of Gold Pty Ltd, Vita Health Laboratories Indochina Pte Ltd, Swiss Bio Pharma Sdn Bhd and Vita Corporation Pte Ltd) and the Commonwealth of Australia and others ("Commonwealth") settled their legal proceedings and as a result Vita Life and six of its subsidiaries received \$5.0 million from the Commonwealth in January 2011. The settlement amount was inclusive of legal and professional costs and interest, which for the Group amounted to \$1.85 million (2009: \$0.63 million).

In addition, the Group received \$0.95 million from the Pan Pharmaceutical Limited Liquidator.

The settlement of this claim brings to an end all of the Group's legal actions.

Commentary on Results (Continued)

Cash Flow Analysis

Proceeds from Pan Liquidator, foreign currency translation and increment in receipts from customers as a result of sales growth contributed to the Group's operating cash flow. The \$5.0 million from the Commonwealth of Australia was received in January 2011. This was offset by Pan Case costs which resulted in Group's operating cash outflow of \$0.84 million (2009: \$1.40 million).

Overall, the net cash out flow for the period was \$0.69 million (2009: \$0.40 million) and the Group's cash and cash equivalent position was \$0.46 million (2009: \$1.08 million).

The table below showed the cash movements during the financial year.

	2010	2009
	\$	\$
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) from Continuing Operations	918,680	674,354
Pan Case costs (net)	(896,409)	(634,548)
EBITDA	22,271	39,806
Changes in working capital:		
(Increase) / decrease in receivables	(240,324)	(664,023)
(Increase) / decrease in inventories	(939,254)	33,469
(Increase) / decrease in other assets	(82,655)	94,197
Increase / (decrease) in trade payables	1,040,439	(47,084)
Decrease income tax payables	(25,898)	(40,026)
(Decrease) / increase in other payables and accruals	(12,723)	15,983
Adjustments for non-cash income and expense items:	174,810	162,524
Effect of foreign exchange translation of assets and liabilities	(212,566)	(631,389)
	(275,900)	(1,036,543)
Depreciation	(117,608)	(147,272)
Interest expense (net)	(278,416)	(225,833)
Tax (expense) / credit	(166,728)	5,106
Net cash flows used in operating activities	(838,652)	(1,404,542)
Net cash flows used in investing activities	(137,969)	(211,515)
Net cash flows from financing activities	285,984	1,216,317
	(690,637)	(399,740)

Outlook for 2011

The Health division's Established business units sales are expected to continue the growth trend established in 2008 into 2011. The New business units in China, Malaysia and Thailand are also expected to continue to expand.

The Group's operating performance remains encouraging and the Directors expect to report improved EBIT over the preceding period. The Directors focus on increasing sales, market share, profitability and controlling operating expenditures in the long term remains unchanged.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	Notes	2010 \$	2009 \$
CONTINUING OPERATIONS			
Sale of goods		20,190,561	17,015,128
Cost of sales		(7,858,017)	(6,751,168)
Gross profit		12,332,544	10,263,960
Other income	3 (a)	6,099,517	261,111
Distribution expenses		(1,087,450)	(1,120,518)
Marketing expenses		(1,821,159)	(1,453,519)
Occupancy expenses		(605,465)	(577,319)
Administrative expenses	3 (b)	(9,806,457)	(7,159,534)
Other expenses	3 (c)	(263,385)	(239,012)
Share of associates profit / (loss)		56,518	(82,635)
Profit / (loss) from continuing operations before interest and taxes		4,904,663	(107,466)
Finance income	3 (d)	10,500	13,997
Finance costs	3 (e)	(288,916)	(239,830)
Profit / (loss) before income tax		4,626,247	(333,299)
Income tax (expense) / credit	5	(166,728)	5,106
Net profit / (loss) for the year		4,459,519	(328,193)
Other comprehensive (expense) / income after income tax			
Exchange differences on translating foreign controlled entities		(223,608)	(644,978)
Other comprehensive (expense) / income for the year, net of income tax		(223,608)	(644,978)
Total comprehensive (expense) / income for the year		4,235,911	(973,171)
Profit attributable to minority interest		-	-
Profit / (loss) attributable to members of the parent		4,459,519	(328,193)
		4,459,519	(328,193)
Total comprehensive (expense) / income attributable to:			
Minority interest		-	-
Members of the parent		4,235,911	(973,171)
		4,235,911	(973,171)
Earnings per share (cents per share)			
	4		
- basic earnings per share for continuing operations		8.22	(0.65)
- basic earnings per share		8.22	(0.65)
- diluted earnings per share		8.22	(0.65)

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

Statement of Financial Position

as at 31 December 2010

	Notes	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	455,517	1,075,743
Trade and other receivables	7	8,086,230	2,803,291
Inventories	8	3,440,451	2,501,197
Other current assets	9	244,523	222,387
Total Current Assets		12,226,721	6,602,618
Non Current Assets			
Trade and other receivables	7	478,408	489,764
Investment in associates	10	1,537,480	1,468,949
Property, plant and equipment	11	165,648	139,976
Intangible assets	12	57,061	52,858
Deferred tax assets	5	46,906	55,901
Total Non Current Assets		2,285,503	2,207,448
Total Assets		14,512,224	8,810,066
LIABILITIES			
Current Liabilities			
Trade and other payables	13	4,301,851	3,269,652
Interest bearing loans and borrowings	14	1,813,576	1,320,821
Current tax liability		20,199	46,097
Provisions	15	241,390	254,113
Total Current Liabilities		6,377,016	4,890,683
Non Current Liabilities			
Interest bearing loans and borrowings	14	-	13,177
Provisions	15	5,325	5,325
Total Non Current Liabilities		5,325	18,502
Total Liabilities		6,382,341	4,909,185
Net Assets		8,129,883	3,900,881
Equity			
Issued capital	16	45,690,301	45,699,176
Accumulated losses		(36,297,153)	(40,756,672)
Employee share based payments reserve		55,411	42,089
Foreign currency translation reserve		(1,797,084)	(1,573,476)
Parent entity interest		7,651,475	3,411,117
Minority interest		478,408	489,764
Total Equity		8,129,883	3,900,881

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

Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customers		22,079,641	18,370,623
Payments to suppliers and employees		(23,450,633)	(19,524,809)
Proceeds from Pan Pharmaceuticals Ltd Liquidator		954,499	-
Borrowing costs		(249,028)	(221,706)
Income tax credit paid		(183,631)	(42,647)
Interest received		10,500	13,997
Net cash flows used in operating activities	6 (e)	(838,652)	(1,404,542)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		4,188	2,577
Purchase of property, plant and equipment		(142,157)	(70,604)
Additional investment in associates		-	(143,488)
Net cash flows used in investing activities		(137,969)	(211,515)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from external borrowings		443,979	109,908
Loans to associated entities		(135,943)	(42,944)
Repayment of external borrowings		(13,177)	-
Shares bought back		(8,875)	(46,345)
Proceeds from issue of shares		-	1,250,000
Share issue costs		-	(54,302)
Net cash flows from financing activities		285,984	1,216,317
Net (decrease) / increase in cash and cash equivalents		(690,637)	(399,740)
Net foreign exchange differences		21,635	244,824
Cash and cash equivalents at beginning of the year		1,075,743	1,230,659
Cash and cash equivalents at end of the year	6 (d)	406,741	1,075,743

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

Statement of Changes in Equity

for the year ended 31 December 2010

	Issued Capital	Accumulated Losses	Employee Share Based Payments Reserve	Foreign Currency Translation Reserve	Attributable to Equity Holders of Parent	Minority Interests	Total
	\$	\$	\$	\$	\$	\$	\$
CONSOLIDATED							
Balance at 1 Jan 2009	44,549,823	(40,428,479)	30,009	(928,498)	3,222,855	622,769	3,845,624
Loss attributable to members of parent entity	-	(328,193)	-	-	(328,193)	-	(328,193)
Issue of share capital	1,250,000	-	-	-	1,250,000	-	1,250,000
Share issue costs	(54,302)	-	-	-	(54,302)	-	(54,302)
Shares bought back	(46,345)	-	-	-	(46,345)	-	(46,345)
Employee share option scheme	-	-	12,080	-	12,080	-	12,080
Exchange difference on translation of minority interests	-	-	-	-	-	(133,005)	(133,005)
Total comprehensive expense for the year	-	-	-	(644,978)	(644,978)	-	(644,978)
Balance at 31 Dec 2009	45,699,176	(40,756,672)	42,089	(1,573,476)	3,411,117	489,764	3,900,881
Balance at 1 Jan 2010	45,699,176	(40,756,672)	42,089	(1,573,476)	3,411,117	489,764	3,900,881
Profit attributable to members of parent entity	-	4,459,519	-	-	4,459,519	-	4,459,519
Shares bought back	(8,875)	-	-	-	(8,875)	-	(8,875)
Employee share option scheme	-	-	13,322	-	13,322	-	13,322
Exchange difference on translation of minority interests	-	-	-	-	-	(11,356)	(11,356)
Total comprehensive expense for the year	-	-	-	(223,608)	(223,608)	-	(223,608)
Balance at 31 Dec 2010	45,690,301	(36,297,153)	55,411	(1,797,084)	7,651,475	478,408	8,129,883

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 2010

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Material accounting policies adopted in the preparation of the financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars.

(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 2010. Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that currently exercisable or convertible are considered when assessing whether a group controls another entity.

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

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

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

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

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

Minority interests represent the interests in Vita Life Sciences Sdn Bhd 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(d) Business combinations

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

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

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

The functional currency of the main operating overseas subsidiaries VitaHealthcare Asia Pacific Sdn Bhd, Swiss Bio Pharma Sdn Bhd, Vitaron Jaya Sdn Bhd, Vita Life Sciences Sdn Bhd and Pharma Direct Sdn Bhd are in Malaysian Ringgit (MYR), whilst Vitahealth IP Pte Ltd, VitaHealth Asia Pacific (S) Pte Ltd and Vita Corporation Pte Limited are in Singapore dollars (SGD).

(ii) Transactional 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(f) Cash and cash equivalents

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

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

(g) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(h) Inventory

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

Costs incurred in bringing each product to its present location and condition 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(i) Property, plant and equipment

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

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

Depreciation

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

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

	<u>Rate</u>	<u>Method</u>
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.

(j) Goodwill and Intangibles

Goodwill

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(j) Goodwill and Intangibles (continued)

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

Intangibles

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at that cash-generating unit level 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:

	<u>Patents and licences</u>	<u>Development costs</u>
Useful lives	Indefinite	Finite
Method used	Not depreciated or revalued	3 years – Straight line
Internally generated / Acquired	Acquired	Internally generated
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	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 2010

1 Summary of Significant Accounting Policies (continued)

(k) 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.

(l) Trade and other payables

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.

(m) Interest bearing loans and borrowings

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(n) Provisions

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

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

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

(o) Employee entitlements

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

Employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled plus related on-costs. All other employee benefit liabilities are measured at the present value of the estimated future cash 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.

(p) Issued capital

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

(q) Leases

Finance Leases

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(q) Leases (continued)

Operating Leases

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

(r) Revenue recognition

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

Sale of goods

Revenue is recognised (net of returns, discounts and allowances) when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Consequently transfers of goods to major distributors are considered as consignment inventory and revenue is only recognised upon the achievement of "in-market" sales.

Interest

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

Dividends

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(s) Taxes

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(s) Taxes (continued)

Tax consolidation

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

(t) Other taxes

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(u) Financial instruments

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

De-recognition of financial instruments

Financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition 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 2010

1 Summary of Significant Accounting Policies (continued)

(u) Financial instruments (continued)

Financial assets carried at amortised cost

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

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

Financial assets carried at cost

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

(v) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(w) 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).

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(x) New accounting standards and interpretations not yet adopted

There are no changes to accounting policies applicable for the financial year ended 31 December 2010 for the Company and the consolidated entity.

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a 'related party' to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(x) New accounting standards and interpretations not yet adopted (continued)

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards — Reduced Disclosure Requirements.

This Standard deems the Group to be a Tier 1 entity and hence there is no accounting impact to be considered going forward.

AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

This Standard clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments are not expected to have significant impact on the Group.

AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This Standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This Standard is not expected to impact the Group.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(x) New accounting standards and interpretations not yet adopted (continued)

AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This Standard is not expected to impact the Group.

AASB 2010–3: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] (applicable for annual reporting periods commencing on or after 1 July 2010).

- requiring that recognition and/or adjustment of contingent consideration for acquisitions preceding 1 July 2009 be recognised against the cost of acquisition
- clarifying the accounting for replacement share-based payments awarded to the acquiree's employees as part of the cost of the combination service, or in the case of non-replaced and unvested share-based payments of the acquiree that do not form part of the exchange, an allocation to both the cost of acquisition and post-combination services on the basis of a market-based measure; and
- making sundry transitional amendments to various Standards

This Standard is not expected to impact the Group.

AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(x) New accounting standards and interpretations not yet adopted (continued)

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing from 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably, in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the Group's financial statements.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

2 Segment Information

The Group's primary segment reporting format is geographical segment as the Group's risk and returns are affected predominantly by the differences in the locations it operates. Secondary segment information reported is business segment.

Geographical segment

The consolidated entity operates in the regions identified as Australia, Malaysia, Singapore 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 2010 and 31 December 2009.

	Australia \$	Continuing Operations		Others \$	Total \$
	\$	Singapore \$	Malaysia \$	\$	\$
Year ended 31 December 2010					
Revenue					
Sales to external customers	9,516,480	3,517,465	6,786,427	370,189	20,190,561
Segment results					
Profit / (loss) before tax and finance costs	4,533,906 [^]	346,918	5,291	(27,470)	4,858,645
Finance costs	(242,608)	(1,211)	(42,341)	(2,756)	(288,916)
Share of profit of associates	-	-	2,532	53,986	56,518
Profit before income tax					4,626,247
Income tax expense					(166,728)
Net profit for the year					4,459,519
Assets and liabilities					
Segment assets	9,034,967	1,395,691	2,206,914	337,172	12,974,744
Investment in associates					1,537,480
Total assets					14,512,224
Segment liabilities	4,272,566	634,894	1,285,407	189,474	6,382,341
Total liabilities					6,382,341
Other segment					
Capital expenditure	(4,224)	(778)	(135,683)	(1,472)	(142,157)
Depreciation	(15,304)	(11,082)	(65,269)	(17,385)	(109,040)
Amortisation	-	(1,648)	(6,920)	-	(8,568)

[^] Includes Pan Case legal settlement amount of \$5.0 million, Pan Case costs of \$1.85 million and proceeds from Pan Pharmaceutical Ltd Liquidator of \$0.95 million.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

2 Segment Information (continued)

	Continuing Operations				Total \$
	Australia \$	Singapore \$	Malaysia \$	Others \$	
Year ended 31 December 2009					
Revenue					
Sales to external customers	8,389,030	3,316,915	5,166,876	142,307	17,015,128
Segment results					
(Loss) / profit before tax and finance costs	(317,109) *	278,728	141,988	(114,441)	(10,834)
Finance costs	(221,959)	(1,951)	(14,370)	(1,550)	(239,830)
Share of loss of associates	-	-	(82,635)	-	(82,635)
Loss before income tax					(333,299)
Income tax credit					5,106
Net loss for the year					<u>(328,193)</u>
Assets and liabilities					
Segment assets	3,724,705	1,083,374	2,321,405	211,633	7,341,117
Investment in associates					1,468,949
Total assets					<u>8,810,066</u>
Segment liabilities	3,179,728	642,922	1,063,385	23,150	4,909,185
Total liabilities					<u>4,909,185</u>
Other segment information					
Capital expenditure	(4,134)	-	(48,399)	(18,071)	(70,604)
Depreciation	(31,119)	(17,234)	(79,549)	(2,423)	(130,325)
Amortisation	-	(7,230)	(9,717)	-	(16,947)

* Includes Pan Case costs of \$0.63 million.

Business segments

The Group operates in the industry segment of the sale of health supplements, vitamins and investments.

Business Industry

Products/Services

Health
Investment

Sale of vitamins and supplements
General investments

The following table presents revenue, expenditures and certain asset and liabilities information regarding business segments for the year ended 31 December 2010 and 31 December 2009.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

2 Segment Information (continued)

	Continuing Operations		
	Health \$	Investment \$	Total \$
Year ended 31 December 2010			
Revenue			
Sales to external customers	20,190,561	-	20,190,561
Result			
Segment results	1,035,102	51,621	1,086,723
Legal settlement			5,000,000
Proceeds from Pan Pharmaceuticals Ltd Liquidator			954,499
TGA Pan legal and professional costs			(1,850,908)
Unallocated expenses	-	-	(275,151)
Profit before tax and finance costs			4,915,163
Finance costs			(288,916)
Profit before income tax			4,626,247
Income tax expense			(166,728)
Net profit for the year			4,459,519
Assets and liabilities			
Segment assets	12,611,859	362,885	12,974,744
Investment in associates			1,537,480
Total assets			14,512,224
Segment liabilities	6,378,494	3,847	6,382,341
Total liabilities			6,382,341
Other segment information			
Capital expenditure	(142,157)	-	(142,157)
Depreciation	(109,040)	-	(109,040)
Amortisation	(8,568)	-	(8,568)
Cash flow information			
Net cash flow used in operating activities	(833,165)	(5,487)	(838,652)
Net cash flow used in investing activities	(137,969)	-	(137,969)
Net cash flow from / (used in) financing activities	375,862	(89,878)	285,984

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

2 Segment Information (continued)

	Continuing Operations		
	Health \$	Investment \$	Total \$
Year ended 31 December 2009			
Revenue			
Sales to external customers	17,015,128	-	17,015,128
Result			
Segment results	153,106	(16,039)	137,067
Unallocated expenses	-	-	(230,536)
Loss before tax and finance costs			(93,469)
Finance costs			(239,830)
Loss before income tax			(333,299)
Income tax credit			5,106
Net loss for the year			(328,193)
Assets and liabilities			
Segment assets	7,068,111	273,006	7,341,117
Investment in associates			1,468,949
Total assets			8,810,066
Segment liabilities	4,899,851	9,334	4,909,185
Total liabilities			4,909,185
Other segment information			
Capital expenditure	(70,604)	-	(70,604)
Depreciation	(130,325)	-	(130,325)
Amortisation	(16,947)	-	(16,947)
Cash flow information			
Net cash flow used in operating activities	(1,406,121)	1,579	(1,404,542)
Net cash flow used in investing activities	(211,515)	-	(211,515)
Net cash flow from financing activities	1,270,668	(54,351)	1,216,317

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

3 REVENUE AND EXPENSES

	2010 \$	2009 \$
(a) Other income		
Legal settlement	5,000,000	-
Proceeds from Pan Pharmaceuticals Ltd Liquidator	954,499	-
Unrealised foreign exchange gains	69,619	-
Other income	79,927	14,271
(Loss) / gain on disposal of property, plant and equipment	(4,528)	2,328
Refund of general interest charges and penalties from ATO	-	164,110
Government grant	-	62,583
Multi-level marketing membership registration fee	-	17,819
	6,099,517	261,111
(b) Administrative expenses		
Legal and other professional fees	(1,412,585)	(823,374)
Consultants	(1,088,500)	(606,233)
Allowance for impairment loss	42,615	(5,500)
Wages, salaries and other employee expenses	(6,144,041)	(4,645,896)
Defined contribution superannuation expense	(463,050)	(380,124)
Travelling expenses	(281,466)	(337,867)
Share based payment expense	(13,322)	(12,080)
Depreciation	(109,040)	(130,325)
Amortisation	(8,568)	(16,947)
Impairment in loan to associate	(81,967)	-
Other administrative expenses	(246,533)	(201,188)
	(9,806,457)	(7,159,534)
(c) Other expenses		
Product registration costs	(159,939)	(142,484)
Foreign currency expenses	(6,582)	(86,018)
Other non-operating expenses	(96,864)	(10,510)
	(263,385)	(239,012)
(d) Finance income		
Interest received - external parties	10,500	13,997
	10,500	13,997
(e) Finance expenses		
Interest expense - external parties	(164,921)	(156,887)
Bank charges	(39,888)	(18,124)
Finance charges - hire purchase and lease contracts	(84,107)	(64,819)
	(288,916)	(239,830)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

4 EARNINGS PER SHARE

	2010 \$	2009 \$
(a) Earnings / (loss) used in calculating earnings per share		
Net profit / (loss) attributable to equity holders from continuing operations	4,459,519	(328,193)
Net profit / (loss) attributable to equity holders of the parent	4,459,519	(328,193)
	Number	Number
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	54,272,751	50,869,109
Adjusted weighted average number of ordinary shares for diluted earnings per share	54,272,751	50,869,109

5 INCOME TAXES

	2010 \$	2009 \$
(a) Income tax expense		
The major components of income tax expense are:		
<i>Income Statement:</i>		
<i>Current income tax</i>		
Current income tax charge	1,392,191	296,176
Tax benefits arising from previously unrecognised tax losses of prior years	(1,288,098)	(225,792)
Prior year under / (over)provision	53,640	(67,763)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	8,995	(7,727)
Income tax expense / (credit) reported in the income statement	166,728	(5,106)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

5 INCOME TAXES (continued)

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate

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:

	2010 \$	2009 \$
Total accounting profit / (loss) before income tax	4,626,247	(333,299)
At the parent entity's statutory income tax 30% (2009: 30%)	1,387,874	(99,990)
Adjustment in respect of current income tax of previous year	53,638	(67,763)
Foreign tax rate adjustment	51,170	4,979
Travel and staff amenities expenses	3,664	6,716
Share based payments	3,997	3,624
Foreign exchange gain not assessable for income tax purpose	(44,906)	(447)
Other expenditure not allowable for income tax purpose	-	44,736
Other income not assessable for income tax purpose	(58,228)	-
Tax losses and timing differences not brought to account / (recognised)	(1,230,481)	103,039
Aggregate income taxes	166,728	(5,106)

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

Deferred tax assets

Doubtful debts	11,435	20,681
Inventory obsolescence	14,003	16,252
Provision for annual leave	19,336	15,593
Provision for long service leave	1,597	1,597
Other provision	535	1,778
Net deferred tax assets	46,906	55,901

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

5 INCOME TAXES (Continued)

(d) Tax losses

The Group has Australian carry forward tax losses for which no deferred tax assets is recognised on the statement of financial position of \$14,542,657 which are available indefinitely for offset against future taxable income of the companies in which losses arose. The benefit of these tax losses has not been brought to account as the probable recognition criteria has not been satisfied.

(e) Unrecognised temporary differences

At 31 December 2010, there is no recognised or unrecognised deferred tax liability (2009: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates, as the Group has no liability for additional taxation should such amounts be remitted.

(f) 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 under UIG 1052 Tax Consolidation Accounting

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

The current and deferred tax amounts of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a "Stand-Alone Taxpayer" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

Any current tax Australian liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries 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 2010

5 INCOME TAXES (CONTINUED)

(f) Tax consolidation (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:

	PARENT	
	2010	2009
	\$	\$
Total increase in intercompany receivable of Vita Life Sciences Limited	211,762	307,494

6 CASH AND CASH EQUIVALENTS

	2010	2009
	\$	\$
Cash at bank and in hand (a)	261,573	795,077
Short term deposit (b)	193,944	280,666
Total cash and cash equivalents	455,517	1,075,743

(a) Cash at bank of \$132,963 (2009: \$311,116) 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 \$455,517 (2009:\$ 1,075,743).

	2010	2009
	\$	\$
(d) Reconciliation of Statement of Cash Flows		
For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following:		
Cash at bank and in hand	261,573	795,077
Short term deposit	193,944	280,666
Bank overdrafts - secured	(48,776)	-
	406,741	1,075,743

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

6 CASH AND CASH EQUIVALENTS (CONTINUED)

	2010 \$	2009 \$
(e) Reconciliation of net profit / (loss) after tax to net cash flows from operations		
Net profit / (loss) after tax	4,459,519	(328,193)
Adjustments for non-cash income and expense items:		
Depreciation	109,040	130,325
Amortisation	8,568	16,947
Net loss / (profit) on disposal of property, plant & equipment	4,528	(2,328)
Shared based payment expense	13,322	12,080
Allowance for impairment loss	(42,615)	5,500
Impairment in loan to associate	81,967	-
	4,634,329	(165,669)
Increase/decrease in assets and liabilities:		
(Increase) / decrease in inventories	(939,254)	33,469
(Increase) / decrease in receivables	(5,240,324)	(664,023)
(Increase) / decrease in other assets	(82,655)	94,197
(Decrease) / increase in income tax payable	(25,898)	(40,026)
Increase / (decrease) in trade and other payables	1,040,439	(47,084)
(Decrease) / increase in other liabilities	(12,723)	15,983
Effect of foreign exchange translation of assets and liabilities	(212,566)	(631,389)
Net cash used in operating activities	(838,652)	(1,404,542)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

7 TRADE AND OTHER RECEIVABLES

	2010 \$	2009 \$
Current		
Trade receivables, third parties	2,354,087	2,235,927
Allowance for impairment loss (a)	(38,117)	(80,732)
	<u>2,315,970</u>	<u>2,155,195</u>
Other receivables:		
Other receivables (b)	5,634,941	612,212
Net tax receivable	135,319	35,884
	<u>8,086,230</u>	<u>2,803,291</u>
Non- current		
Related party receivables (c)	478,408	489,764
	<u>478,408</u>	<u>489,764</u>

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 to 90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment write back of \$42,615 (2009: impairment loss of \$5,500) has been recognised by the Group. These amounts have been included in the administrative expenses.

Movement in the provision for impairment loss were as follows:

	2010 \$	2009 \$
At 1 January	80,732	75,232
Charge for the year	(42,615)	5,500
	<u>38,117</u>	<u>80,732</u>

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

(c) Related party receivable (non-current) of \$478,408 (2009: \$489,764) is loan to a company controlled by a Director of a subsidiary. The loan is non-interest bearing and is secured over the 30% shareholding of Vita Life Sciences Sdn Bhd, a company registered in Malaysia.

(d) 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

8 INVENTORIES

	2010 \$	2009 \$
Raw materials at cost	1,036,578	943,849
Finished goods at lower of cost and net realisable value	2,403,873	1,557,348
	3,440,451	2,501,197

9 OTHER CURRENT ASSETS

	2010 \$	2009 \$
Prepayments	160,490	157,107
Security deposits	84,033	65,280
	244,523	222,387

10 INVESTMENT IN ASSOCIATES

	2010 \$	2009 \$
Non- current		
<i>Unlisted</i>		
- Mitre Focus Sdn Bhd (a) (i)	963,722	931,160
- Vita Life Sciences (Thailand) Co. Ltd (a) (ii)	150,040	155,179
- Vitahealth (Thailand) Co. Ltd (a) (iii)	423,718	382,610
Investments in associates	1,537,480	1,468,949
(a) Details of the carrying value of investments and share of profits / (losses) in associates the associates:		
(i) Mitre Focus Sdn Bhd		
- Investment in associate at cost	22	22
- Loan to associate	910,265	931,558
- Cumulative share of associate's profit / (loss)	53,435	(420)
Carrying value of investment in associate	963,722	931,160
(ii) Vita Life Sciences (Thailand) Co. Ltd		
- Investment in associate at cost	156,640	160,421
- Cumulative share of associate's loss	(6,600)	(5,242)
Carrying value of investment in associate	150,040	155,179

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

10 INVESTMENT IN ASSOCIATES (CONTINUED)

(a) Details of the carrying value of investments and share of profits / (losses) in associates the associates: (Continued)	2010 \$	2009 \$	
(iii) Vitahealth (Thailand) Co. Ltd			
- Investment in associate at cost	30,743	31,473	
- Loan to associate	672,836	558,073	
- Provision for doubtful debts	(81,967)	-	
- Cumulative share of associate's loss	(197,894)	(206,936)	
Carrying value of investment in associate	423,718	382,610	
	Place of Incorporation	Ownership Interest	
		31 December 2010	31 December 2009
		%	%
(b) Investment details			
Name of Company			
<i>Unlisted</i>			
- Mitre Focus Sdn Bhd	Malaysia	6.3	6.3
- Vita Life Sciences (Thailand) Co. Ltd	Thailand	49.0	49.0
- Vitahealth (Thailand) Co. Ltd	Thailand	74.0	74.0
	2010 \$	2009 \$	
(c) Summarised financial information			
The following illustrates summarised financial information relating to the Group's associates:			
Extract from the associates' statement of financial position:			
Current assets	4,170,543	586,773	
Non - current assets	4,012,006	2,460,854	
	8,182,549	3,047,627	
Current liabilities	(5,044,271)	(3,023,324)	
Non - current liabilities	(263,598)	-	
	(5,307,869)	(3,023,324)	
Net assets / (liabilities)	2,874,680	24,303	
Share of associates' net assets / (liabilities)	123,772	(58,744)	
Extract from the associates' income statements:			
Revenue	1,823,567	257,513	
Net loss	(31,834)	(140,576)	

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

10 INVESTMENT IN ASSOCIATES (CONTINUED)

- (d) The reporting date of associates is 31 December 2010. The reporting date coincides with the Company's reporting date.
- (e) Loans to associates are interest free and have no fixed repayment term;
- (f) The Group's effective equity interest in Vitahealth (Thailand) Co. Ltd is by virtue of Vita Life Sciences (Thailand) Co. Ltd's (an associate of the Group) direct equity interest of 51% and the Group's direct equity interest of 49%. Given this ownership structure, the Group has no control but exercises significant influence over Vitahealth (Thailand) Co. Ltd;
- (g) As at 31 December 2010, there are no contingent liabilities relating to the associates.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and equipment	Leased Plant and Equipment	Total
	\$	\$	\$	\$
Year ended 31 December 2010				
At 1 January 2010 net of accumulated depreciation and impairment	19,918	113,563	6,495	139,976
Additions	90,054	52,103	-	142,157
Disposals	-	(1,946)	(6,770)	(8,716)
Exchange differences	657	146	468	1,271
Depreciation / amortisation for the year	(36,697)	(72,150)	(193)	(109,040)
At 31 December 2010 net of accumulated depreciation and impairment	73,932	91,716	-	165,648
At 31 December 2010				
Cost value	325,954	1,405,505	119,195	1,850,654
Accumulated depreciation and impairment	(252,022)	(1,313,789)	(119,195)	(1,685,006)
Net carrying amount	73,932	91,716	-	165,648
Year ended 31 December 2009				
At 1 January 2009 net of accumulated depreciation and impairment	52,111	167,617	9,627	229,355
Additions	14,210	56,394	-	70,604
Disposals	-	(249)	-	(249)
Exchange differences	(7,590)	(23,864)	2,045	(29,409)
Reclassification of property, plant & equipment	-	943	(943)	-
Depreciation / amortisation for the year	(38,813)	(87,278)	(4,234)	(130,325)
At 31 December 2009 net of accumulated depreciation and impairment	19,918	113,563	6,495	139,976
At 31 December 2009				
Cost value	244,475	1,389,191	134,790	1,768,456
Accumulated depreciation and impairment	(224,557)	(1,275,628)	(128,295)	(1,628,480)
Net carrying amount	19,918	113,563	6,495	139,976

The net carrying value of plant and equipment held under finance lease contracts at 31 December 2010 is \$Nil (2009: \$6,495).

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

12 INTANGIBLES ASSETS

	Development costs \$
Consolidated	
Year ended 31 December 2010	
At 1 January 2010 net of accumulated depreciation and impairment	52,858
Additions	12,996
Amortisation	(8,568)
Exchange differences	(225)
	<hr/>
At 31 December 2010 net of accumulated depreciation and impairment	57,061
At 31 December 2010	
Gross carrying amount	340,909
Accumulated amortisation and impairment	(283,848)
	<hr/>
Total	57,061
Year ended 31 December 2009	
At 1 January 2009 net of accumulated depreciation and impairment	73,710
Additions	2,575
Impairment / amortisation	(16,947)
Exchange differences	(6,480)
	<hr/>
At 31 December 2009 net of accumulated depreciation and impairment	52,858
At 31 December 2009	
Gross carrying amount	337,182
Accumulated amortisation and impairment	(284,324)
	<hr/>
Total	52,858

(a) 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 2010

13 TRADE AND OTHER PAYABLES

	2010 \$	2009 \$
Current		
Trade payables (a)	2,684,835	1,945,182
Net tax payable	99,307	98,760
Other payables and accruals	1,369,556	1,069,317
	<u>4,153,698</u>	<u>3,113,259</u>
Loan from associated entities (b)	148,153	156,393
	<u>4,301,851</u>	<u>3,269,652</u>

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

(b) The loans from associated entities are interest free and have no fixed repayment term.

(c) Fair value

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

14 INTEREST BEARING LOANS AND BORROWINGS

	2010 \$	2009 \$
Current		
Trade financing facility - secured (a)	1,052,118	598,681
Secured loans (b)	712,682	717,400
Lease liabilities - secured (c)	-	4,740
Bank overdrafts - secured (d)	48,776	-
	<u>1,813,576</u>	<u>1,320,821</u>
Non - Current		
Secured loans (b)	-	10,500
Lease liabilities - secured (c)	-	2,677
	<u>-</u>	<u>13,177</u>

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

14 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

At reporting date, the following financing facilities has been negotiated and were available:	2010 \$	2009 \$
Total facilities available:		
Trade financing facility - secured	1,678,408	1,000,000
Secured loans	3,017,400	3,027,900
Bank overdraft	263,788	330,604
	4,959,596	4,358,504
Facilities utilised at balance date:		
Trade financing facility - secured	1,052,118	598,681
Secured loans	712,682	717,400
Bank overdraft	48,776	-
	1,813,576	1,316,081
Facilities not utilised at balance date:		
Trade financing facility - secured	626,290	401,319
Secured loans	2,304,718	2,310,500
Bank overdraft	215,012	330,604
	3,146,020	3,042,423

(a) Trade financing facility

Trade financing facility is provided by an Australian bank and a Malaysian bank to subsidiaries in the respective countries. The weighted average interest rate for the facility as at 31 December 2010 is 10.79% (2009: 13.0%). The facility has a fixed and floating charge over the assets and undertakings of the subsidiary.

(b) Secured loan

The loan is provided by an external foreign company. The facility is secured over the assets and undertakings of the Company and the consolidated entity.

(c) Lease liabilities

Lease liabilities are effectively secured as the rights to the lease assets revert to the lessor in the event of default.

(d) Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 31 December 2010 is 7.84% p.a. (2009: 7.50% p.a.) The bank overdraft of the controlled entity is secured by way of a pledge of the short term deposits of the controlled entity.

(e) Fair value

Due to the short term nature of these loans, their carrying value is assumed to approximate their fair value.

(f) Default and breaches

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

15 PROVISIONS

	Employee Entitlements \$	Others \$	Total \$
Consolidated			
Balance at 1 January 2010	97,608	161,830	259,438
Arising during the year	10,116	(22,839)	(12,723)
Balance at 31 December 2010	107,724	138,991	246,715
At 31 December 2010			
Current	102,399	138,991	241,390
Non-Current	5,325	-	5,325
	107,724	138,991	246,715
At 31 December 2009			
Current	92,283	161,830	254,113
Non-Current	5,325	-	5,325
	97,608	161,830	259,438

(a) Employee entitlements

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

16 CONTRIBUTED EQUITY

	2010 Number	2009 Number	2010 \$	2009 \$
Issued and paid up capital				
Ordinary shares	54,245,307	54,285,307	45,690,301	45,699,176
Ordinary shares				
Balance at beginning of the year	54,285,307	48,580,228	45,699,176	44,549,823
Share buy back (a)	(40,000)	(254,921)	(8,875)	(46,345)
Shares issued during the year	-	6,250,000	-	1,250,000
Share issue costs	-	-	-	(54,302)
Cancellation of Plan Shares of certain employees and Director	-	(1,375,000)	-	-
Issued of shares to employee / director	-	1,085,000	-	-
Acquisition of minority interest	-	-	-	-
Balance at end of the year	54,245,307	54,285,307	45,690,301	45,699,176

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

16 CONTRIBUTED EQUITY (CONTINUED)

(a) Share Buy-Back

On 14 September 2010, the Company announced an on-market share buy-back of up to 15% of the Company's shares on issue funded from the Group's existing cash reserves. During the financial year ended 31 December 2010, the Company bought back 40,000 shares for total consideration of \$8,450 excluding cost of \$425.

(b) 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.

The Directors declared a final fully franked dividend of 0.5 cents in respect of the financial year ended 31 December 2010 (2009: Nil).

17 NET TANGIBLE ASSET PER SHARE

	2010 \$	2009 \$
Net assets per share	0.15	0.08
Net tangible assets per share	0.15	0.08
	Number	Number
Weighted average number of ordinary shares for net assets per share	54,272,751	48,196,932

18 SUBSEQUENT EVENTS

Pan Case and Group Borrowings

In December 2010, Vita Life Sciences Limited and six of its subsidiaries (being Vita Health Laboratories (Australia) Pty Ltd, Supplements World Pte Ltd (in liquidation), Herbs of Gold Pty Ltd, Vita Health Laboratories Indochina Pte Ltd, Swiss Bio Pharma Sdn Bhd and Vita Corporation Pte Ltd) and the Commonwealth of Australia and others ("Commonwealth") settled their legal proceedings. The settlement amount was inclusive of legal and professional costs and interest, which for the Group amounted to \$1.85 million (2009: \$0.63 million).

As a result Vita Life and six of its subsidiaries received \$5.0 million from the Commonwealth in January 2011.

Subsequent to the receipt, the Group settled its secured Loans of \$0.70 million and reduced its trade finance facility by \$1.0 million.

Other than the above, there is no subsequent event after balance date that affects the operating results or financial position of the Company and its subsidiaries

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2010

19 DETAILS OF CONTROL OVER ENTITIES

Subsidiaries

Name	Place of Incorporation	Percentage of Equity Interest	
		2010 %	2009 %
Tetley Research Pty Limited	Australia	100	100
Tetley Treadmills Pty Limited	Australia	100	100
Tetley Manufacturing Pty Limited	Australia	100	100
Vimed BioSciences 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
Premier Foods Pty Limited	Australia	100	100
Vita Corporation Pte Limited	Singapore	100	100
VitaHealth Laboratories (HK) Limited	Hong Kong	100	100
Vita Healthcare Asia Pacific Sdn Bhd	Malaysia	100	100
Swiss Bio Pharma Sdn Bhd	Malaysia	100	100
Vitaron Jaya Sdn Bhd	Malaysia	100	100
Vita Life Sciences Sdn Bhd	Malaysia	70	70
VitaHealth Asia Pacific (S) Pte Limited	Singapore	100	100
Vita Life Science (S) Pte Limited	Singapore	100	100
VitaHealth IP Pte Limited	Singapore	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. Vitahealth Indonesia	Indonesia	100	-

20 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.

Not applicable

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.

Terry Kong
Company Secretary
25 February 2011

VLS