Vita Life Sciences Limited Annual Report 2007

Vita Life Sciences Limited

ABN 35 003 190 421

Corporate Directory

Directors

Vanda Gould
Non-Executive Chairman

Eddie L S Tie
Managing Director

John Sharman
Non-Executive Director

Henry Townsing
Non-Executive Director

Company Secretary
Henry Townsing

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Suite 630, Level 6
1 Queens Road
Melbourne Victoria 3004
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Fax 61 3 9820 5957

Australian Regional Office
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Fax 61 2 9545 1311

Asian Regional Office
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Malaysia
Tel 60 3 7729 3873
Fax 60 3 7727 4658

Website
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Auditors
Russell Bedford NSW
Level 42, Suncorp Place
259 George Street
Sydney NSW 2000

Share Registry
Gould Ralph Pty Ltd
Level 42, Suncorp Place
259 George Street
Sydney NSW 2000
Tel 61 2 9032 3000
Fax 61 2 9032 3088

Bankers
Westpac Banking Corporation
409 St Kilda Road
Melbourne Victoria 3004

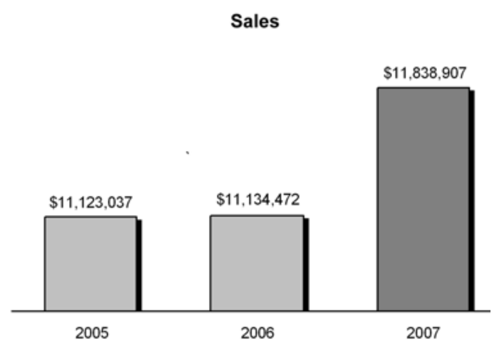
Solicitors
Piper Alderman
Level 24, 385 Bourke Street
Melbourne Victoria 3000

Stock Exchange Listing
The ordinary shares of
Vita Life Sciences Limited are
listed on the Australian Securities
Exchange Ltd (code: VSC).

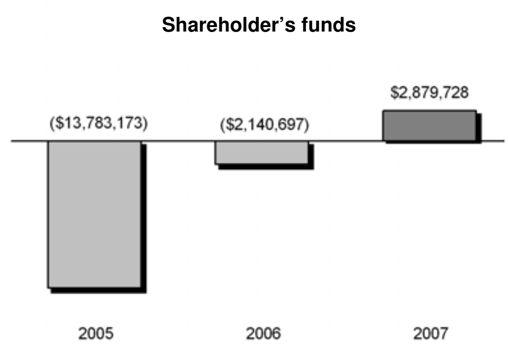
Contents

2007 Highlights

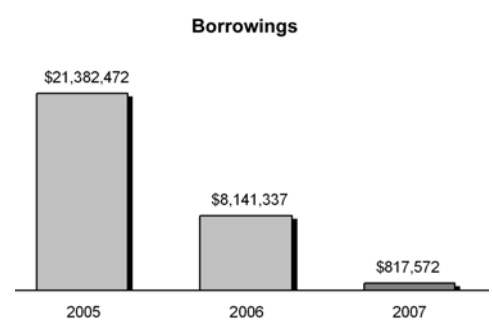
- **Successful capital raising of $6.66 million;**
- **Successfully listed on the ASX in August 2007;**
- **Platform established for growth in China, Malaysia and Thailand.**



Sales revenue:
Increased to $11.84 million (2006: $11.13 million)



Positive shareholder's funds:
Shareholder's funds 2007 were positive $2.88 million (2006: negative $2.14 million)



Lower borrowings:
Borrowings reduced to $0.82 million (2006: $8.14 million)

Chairman's Letter

Dear Vita Life Shareholder,

As Chairman, it gives me great pleasure to present to you our Annual Report for the financial year ended 2007. I thank shareholders and stakeholders who have been supportive of the Company in the past few years. Your support has enabled the Company to re-establish itself and the rewards are now beginning to be evident.

The recently concluded financial year has been an exciting period for the Company with several milestones achieved, namely:

- Successfully raised $6.66 million and listed the Company on the Australian Securities Exchange;
- Completed the divestment of our medical division;
- Repaid noteholders and substantially reduced borrowings from $8.14 million to $0.82 million;
- Our principal business, the Health division, expanded and was profitable.

The foundations for expansion of the Health division were put in place in 2006 and 2007 and the opportunity is to capitalise on the established market position for its health supplements in Australia and several Asian countries. In this regard, I am pleased to report that in 2007 good progress has been made, including:

- Launching our VitaHealth brand in Thailand;
- Launching our multi-level-marketing business in Malaysia;
- Launching our affordable direct channel Pharma Direct in Malaysia;
- Successfully obtained regulatory approvals for the setting up of Herbs of Gold (Shanghai) Co Ltd to enable sales in China in 2008.

These initiatives began to positively contribute to Health division sales and gross profit. Overall turnover improved by 6% to $11.83m from the previous year, and loss before interest and taxation was $20,505. Importantly the Company now has positive shareholders funds of $2.88m (2006 negative $2.14m).

The Health division's holding company is Vita Healthcare Asia Pacific Sdn Bhd and the Company owns 93.25% of its capital. Vital BioTech Holdings Ltd, a Hong Kong listed company, owns the balance of 6.75% and we have reached agreement with them to buy the 6.75% in exchange for 1,586,053 new Vita Life shares or 3.4% of Vita Life's existing issued capital. This arrangement is subject to formal documentation being completed and will result in the Health division being a wholly-owned business.

At the Company's Annual General Meeting in May 2008 the Company will seek approval from shareholders to sell those shareholdings that are non-marketable parcels. At present the Company has more than 1,800 of its shareholders with less than $500 worth of shares and of these, approximately 800 have less than $100 of shares. Should this be approved by shareholders then prior to the implementation of the sale of non-marketable parcels it is the Directors' intention to offer the opportunity for all shareholders to subscribe for new shares via a Share Purchase Plan. Therefore all shareholders will have the opportunity to top-up their shareholdings.

On behalf of the Board I would like to acknowledge the contributions of Vita Life's management and staff under Mr Eddie Tie's leadership and thank him for his vision in re-building the Company. I am confident that finally all the pain of the difficult years is now behind us and that the long-term investor will do very well from buying shares at current levels. Thank you staff and shareholders for your support.

Vanda Gould
Chairman
20 March 2008

Managing Director's Review

Overview

Vita Life successfully re-listed on the Australian Securities Exchange ("ASX") in August 2007. With the completion of the listing and capital raising of $6.66m, the Company is now concentrating on expanding existing and building new businesses.

During the year, we launched three new business units:

- VitaLife - A multi-level marketing unit in Malaysia
- Pharma Direct- An affordable health supplements unit in Malaysia
- VitaHealth Thailand- An over the counter health supplements unit in Thailand

In 2007, we also laid the foundation to launch our brands in new markets so as to enhance and protect our brand equity by establishing:

- A wholly owned subsidiary, Herbs of Gold (Shanghai) Co. Ltd in the Peoples' Republic of China to spearhead expansion into China; and
- A legal representative office in Indonesia and Vietnam to enable the group to register products with the respective authorities.

The foundations laid will provide us with future growth opportunities in regions with large populations and growing affluence. We remain committed to growing our business in countries with population in excess of 50 million people. However, the road to growth and profitability is paved with many challenges such as the uncertainties surrounding product registration, importations, laboratory/ clinical studies and other regulatory conditions which are sometimes vague.

We will continue to grow our businesses in our three established operating units in Australia, Singapore and Malaysia. All three units reported positive sales growth in 2007 over the previous year and we expect the trend to continue into this year.

The Health division now operates five brands, namely, VitaHealth, VitaLife, Herbs of Gold, Vita Science and Pharma Direct. These brands will enable us to target different channels and market segments, locally and abroad.

In 2008, the Health division will focus on gaining a stronger foothold by:

- Launching new and relevant products with improved or unique formulations;
- Expanding product range in China, Thailand and Indonesia;
- Revitalising and expanding the Vita Science and Herbs of Gold brand in Australia;
- Strengthening brand image and customer experience for all brands;
- Investing in training and equipping our people to deliver our brand promises consistently; and
- Building a strong team based in China to execute our China business plan.

Managing Director's Review (Continued)

Financial Performance for 2007

The financial year 2007 marks the first full year since Vita Life divested its medical division.

In the Company's prospectus in July 2007 we forecast an annual sales of $11.70m for 2007 and we are pleased to report sales of $11.83m despite a stronger Australian dollar compared to Asian currencies (about 5% higher than 2006 on average). Approximately 58% of revenue was derived from Asia. In terms of local currency, the operating units in Malaysia and Singapore registered sales growth of 16% and 8% respectively whilst Australia managed a sales growth of 2% over 2006. The modest increase in Australia can be attributed to suppliers who failed to deliver products within contracted time frames. We have taken the necessary actions to prevent such incidences from recurring.

The principal components of Vita Life's financial results for 2007 include:

- Overall improvement in sales from previous year by 6.3% to $11.83m and in gross profit margins in all operating units. The increase was mainly from established operating units as new business units did not progress as quickly as expected;
- Other income revenue of $0.35m from settlement of legal cases;
- Recovery of previously written off amounts of $0.15m; and
- Lower costs associated with legal, consultancy and professional fees offset by costs associated with establishing new business units.

In 2006, the Company reported a profit of $8.70m before interest and tax which was primarily attributed to income of $11.78m arising from divestment of the medical business, income arising from discounts on redemption of convertible notes of $1.26m, offset by goodwill written off of $1.11m.

Health Division

Health division revenue has improved to $11.83 million (2006: $11.1 million) with improved gross profit margin over 2006 in all three established operating units. Tighter controls over price discounting, better sourcing of raw materials, and formulation of products contributed to the improved performance in a highly competitive market. Our decision not to pursue market share at high advertising and promotion cost also assisted.

The key operating results for the Health division in 2007 were:

- Sales revenue grew across the board for all three established operating units. Excluding the recently launched businesses, the Health division made an operating profit in 2007 after failing to do so consistently in previous years;
- Gross profit margins in all three established operating units were in line with expectations; and
- Operating costs (excluding other expenses) decreased by $0.93 million or 11.6% compared with 2006 mainly due to lower legal and other professional costs of $1.22 million which was partly offset by additional cost incurred in human resources, systems and consultancy fees paid for setting up new ventures and product registration in China, Vietnam and Indonesia.

Apart from continuing strategies outlined in last year's annual report (to grow the business profitability), we have embarked on new strategies (refer above) to ensure our Group's long term continued growth and success in new markets. The benefits of these strategies are expected in the medium term and may negatively impact results in the short term.

Managing Director's Review (Continued)

New Businesses

In 2007, eight new products were launched under the multi-level marketing VitaLife brand and four new products under the Pharma Direct brand. Capital invested in these businesses mainly comprised initial trading inventories and start up costs.

The Pharma Direct brand has shown positive growth and margins over the past few months whilst the multi-level marketing business remains a challenge as we attempt to grow the distributor base without acquiring key distributors at high upfront costs. We are constantly weighing up the immediate cost but uncertain growth of acquiring distributors against the less costly but reliable organic growth albeit at a slower pace. We tend to believe that the latter is a sustainable strategy in the longer term. We remain steadfast that our multi level marketing unit can provide the quantum leap in sales for the group.

Investment Division

During the year, we invested $0.42 million in a new property development project comprising 372 units of houses and shops to be launched in various phases. Phase I of the project was launched in August 2007 for sale to the general public. Sales was slower than expected as a result of tightening credit for housing and consumer loans whilst inflationary pressures on household disposal income has affected the general consumer sentiment. We continue to be of the view that the project will be profitable and we expect attractive returns from the investment.

Regional commentary

Australia

Herbs of Gold in Australia continues to be our single largest brand / market accounting for nearly 42% of group turnover. Gross margins in 2007 improved over previous years due to the introduction of new and improved products as well as success in securing new sources for raw materials at competitive prices.

Sixteen new or reformulated products were launched by Herbs of Gold and Vita Science in 2007 compared to seven in 2006. We will continue our efforts in revitalising the Vita Science and Herbs of Gold brands by introducing unique products with therapeutic function and lessen dependence on highly discounted commodity products.

Despite higher advertising and promotion activities during the year, Herbs of Gold managed to report a small profit before taxation, in 2007 turning around a loss position since 2002.

In December 2007, we consolidated all inventory in one location following the termination of a former distribution arrangement. We have began to see some benefits from this change with better management of inventory and by now in dealing directly with customers, we are able to be more responsive to their needs.

Malaysia and Singapore

The balance of the Health division's turnover is split between Malaysia (32%), Singapore (24%) with other sales in non over the counter channels and smaller export markets accounting for the balance.

Malaysia and Singapore sales increased by 16% and 8% respectively in terms of local currencies over those achieved in 2006. Seven new over the counter products were launched under the VitaHealth brand in Singapore with two launched in Malaysia. Fewer new products were launched in 2007 as we focused on activities aimed at increasing sales of products launched in 2006.

Both operating units in Malaysia and Singapore reported profit before taxation for 2007, indicating that the strategies executed since 2005 finally began to bear fruit.

Managing Director's Review (Continued)

2008- Forward

We remain cautious in the immediate term but at the same time optimistic over the longer term as the foundations of our new business ventures solidify. Our on-going and new business initiatives are revitalising our brands and energizing our staff at all levels. The speed at which our strategies can be implemented is directly related to the rate of recruiting the relevant manpower. This was a big challenge in 2007 and continues to be in 2008 as the employment market in all countries which the group does business remains tight.

Positive sale trends continue to been seen through to the date of this report which bears a positive indication that the groups business plans for 2008 are achievable barring a general decline in consumer spending and the cautious sentiment emanating from global economic conditions, tighter credit conditions and inflationary pressures seen in our major markets.

Conclusion

The strategies implemented so far are deliberately focussed on growing our established businesses and launching new brands and products to serve different customers in different countries. We plan to consider acquisition opportunities that fit our core values and make investment sense.

The current performance of the group does not yet reflect the results expected from the strategies implemented so far. My team and I have a clear direction, plan and commitment and given time, we will repay the faith that our board of Directors and shareholders have placed on us.

In closing, I would like to thank our Chairman, Mr Vanda Gould, and board members for supporting all the strategies put forth and my colleagues for their hard work and dedication.

Eddie L S Tie
Managing Director
20 March 2008

Directors' Report

Your Directors submit their report for the year ended 31 December 2007.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Mr Vanda R Gould
Non-Executive Chairman
B Com, M Com, FCA, FCPA

Vanda has been a member of the Board since 1997. He is currently the Group Non-Executive Chairman appointed in 1999 and also serves as Chairman of the Audit and Risk, Board Nominations, and Remuneration Committees.

Vanda has broad business experience having practised as a chartered accountant for more than 30 years. As founding Chairman in 1984 of CVC Limited he has overseen investments in several companies involved in the medical industry. He is also chairman of several other private and public companies and educational establishments.

Vanda lives in Sydney and is 59 years old.

Vanda is also the chairman of the ASX listed company CVC Limited.

Mr Eddie L S Tie
Managing Director
FCPA (Australia), CPA (M), CA (M), CFP

Eddie has more than 25 years commercial experience including holding positions as Managing Director and Chief Executive Officer across companies involved in hotel and property development, manufacturing and education. Earlier in his career he was the Finance Director for a regional subsidiary of a multinational information technology company and General Manager of finance of a publicly listed company in Malaysia.

Eddie was appointed Managing Director of Vita Healthcare Asia Pacific Sdn Bhd and Vita Life on 18 January 2005 and 1 January 2007 respectively.

Eddie lives in Kuala Lumpur, Malaysia and is 49 years old.

Mr John S Sharman
Non-Executive Director
B Ec, M Fin, CA

John was Finance Director and then Executive Director of Vita Life from October 2003 to August 2006. John serves as a member of the Audit and Risk Committee.

John has over 15 years experience in company management, private equity, investment banking and corporate finance. He has extensive experience in capital raisings, negotiation of key agreements, recovery and commercial strategies for performing and non-performing companies in all stages of company development.

John is the Managing Director of the ASX listed company Cyclopharm Ltd (appointed September 2006).

John lives in Melbourne and is 41 years old.

Directors' Report (Continued)

Mr Henry G Townsing
Non-Executive Director
Dip Val

Henry has more than 20 years experience in corporate finance and private equity. He was a director of Vita Life from 1985 to 1992 and was reappointed a director in 2004. He is a director of Normandy Finance & Investments Asia Ltd, one of Vita Life's largest shareholders, and several other companies. Henry is also the Company Secretary.

Henry lives in Melbourne and is 52 years old.

Interests in the shares of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares of Company were:

Director	31/12/2006	Share Consolidation	Sales	Purchases	Issues Under LTI *	31/12/2007
Mr Vanda R Gould - non beneficial	7,098,902	(5,324,176)	-	5,411,400	-	7,186,126
Mr Eddie L S Tie - beneficial	600,000	(450,000)	-	1,870,500	825,000	2,845,500
Mr John S Sharman - beneficial	1,267,000	(950,250)	-	-	-	316,750
- non beneficial	182,437	(136,827)	-	115,590	-	161,200
Mr Henry G Townsing - non beneficial	10,144,110	(7,608,081)	-	2,297,367	-	4,833,396

* Refer to Remuneration Report for details of Long Term Incentives

DIVIDENDS

No dividends were declared or paid during the financial year.

PRINCIPAL ACTIVITIES

The principal activities during the financial year of entities within the consolidated entity consisted of formulating, packaging, sales and distribution of vitamins and supplements and investment.

OPERATING, FINANCIAL REVIEW AND LIKELY DEVELOPMENTS

The Group's operating loss before tax for the financial year ended 31 December 2007 was $323,873 (2006: profit before tax of $8,274,830). A tax benefit of $119,608 (2006: nil) arose resulting in a loss after tax of $204,265 (2006: profit after tax from continuing operations of $8,274,830).

A detailed review of operations and likely developments is included in the Chairman's Report and the Managing Director's Review of Operations.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 17 August 2007, the Company completed a new share issue and on 23 August 2007 its ordinary shares re-commenced trading on the Australian Securities Exchange ("ASX"). A total of 33,329,450 new ordinary shares were allotted at $0.20 each raising $6,665,890 before issue costs of $737,346. The net proceeds from the new share issue has been utilised towards the repayment of company borrowings and working capital purposes.

Directors' Report (Continued)

SIGNIFICANT EVENTS AFTER BALANCE DATE

Recovery of Loan Previously Written Off

On 6 August 2007, the Company was appointed Controller of shares ("Charged Shares") in Amanah Property Trust Managers Berhad ("APTM"), a company registered in Malaysia, over which the Company had a charge for a debt owed to the Company.

On 21 February 2008, the Directors approved the sale of the Charged Shares to Perkasa Normandy Holdings Sdn Bhd, a company registered in Malaysia. The transaction is pending shareholders' approval at the forthcoming Annual General Meeting.

Exchange of Minority Interest with Shares in Parent Company

The Company owns 93.25% of the capital of the Health division's holding company, Vita Healthcare Asia Pacific Sdn Bhd. The remaining 6.75% is owned by Vital BioTech Holdings Ltd, a Hong Kong listed company. Agreement has been reached to purchase the 6.75% in exchange for 1,586,053 new Vita Life shares or 3.4% of Vita Life's existing issued capital. At the date of this report, the agreement is pending completion of formal documentation.

There are no other subsequent events after balance date that affects the operating results or financial position of the Company and its subsidiaries.

ENVIRONMENTAL REGULATIONS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

The Company has resolved to indemnify its Directors and officers for a liability to a third party unless:

- the liability does not arise out of conduct involving a lack of good faith; or
- the liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgement is given in their favour or in which they are acquitted.

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

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

The total amount of insurance contract premiums paid was $22,394 (2006: $22,707).

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

Directors' Report (Continued)

DIRECTORS' MEETING

The number of meetings of Directors (including meetings of committee of directors) held during the year and the number of meetings attended by each director were as follows:

Director	Board Meetings		Audit Committee		Board Nomination		Remuneration	
	Held by members	Attended	Held by members	Attended	Held by members	Attended	Held by members	Attended
Mr Vanda R Gould	11	11	1	1	1	1	1	1
Mr John S Sharman	11	9	1	1	*	*	*	*
Mr Henry G Townsing	11	10	*	*	1	1	1	1
Mr Eddie L S Tie	11	11	*	*	*	*	*	*

* Not a member of the committees

AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received an Independence Declaration from the external auditor, Russell Bedford NSW. A copy of this Declaration follows the Directors Report.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Russell Bedford NSW (and its associates) received or are due to receive the following amounts for the provision of non-audit services:

	$
Tax compliance services	20,000
Independent accountant's report	45,000
Share registry services	35,535
	100,535

INVESTMENT AND BUSINESS RISK MANAGEMENT

The board, based on the recommendations of the Managing Director, Mr Tie and the Directors, makes decisions on investments for the Company. The board considers that the general retention by it, or the power to make the final investment or divestment decision by a majority vote provides an effective review of the investment strategy.

A majority of the Directors must approve any modification to the investment parameters applying to the Company's assets. Any modification to the investment strategy is notified to the ASX and any proposed major change in investment strategy is first put to shareholders for their approval.

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

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

SHAREHOLDING BY DIRECTORS AND EXECUTIVES

Company policy restricts trading by the Directors in their Shares to certain times and circumstances. Directors and senior executives will only be entitled to trade their Shares without restriction for up to four weeks following announcements of the Company's half yearly and preliminary final results, any detailed announcements concerning profit forecasts and after the Annual General Meeting.

Directors' Report (Continued)

ETHICAL STANDARDS

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

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

REMUNERATION REPORT

The Remuneration Report outlines Directors and executives remuneration arrangements of the Company and the group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report key management personnel of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, general managers and secretaries of the parent and the group.

Remuneration committee
The Remuneration Committee currently comprises Mr Gould, Chairman of the Remuneration Committee, and Mr Townsing.

The Remuneration Committee is responsible for:

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

Total remuneration for all existing non-executive Directors during the financial year was $60,000. These fees are within the aggregate remuneration of $100,000 for all non-executive Directors as approved by shareholders at the Annual General Meeting held 6 July 2006.

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

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

- provide competitive rewards to attract high calibre executives;
- link executive rewards to the performance of the Company and the creation of shareholders' value;
- have a significant portion of executive remuneration 'at risk';
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration structure
In accordance with best practice corporate governance, the structure of non-executive Directors and executives' remuneration is separate and distinct.

REMUNERATION REPORT (CONTINUED)

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

Structure
The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held in 6 July 2006 when shareholders approved an aggregate remuneration of $100,000 per year.

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

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

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

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

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

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

Remuneration consists of the following key elements:

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

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

Fixed Remuneration
Objective
Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of Company, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

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

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Variable remuneration - Short Term Incentive ("STI")

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

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

The group has predetermined benchmarks that must be met in order to trigger payments under the STI scheme. On an annual basis, after consideration of performance against KPI's, the Remuneration Committee, in line with their responsibilities, determine the amount, if any, of the short term incentive to be paid to each executive. This process usually occurs within 3 months of reporting date.

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

Variable remuneration – Long Term Incentives

Objective
The Company has established a Long Term Incentive Plan ("Plan") to encourage employees or officers to share in the ownership of the Company, in order to promote the long-term success of the Company.

The plan was implemented in 2003 and at the date of this report the Company had allocated 1,452,500 plan shares equivalent to 3.1% of the Company's capital. The principal terms and conditions of the Plan are:

- The Company lends money on a non-recourse basis to employees to buy Company shares at an interest rate as determined by the Remuneration Committee. Interest to be paid is to be derived from dividends paid by the Company or capitalised against the loan;
- The total allocation of share capital able to be issued is not to exceed 7.5% of issued capital;
- The term of the loan is up to 5 years at which point all outstanding monies must be repaid or the shares are forfeited;
- Hurdles as determined by the Remuneration Committee and approved by the Board. Where hurdles are not met the Plan shares will be forfeited and the employee will not be required to make further payment;
- Vesting periods as determined by the Remuneration Committee and approved by the Board; and
- Any dividends paid will be applied to the principal and or interest charged on the loan.

Employment contracts

Managing Director
The Managing Director, Mr Tie, is employed under a rolling contract which commenced January 2005. The principal terms of Mr Tie's contract are:

- Fixed remuneration of $ 139,838 (including superannuation) per annum for the year ended 31 December 2007.
- Mr Tie may resign from his position and thus terminate this contract by giving three months written notice unless a mutually agreeable date can be agreed upon.
- The Company may terminate this employment agreement by providing three months written notice or providing payment in lieu of the notice period (based on the fixed component of Mr Tie's remuneration).
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Employment contracts (Continued)

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

Remuneration of Key Management Personnel (Audited)
Table 1: Remuneration for the year ended 31 December 2007

Consolidated	Short term employee benefits		Share based payments		
	Salary & Fees $	Superannuation $		Total $	Performance rated %
2007					
Directors					
Mr Vanda R Gould Non-Executive Director	30,000	-	-	30,000	0%
Mr Eddie L S Tie (1) Managing Director	124,664	15,174	15,153	154,991	10%
Mr John S Sharman Non-Executive Director	15,000	-	-	15,000	0%
Mr Henry G Townsing Non-Executive Director	15,000	-	-	15,000	0%
Total Directors Compensation	184,664	15,174	15,153	214,991	7%
Key Management Personnel					
C L Khoo Chief Financial Officer	61,667	7,749	-	69,416	0%
Y T Ong (2) Chief Operating Officer-VHAP	49,773	6,608	-	56,381	0%
L M Leong Country Manager- Singapore	106,239	8,443	-	114,682	0%
Nathan Cheong Country Manager- Australia	100,369	7,865	-	108,234	0%
Edmund E M Sim Senior Manager, Regional Regulatory	84,424	8,000	-	92,424	0%
Total Key Management Compensation	402,472	38,665	-	441,137	0%
Grand total	587,136	53,839	15,153	656,128	2%

(1) Mr Eddie L S Tie received allotment of 825,000 ordinary shares pursuant to Vita Life's Long Term Incentive Plan valued at $15,153, as disclosed in Note 24 to the financial statements,

(2) Y T Ong joined Vita Healthcare Asia Pacific Sdn Bhd ("VHAP"), a subsidiary of the Company, on 15 June 2007.

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Remuneration of Key Management Personnel (Audited) (Continued)
Table 2 Remuneration for the year ended 31 December 2006

Consolidated	Short term employee benefits				
	Salary & Fees	Superannuation	Non-monetary benefits	Total	Performance rated
	$	$	$	$	%
2006					
Directors					
Mr Vanda R Gould Non-Executive Director	30,000	-	-	30,000	0%
Mr Eddie L S Tie Managing Director	129,116	15,494	1,049	145,659	0%
Mr John S Sharman Non-Executive Director	188,213	-	-	188,213	0%
Mr Henry G Townsing Non-Executive Director	15,000	-	-	15,000	0%
Total Directors Compensation	362,329	15,494	1,049	378,872	0%
Key Management Personnel					
C L Khoo Chief Financial Officer	58,489	7,028	-	65,517	0%
L M Leong Country Manager- Singapore	86,770	6,768	-	93,538	0%
Nathan Cheong (1) Acting Country Manager- Australia	52,634	4,099	-	56,733	0%
Edmund E M Sim Senior Manager, Regional Regulatory	75,179	7,195	-	82,374	0%
Total Key Management Compensation	273,072	25,090	-	298,162	0%
Grand total	635,401	40,584	1,049	677,034	0%

(1) Nathan Cheong joined Herbs of Gold Pty Ltd, a subsidiary of the Company, on 16 June 2006.

Signed in accordance with a resolution of the Directors.

Eddie L S Tie
Director
20 March 2008

Russell Bedford
New South Wales

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Australia

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W: www.russellbedfordnsw.com.au

The Board of Directors
Vita Life Sciences Limited
Suite 630 Level 6,
1 Queens Road, St Kilda Towers
MELBOURNE VIC 3004

Dear Members of the Board,

LEAD AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF VITA LIFE SCIENCES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2007 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Yours faithfully,
RUSSELL BEDFORD NSW

GREGORY C RALPH, M.Com., F.C.A.
Partner

Sydney, 20 March 2008

Corporate Governance Statement

The Directors of Vita Life Sciences Limited ("Vita Life") are responsible for the corporate governance of the Vita Life Group ("Group"). The Board guides and monitors the business and affairs of Vita Life on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company and its main corporate governance practices are applicable to all subsidiaries and are summarised below.

1 Compliance with ASX best practice recommendations

The ASX Listing Rules require a statement in a listed company's Annual Report which discloses the extent to which the ASX 27 best practice recommendations have been followed in the reporting period. As a listed company, Vita Life must identify those recommendations which have not been followed and provide reasons for non-compliance.

This Statement sets out in detail the Company's compliance with the ASX Corporate Governance Council's best practice recommendations.

The Company considers that practices comply with 24 of the ASX best practice recommendations as at 31 December 2007. The Company considers that its recommendations comply with the best practice recommendations, other than recommendations 2.1, 2.2 and 4.2 an explanation for the departure is provided in this statement in sections 2(c), 2(d) and 3(a). A checklist summarising this is set out in section 8 of this Statement.

2 The Board of Directors

(a) Membership

The Board has a range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, including details of director backgrounds is contained within the Directors Report.

ASX Recommendation 2.6

The Company's Constitution requires a minimum of 3 directors and a maximum of 9 directors. As at 31 December 2007, there were three non-executive Directors and one executive director, in conformity with the Company's policy that the Board has a majority of non-executive directors. The Chairman, Mr Gould, is a non-executive director. The terms and conditions of appointment and retirement of directors are set out in the Company's Constitution. The Board believes that its membership should have enough directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities.

(b) Board role and responsibilities

The Board is responsible to shareholders and investors for the Group's overall corporate governance.

The Board has established and approved a Board Charter. Under this Charter the Board is responsible for:

- Considering and approving the corporate strategies proposed by the Managing Director and monitoring their implementation;
- Approving, overseeing and monitoring financial and other reporting to shareholders, investors, employees and other stakeholders of the Company;
- Ensuring that the Company has the appropriate human, financial and physical resources to execute its strategies;
- Appointing and monitoring the performance of, and removing the Managing Director;
- Ratifying the appointment, and where appropriate, the removal of the Chief Financial Officer (or equivalent) and / or Company Secretary;
- Reviewing the effectiveness of the Company's policies and procedures regarding risk management, including internal controls and accounting systems; and
- Ensuring appropriate governance structures are in place including standards of ethical behaviour and a culture of corporate and social responsibility.

ASX Recommendations 1.1, 2.6

Corporate Governance Statement (Continued)

2 The Board of Directors (Continued)

(c) Chairman

The Board does not strictly comply with the ASX Recommendations 2.1 and 2.2 in that the Chairman, whilst a non-executive, is not an independent director because other entities of which he is a director have approximately 15.3% of the Shares (the Recommendations permit 5%). The Board has considered this matter and decided, Mr Gould abstaining from expressing a view, that the non-compliance does not effect the operation of the Company. Should Mr. Gould continue to execute his responsibilities as he has done since appointment to those Boards of various entities in the Vita Life Sciences Group, there is no reason to treat his actions as otherwise than that of an independent non executive.

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

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

ASX Recommendation 2.3

(d) Independent directors

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgement.

Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, the exercise of their unfettered and independent judgement. Materiality is assessed on a case-by-case basis by reference to each director's individual circumstances rather than general materiality thresholds.

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

There is a majority of non-executive directors but only one of the three is an independent director, Mr Sharman, satisfies the Recommendations' various tests of independence. Mr Gould and Mr Townsing's interest in shares in the Company is greater than 5% and this does not comply with ASX recommendation 2.1. The Board has considered this matter, and whilst no vote was taken to avoid the issue of abstentions, the consensus was that the composition of the Board vis-à-vis independence was appropriate having regard to where Vita Life was at in terms of its history and the Company's stage of development.

ASX Recommendation 2.1, 2.6

(e) Avoidance of conflicts of interest by a director

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised of any interest that could potentially conflict with those of the Company.

In the event that a conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members further when that matter is being considered the Director may not vote on that matter, in accordance with the Corporations Act.

Corporate Governance Statement (Continued)

2 The Board of Directors (Continued)

(f) Board Meetings

The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business.

The number of times the Board has formerly met and the number of meetings attended by directors during the financial year are reported in the Directors' Report. The Board Charter dictates that the Board will hold ten scheduled meetings each year and, other meetings may be held at short notice as required.

(g) Review of Board Performance

The process for conducting the Board's annual performance review was agreed by the Board and was performed by the Chairman of the Board. Matters covered in the annual performance review include:

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

ASX Recommendation 2.5

(h) Nomination and appointment of new directors

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

ASX Recommendations 2.1, 2.4

(i) Retirement and re-election of directors

The Company's Constitution states that one-third of directors excluding the Managing Director must retire each year. The maximum term that each director can serve in any single term is three years. A director appointed during the year must, under the Constitution, retire at the next annual general meeting. At that meeting, they can stand for re-election. The Board Nominations Committee conducts a peer review of those directors during the year in which that director will become eligible for re-election.

ASX Recommendation 2.4

(j) Board access to information and advice

All directors have unrestricted access to Company records and information and receive regular detailed financial and operational reports from executive management to enable them to carry out their duties. Each Director has the right, subject to prior consultation with the Chairman, to seek independent professional advice at the Company's expense if such advice is essential to the proper discharge of the Director's duties. The Chairman may notify other Directors of the approach with any resulting advice being made available to all other Board members.

ASX Recommendation 2.5

Corporate Governance Statement (Continued)

3 Board Committees

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

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

a) Audit and Risk Committee

The Audit and Risk Committee is governed by its charter, as approved by the Board. The Charter is available within the Corporate Governance section on Vita Life's website, at www.vitalifesciences.com.au. The Audit and Risk Committee comprises two Directors, who are non-executive Directors. The non-executive Directors are Mr Gould, Chairman of the Audit Committee and Mr Sharman. The qualifications of the committee are located in the Directors Report. The Audit Committee's responsibilities include:

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

The composition of the Committee does not comply with *ASX Recommendation 4.2*. The Committee is comprised of only non-executive directors however Mr Gould is not considered an independent director under the terms defined by the ASX. Please refer to the Corporate Governance note 2 "Board of Directors" part (c) "Chairman" for discussion of non-compliance. The Committee does not comply with the requirement to have an independent chairperson, who is not the chairperson of the Board. The Board believes that Mr Gould is the most appropriate person to be elected Chairman of the Committee. The Board does not comply with the ASX requirement to have at least 3 members on the Audit Committee. The Board believes that the experience that Mr Gould and Mr Sharman have in the finance industry adequately mitigates this non-compliance.

The number of times the Audit and Risk Committee has formerly met and the number of meetings attended by directors during the financial year are reported in the Directors' Report. The Board will hold ten scheduled meetings each year and, other meetings may be held at short notice as required.

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

The Company's Auditor, is requested to attend the Annual General Meeting and to be available to answer shareholders questions about the conduct of the audit and the preparation and content of the Auditor's Report.

ASX Recommendations 4.1, 4.2, 4.3, 4.4

Corporate Governance Statement (Continued)

3 Board Committees (Continued)

(b) Board Nominations Committee

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

The primary function of the Nominations Committee is performing review procedures to assist the Board in fulfilling its oversight responsibility to shareholders by ensuring that the Board comprises individuals best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance. The Committee as delegated by the Board is responsible for:

- developing and reviewing policies on Board composition, strategic function and size;
- performance review process of the Board, its Committees and individual directors;
- developing and implementing induction programs for new directors and ongoing education for existing directors;
- developing eligibility criteria for nominating directors;
- recommending appointment of directors of the Board;
- reviewing director independence; and
- succession planning for the Board.

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

ASX Recommendations 2.4, 2.6

(c) Remuneration Committee

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

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

The Remuneration Report, which has been included in the Directors' Report, provides information on the Group's remuneration policies and payment details for Directors and key management personnel.

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

ASX Recommendation 8.1

4 Recognising and managing risks

A range of factors and risks some of which are beyond the Company's control can influence performance. The Company has in place a range of procedures to identify, assess and control risks which are reviewed by the Audit and Risk Committee and also by the Board periodically.

Corporate Governance Statement (Continued)

4 Recognising and managing risks (Continued)

(a) Board oversight of the risk management system

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The Company recognises four main types of risk:

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

ASX recommendations 7.1, 7.4

The Board, based on the recommendations of the Managing Director, Mr Tie, makes decisions on investments for the Company. The Board considers that the general retention by it of the power to make the final investment or divestment decision by majority vote provides an effective review of the investment strategy.

A majority of the Directors must approve any modification to the investment parameters applying to the Company's assets. Any proposed major change in investment strategy is first put to Shareholders for their approval.

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

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

(b) Risk management roles and responsibilities

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

ASX Recommendation 7.2

(c) Managing Director and Chief Financial Officer Certification

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

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

ASX recommendations 7.3

(d) Internal review and risk evaluation

Assurance is provided to the Board by senior management on the adequacy and effectiveness of management controls for risk.

Corporate Governance Statement (Continued)

5 Remuneration

(a) Overview

The Remuneration Committee is responsible for reviewing the compensation arrangements for the Managing Director and other key personnel. The Remuneration Committee is also responsible for reviewing management incentive schemes, superannuation, retirement and termination entitlements, fringe benefits policies, and professional indemnity and liability insurance policies. The nature and amount of each element of the fee or salary of each director and each of the Company's officers and executives are set out in the Remuneration Report on page 15 and 16. Non-executive Directors' fees and payments are reviewed annually by the Board. Executive Directors are, subject to the information above, paid in salary or fees.

ASX recommendations 8.1, 8.2, 8.3

(b) Equity-based key management personnel remuneration

The Long Term Incentive Plan ("Plan") and Mr Tie's participation in the Plan as a Director of the Company were approved by shareholders at the Annual General Meeting held on 31 May 2007 in Melbourne. The purpose of the Plan is to attract, retain and motivate employees and officers of the Company to drive performance at both the individual and corporate level. Any further participation by Directors in the Plan will require shareholders approval in accordance with the ASX Listing Rules.

6 Timely and balanced disclosure

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's market disclosure policy approved by the Board governs how the Company communicates with shareholders and the market. Shareholders are encouraged to participate in general meetings.

(a) Market disclosure policy and practices

This policy includes provision for communications by the Company to:

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

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

ASX Recommendations 5.1, 5.2, 6.1

(b) Communication strategy

The Company publishes on its website the annual reports, profit announcements, press releases and notices to meeting to encourage shareholder and investor participation in Vita Life.

ASX Recommendations 5.1, 6.1

Corporate Governance Statement (Continued)

7 Ethical and responsible decision-making

(a) Code of Ethics and Conduct

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

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

ASX Recommendations 3.1, 3.2, 3.3

(b) Policy concerning trading in Company securities

The Company has compliance standards and procedures which deal with staff trading in shares when they are in possession of inside information. Employees are made aware of the legal and ethical aspects associated with their private investment activities, especially as they relate to potential insider trading and front running. All staff must keep an up-to-date register of their securities holdings, including the dates of acquisition and disposal.

Directors and key management personnel are only entitled to trade their shares without restriction for up to four weeks following announcements of the Company's half yearly and preliminary final results, any detailed announcements concerning profit forecasts, and after the Company's annual general meeting or with the consent of the Chairman.

ASX Recommendations 3.2

8 Checklist for summarising the best practice recommendations and compliance

ASX Principle	Reference	Compliance
Principle 1: Lay solid foundations for management and oversight		
1.1 Formalise and disclose the functions reserved to the board and those delegated to management	2b	comply
1.2 Companies should disclose the process for evaluating the performance of senior executives.	2g, 5a, 5b	comply
1.3 Provide the information indicated in the Guide to reporting on Principle 1.	2a, 2b, 5a, 5b	comply
Principle 2: Structure the board to add value		
2.1 A majority of the board should be independent directors.	2a, 2d, 2h	do not comply
2.2 The chair should be an independent director	2c	do not comply
2.3 The roles of chair and managing director should not be exercised by the same individual	2a, 2c	comply
2.4 The board should establish a nomination committee	2h, 2i, 3b	comply
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	2g, 3c	comply
2.6 Provide the information in the Guide to reporting on this Principle 2	2a, 2b, 2d, 2j, 3b	comply
Principle 3: Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	7a	comply
3.1.1 the practices necessary to maintain confidence in the company's integrity		
3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders		
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices		
3.2 Disclose the policy concerning trading in company securities by directors, oficers and employees	7b	comply
3.3 Provide the information indicated in the Guide to reporting on Principle 3.	7a	comply

Corporate Governance Statement (Continued)

8 Checklist for summarising the best practice recommendations and compliance (continued)

ASX Principle	Reference	Compliance
Principle 4: Safeguard integrity in financial reporting		
4.1 The board should establish an audit committee	3a	comply
4.2 The audit committee should be structured so that it:	3a	do not comply
4.2.1 consists only of non-executive directors		
4.2.2 consists of a majority of independent directors		
4.2.3 is chaired by an independent chair, who is not the chair of the board		
4.2.4 has at least three members		
4.3 The audit committee should have a formal charter.	3a	comply
4.4 Provide the information in the Guide to reporting on this Principle 4	2a, 3a	comply
Principle 5: Make timely and balanced disclosure		
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	6a	comply
5.2 Provide the information in the Guide to reporting on this Principle 5	6a	comply
Principle 6: Respect the rights of shareholders		
6.1 Design and disclose a communications strategy to promote effective communication with sharholders and encourage participation at general meetings	6a, 6b	comply
6.2 Provide the information indicated in the Guide to reporting on Principle 6.	3a	comply
Pinciple 7: Recognise and manage risk		
7.1 The board or appropriate board committee should establish policies on risk oversight and management	4a	comply
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being effectively managed and disclose that management has reported to it as to the effectiveness of the company's management of business risks.	4b	comply
7.3 The chief executive officer (or equivalent) and chief financial officer (or equivalent) should state to the board in writing that in accordance with section 295A of the Corporations Act:	4c	comply
7.3.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance an control which implements the policies adopted by the board		
7.3.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects		
7.4 Provide the information in the Guide to reporting on this Principle 7	4a	comply
Principle 8: Remunerate fairly and responsibly		
8.1 The board should establish a remuneration committee	3c, 5a	comply
8.2 Clearly distinguish the structure of non-executive director's remuneration from that of executives	5a	comply
8.3 Provide the information in the Guide to reporting on this Principle 8	5a	comply

Income Statement

for the year ended 31 December 2007	Notes	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
CONTINUING OPERATIONS					
Sale of goods		11,838,907	11,134,472	-	-
Cost of sales		(5,059,243)	(5,243,889)	-	-
Gross profit		6,779,664	5,890,583	-	-
Other income	5 (a)	562,097	12,681,855	510,134	14,752,515
Distribution expenses		(470,496)	(285,746)	-	-
Marketing expenses		(1,280,876)	(1,299,329)	-	-
Occupancy expenses		(596,355)	(504,660)	(92,301)	(120,299)
Administrative expenses	5 (b)	(4,725,370)	(5,910,360)	(1,197,791)	(1,482,426)
Other expenses	5 (c)	(264,715)	(1,870,093)	(91,805)	(141,406)
Share of associates loss		(24,454)	(12,922)	-	-
(Loss) / profit from continuing operations before interest and taxes		(20,505)	8,689,328	(871,763)	13,008,384
Finance income	5 (d)	55,269	1,342,162	148,815	1,344,496
Finance costs	5 (e)	(358,637)	(1,756,660)	(302,461)	(1,734,306)
(Loss) / Profit before income tax		(323,873)	8,274,830	(1,025,409)	12,618,574
Income tax credit	7	119,608	-	127,514	-
(Loss) / Profit after tax from continuing operations		(204,265)	8,274,830	(897,895)	12,618,574
DISCONTINUED OPERATIONS					
Net profit after tax from discontinued operations		-	1,390,203	-	-
Net (loss) / profit for the year		(204,265)	9,665,033	(897,895)	12,618,574
Profit/ (loss) attributable to minority interest		49,120	(142,295)	-	-
(Loss) / profit attributable to members of the parent		(253,385)	9,807,328	(897,895)	12,618,574
		(204,265)	9,665,033	(897,895)	12,618,574
Earnings per share (cents per share)	6				
- basic earnings per share for continuing operations		(0.96)	16.7		
- basic earnings per share for discontinued operations		-	2.8		
- basic earnings per share		(0.96)	19.5		
- diluted earnings per share		(0.96)	15.8		

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

Balance Sheet

as at 31 December 2007	Notes	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
ASSETS					
Current Assets					
Cash and cash equivalents	8	615,755	1,930,982	342,197	1,229,791
Trade and other receivables	9	1,929,112	3,722,690	2,866,201	6,445,411
Inventories	10	1,965,138	1,682,120	-	-
Other current assets	11	145,244	128,047	-	-
Assets held for sale		-	4,000,000	-	4,000,000
Total Current Assets		4,655,249	11,463,839	3,208,398	11,675,202
Non Current Assets					
Investment in subsidiaries	12	-	-	4,122,675	3,014,055
Investment in associates	13	14,128	38,582	-	-
Trade and other receivables	9	1,712,838	1,167,240	418,720	539,289
Property, plant and equipment	14	274,159	211,211	843	4,303
Intangible assets	15	72,733	77,699	-	-
Total Non Current Assets		2,073,858	1,494,732	4,542,238	3,557,647
Total Assets		**6,729,107**	**12,958,571**	**7,750,636**	**15,232,849**
LIABILITIES					
Current Liabilities					
Trade and other payables	16	2,776,001	6,479,607	2,562,810	6,812,402
Interest bearing loans and borrowings	17	817,572	8,135,124	700,000	8,124,255
Current income tax liability		67,445	241,188	-	127,513
Provisions	18	183,642	232,427	31,250	62,500
Total Current Liabilities		3,844,660	15,088,346	3,294,060	15,126,670
Non Current Liabilities					
Interest bearing loans and borrowings	17	-	6,213	341,613	378,268
Provisions	18	4,719	4,709	-	31,250
Total Non Current Liabilities		4,719	10,922	341,613	409,518
Total Liabilities		**3,849,379**	**15,099,268**	**3,635,673**	**15,536,188**
Net Assets/ (Liabilities)		**2,879,728**	**(2,140,697)**	**4,114,963**	**(303,339)**
Equity					
Contributed Equity	19	44,280,194	38,979,150	44,280,194	38,979,150
Accumulated losses		(40,449,910)	(40,196,525)	(40,180,384)	(39,282,489)
Employee share based payments reserve	24	15,153	-	15,153	-
Foreign currency translation reserve		(1,442,583)	(1,347,735)	-	-
Parent entity interest		2,402,854	(2,565,110)	4,114,963	(303,339)
Minority interest		476,874	424,413	-	-
Total Equity		**2,879,728**	**(2,140,697)**	**4,114,963**	**(303,339)**

The accompanying notes should be read in conjunction with the above Balance Sheet

Cash Flow Statement

For the Year Ended 31 December 2007	Notes	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from customers		13,049,190	13,624,892	-	-
Payments to suppliers and employees		(10,826,492)	(12,130,891)	(479,570)	(1,062,636)
Borrowing costs		(338,526)	(1,684,235)	(297,761)	(1,714,172)
Interest paid on convertible notes		(1,135,143)	-	(1,135,143)	-
Income tax paid		(54,135)	(208,201)	-	(7,788)
Interest received		55,269	42,724	148,815	77,575
Dividend income		-	-	-	694,460
Proceeds from former supplier		-	871,220	-	871,220
Net cash flows from / (used in) operating activities	8 (b)	750,163	515,509	(1,763,659)	(1,141,341)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		11,781	1,154,624	-	-
Purchase of property, plant and equipment		(187,605)	(233,575)	-	-
Proceeds from disposal of subsidiary		-	15,186,389	-	15,186,389
Costs incurred from increased shareholding in controlled entity		-	-	(1,108,620)	-
Net cash flows (used in) / from investing activities		(175,824)	16,107,438	(1,108,620)	15,186,389
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		6,665,890	897,705	6,665,890	897,705
Share issue costs		(737,346)	-	(737,346)	-
Proceeds from external borrowings		7,205	-	-	-
Repayment of external borrowings		(1,722,746)	(2,357,715)	(1,722,747)	(689,362)
Repayment of convertible notes		(5,701,508)	(12,725,778)	(5,701,508)	(12,725,778)
Discounts from redemption of convertible notes		-	1,266,921	-	1,266,921
Loans from related parties		58,297	-	3,480,396	-
Loans from controlled entities		-	-	-	639,988
Loans to associated entities		(552,642)	(2,727,493)	-	(2,727,493)
Net cash flows from / (used in) from financing activities		(1,982,850)	(15,646,360)	1,984,685	(13,338,019)
Net (decrease) / increase in cash and cash equivalents		(1,408,511)	976,587	(887,594)	707,029
Cash and cash equivalents at beginning of the year		1,930,982	954,395	1,229,791	522,762
Cash and cash equivalent at end of the year	8 (a)	**522,471**	**1,930,982**	**342,197**	**1,229,791**

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

Statement of Changes in Equity

for the year ended 31 December 2007

	Contributed Equity $	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 2006	38,081,445	(50,003,853)	-	(1,823,229)	(13,745,637)	(37,536)	(13,783,173)
Profit attributable to members of parent entity	-	9,807,328	-	-	9,807,328	-	9,807,328
Loss attributable to minority shareholders	-	-	-	-	-	(142,295)	(142,295)
Issue of share capital	897,705	-	-	-	897,705	-	897,705
Shares issued to minority shareholders	-	-	-	-	-	518,660	518,660
Exchange difference on translation of foreign operations	-	-	-	475,494	475,494	85,584	561,078
Balance at 31 Dec 2006	38,979,150	(40,196,525)	-	(1,347,735)	(2,565,110)	424,413	(2,140,697)
Balance at 1 Jan 2007	38,979,150	(40,196,525)	-	(1,347,735)	(2,565,110)	424,413	(2,140,697)
Loss attributable to members of parent entity	-	(253,385)	-	-	(253,385)	-	(253,385)
Profit attributable to minority shareholders	-	-	-	-	-	49,120	49,120
Issue of share capital	6,665,890	-	-	-	6,665,890	-	6,665,890
Share issue costs	(737,346)	-	-	-	(737,346)	-	(737,346)
Employee share option scheme	-	-	15,153	-	15,153	-	15,153
De-recognition of employee/ director long-term incentive shares	(627,500)	-	-	-	(627,500)	-	(627,500)
Exchange difference on translation of foreign operations	-	-	-	(94,848)	(94,848)	3,341	(91,507)
Balance at 31 Dec 2007	44,280,194	(40,449,910)	15,153	(1,442,583)	2,402,854	476,874	2,879,728

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

Statement of Changes in Equity (Continued)

for the year ended 31 December 2007	Contributed Equity $	Accumulated Losses $	Employee Share Based Payments Reserve $	Foreign Currency Translation Reserve $	Attributable to Equity Holders of Parent $	Minority Interests $	Total $
PARENT							
Balance at 1 Jan 2006	38,081,445	(51,901,063)	-	-	(13,819,618)	-	(13,819,618)
Profit attributable to members of parent entity	-	12,618,574	-	-	12,618,574	-	12,618,574
Issue of share capital	897,705	-	-	-	897,705	-	897,705
Balance at 31 Dec 2006	38,979,150	(39,282,489)	-	-	(303,339)	-	(303,339)
Balance at 1 Jan 2007	38,979,150	(39,282,489)	-	-	(303,339)	-	(303,339)
Loss attributable to members of parent entity	-	(897,895)	-	-	(897,895)	-	(897,895)
Issue of share capital	6,665,890	-	-	-	6,665,890	-	6,665,890
Share issue costs	(737,346)	-	-	-	(737,346)	-	(737,346)
Employee share option scheme	-	-	15,153	-	15,153	-	15,153
Derecognition of employee/ director long-term incentive shares	(627,500)	-	-	-	(627,500)	-	(627,500)
Balance at 31 Dec 2007	44,280,194	(40,180,384)	15,153	-	4,114,963	-	4,114,963

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 2007

1 CORPORATE INFORMATION

The financial report of Vita Life Sciences Limited ("Company" or "Vita Life") for the year ended 31 December 2007 was authorised for issue in accordance with a resolution of the Directors on 20 March 2008.

Vita Life is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

The nature of the operations and principal activities of Vita Life and its controlled entities ("the Group") are described in the Directors' Report.

2 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. The financial report has also been prepared on a historical cost basis.

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 the Group as at 31 December 2007. 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 are accounted for at cost in the separate financial statements of the parent entity.

2 Summary of Significant Accounting Policies (continued)

(c) Basis of consolidation (continued)

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 Healthcare Asia Pacific Sdn Bhd not held by the Group. Minority interests are allocated their share of net profit or loss after tax in the income statement and are presented within Equity in the consolidated balance sheet, separately from the parent shareholders' equity.

(d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus 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 or disposal groups 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 income statement, 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 Vita Healthcare Asia Pacific Sdn Bhd, Swiss Bio Pharma Sdn Bhd and Vitaron Jaya Sdn Bhd are in Malaysian Ringgit (MYR), whilst Vitahealth IP Pte Ltd, VitaHealth Asia Pacific (S) Pte Ltd, 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 income statement.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

2 Summary of Significant Accounting Policies (continued)

(f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in 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 Cash Flow Statement, 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.

Collectibility 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.

2 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 income statement during the financial period in which they are incurred.

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

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

	Rate	***Method***
Plant and equipment	10-33%	Straight-line method
Leasehold Improvements	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 income statement in the year the item is derecognised.

(j) Goodwill and Intangibles

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

2 Summary of Significant Accounting Policies (continued)

(j) Goodwill and Intangibles (continued)

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:

	Patents and licences	***Development costs***
Useful lives	Indefinite	Finite
Method used	Not depreciated or revalued	8 – 10 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 2007

2 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 an 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.

(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 income statement net of any reimbursement.

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

2 Summary of Significant Accounting Policies (continued)

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

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

2 Summary of Significant Accounting Policies (continued)

(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.

(s) Investments in associates

The Group’s investment in associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

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

The Group’s share of its associates’ post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates is recognised as reduction in the carrying amount of the investment.

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

2 Summary of Significant Accounting Policies (continued)

(t) Income and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at balance 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 2007

2 Summary of Significant Accounting Policies (continued)

(t) Income and other 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.

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 balance sheet. Cash flows are presented in the Cash Flow Statement 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 2007

2 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 2007

2 Summary of Significant Accounting Policies (continued)

(u) Financial instruments (continued)

Financial assets carried at amortised cost

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

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

Financial assets carried at cost

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

(v) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

2 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).

At the Company's Annual General Meeting held on 31 May 2007, shareholders approved the issue of Long Term Incentive Plan (Plan) shares to Mr Eddie L S Tie, the Company's Managing Director.

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

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

At each subsequent reporting date until vesting, the cumulative charge to the income statement 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 income statement 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 2007

2 Summary of Significant Accounting Policies (continued)

(x) New accounting standards and interpretations not yet adopted

The following standards, amendments to standards or interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2007, but have not been applied in preparing this financial report:

Reference	Title	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	1 March 2007	This is consistent with the Group's existing accounting policies for share-based payments, so the amendments are not expected to have any impact on the Group's financial report.	1 January 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the amendments may have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than is currently reported under AASB 114 *Segment Reporting*.	1 January 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	1 July 2007	These amendments are expected to reduce the extent of some disclosures in the Group's financial report.	1 January 2008

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

2 Summary of Significant Accounting Policies (continued)

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

Reference	Title	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 January 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 January 2008
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	1 January 2009	The amendments are expected to only affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 101. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.	1 January 2009
AASB 8	Operating Segments	1 January 2009	Refer to AASB 2007-3 above.	1 January 2009
AASB 101 (revised)	Presentation of Financial Statements	1 January 2009	Refer to AASB 2007-8 above.	1 January 2009
AASB 123 (revised)	Borrowing Costs	1 January 2009	Refer to AASB 2007-6 above.	1 January 2009

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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

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

Capitalised development costs
Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

4 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 2007 and 31 December 2006.

	Continuing Operations				
	Australia $	**Singapore $**	**Malaysia $**	**Others $**	**Total $**
Year ended 31 December 2007					
Revenue					
Sales to external customers	5,061,501	2,796,592	3,902,765	78,049	11,838,907
Segment results					
Profit / (loss) before tax and finance costs	6,185	359,244	(300,232)	(5,979)	59,218
Finance costs	(340,415)	(4,347)	(13,607)	(268)	(358,637)
Share of loss of associates	-	-	(24,454)	-	(24,454)
Loss before income tax					(323,873)
Income taxes					119,608
Net loss for the year					(204,265)
Assets and liabilities					
Segment assets	3,167,346	868,426	1,447,039	1,232,168	6,714,979
Investment in associates					14,128
Total assets					6,729,107
Segment liabilities	2,720,573	446,411	599,635	82,760	3,849,379
Total liabilities					3,849,379
Other segment information					
Capital expenditure	(92,548)	(22,313)	(72,744)	-	(187,605)
Depreciation	(13,855)	(26,594)	(72,848)	-	(113,297)
Amortisation	-	(9,923)	(10,928)	-	(20,851)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

4 Segment Information (continued)

	Continuing Operations					Discontinued	
	Australia $	Singapore $	Malaysia $	Others $	Total $	Operations $	Total $
Year ended 31 December 2006							
Revenue							
Sales to external customers	4,958,911	2,717,862	3,415,855	41,844	11,134,472	7,784,868	18,919,340
Segment results							
Profit / (loss) before tax and finance costs	11,428,575	(101,999)	(1,277,494)	(4,670)	10,044,412	1,801,633	11,846,045
Finance costs	(1,733,185)	(3,408)	(19,776)	(291)	(1,756,660)	(270,577)	(2,027,237)
Share of loss of associates	-	-	(12,922)	-	(12,922)	-	(12,922)
Profit before income tax					8,274,830	1,531,056	9,805,886
Income taxes					-	(140,853)	(140,853)
Net profit for the year					8,274,830	1,390,203	9,665,033
Assets and liabilities							
Segment assets	10,277,545	786,841	1,204,231	651,372	12,919,989	-	12,919,989
Investment in associates							38,582
Total assets					12,919,989	-	12,958,571
Segment liabilities	13,881,362	517,320	614,542	86,044	15,099,268	-	15,099,268
Total liabilities					15,099,268	-	15,099,268
Other segment information							
Capital expenditure	(15,037)	(42,311)	(176,227)	-	(233,575)	-	(233,575)
Depreciation	(56,944)	(21,859)	(34,042)	(58)	(112,903)	-	(112,903)
Amortisation	-	(11,249)	(30,475)	-	(41,724)	(175,095)	(216,819)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

4 Segment Information (continued)

Business segments

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

Business Industry	**Products/Services**
Health	Sale of vitamins and supplements
Investment	General investments

The following table presents revenue, expenditures and certain asset and liabilities information regarding business segments for the year ended 31 December 2007 and 31 December 2006.

	Continuing Operations		
	Health	**Investment**	**Total**
	$	**$**	**$**
Year ended 31 December 2007			
Revenue			
Sales to external customers	11,838,907	-	11,838,907
Result			
Segment results	155,330	(18,232)	137,098
Unallocated expenses	-	-	(77,880)
Loss before tax and finance costs			59,218
Finance costs			(358,637)
Share of loss of associates	(24,454)	-	(24,454)
Profit before income tax			(323,873)
Income taxes			119,608
Net loss for the year			(204,265)
Assets and liabilities			
Segment assets	5,565,083	1,149,896	6,714,979
Investment in associates			14,128
Total assets			6,729,107
Segment liabilities	3,705,932	6,379	3,712,311
Unallocated liabilities			137,068
Total liabilities			3,849,379
Other segment information			
Capital expenditure	(187,605)	-	(187,605)
Depreciation	(113,297)	-	(113,297)
Amortisation	(20,851)	-	(20,851)
Cash flow information			
Net cash flow from operating activities	750,163	-	750,163
Net cash flow from investing activities	(175,824)	-	(175,824)
Net cash flow from financing activities	(1,564,607)	(418,243)	(1,982,850)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

4 Segment Information (continued)

	Continuing Operations			Discontinued Operations	
	Health	Investment	Total	Medical	Total
	$	$	$	$	$
Year ended 31 December 2006					
Revenue					
Sales to external customers	11,134,472	-	11,134,472	7,784,868	18,919,340
Result					
Segment results	10,818,483	-	10,818,483	1,801,633	12,620,116
Unallocated expenses			(774,071)	-	(774,071)
Profit before tax and finance costs			10,044,412	1,801,633	11,846,045
Finance costs			(1,756,660)	(270,577)	(2,027,237)
Share of loss of associates	(12,922)	-	(12,922)	-	(12,922)
Profit before income			8,274,830	1,531,056	9,805,886
Income taxes			-	(140,853)	(140,853)
Net profit for the year			8,274,830	1,390,203	9,665,033
Assets and liabilities					
Segment assets	12,303,264	616,725	12,919,989	-	12,919,989
Investment in associates			38,582	-	38,582
Total assets			12,958,571	-	12,958,571
Segment liabilities	15,099,268	-	15,099,268	-	15,099,268
Total liabilities			15,099,268	-	15,099,268
Other segment information					
Capital expenditure	(233,575)	-	(233,575)	-	(233,575)
Depreciation	(112,903)	-	(112,903)	-	(112,903)
Amortisation	(216,819)	-	(216,819)	-	(216,819)
Cash flow information					
Net cash flow from operating activities	515,509	-	515,509	-	515,509
Net cash flow from investing activities	16,107,438	-	16,107,438	-	16,107,438
Net cash flow from financing activities	(15,029,635)	(616,725)	(15,646,360)	-	(15,646,360)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

5 REVENUE AND EXPENSES

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
(a) Other income				
Income from settlement of legal case	355,000	-	355,000	-
Recovery of receivables previously written off	155,134	-	155,134	-
Rental income	12,144	-	-	-
Gain on disposal of Cyclopharm Limited	-	8,602,287	-	10,037,412
Fair value gains on assets held for sale	-	3,184,662	-	3,184,662
Proceeds from creditor recovery	-	871,220	-	871,220
Related party loan written off upon liquidation	-	-	-	(35,239)
Dividend income	-	-	-	694,460
Realised foreign exchange gains	-	22,750	-	-
Gain on disposal of property, plant and equipment	8,842	936	-	-
Other income	30,977	-	-	-
	562,097	**12,681,855**	**510,134**	**14,752,515**
(b) Administrative expenses				
Legal and other professional fees	(123,481)	(1,340,152)	(841)	(870,132)
Consultants	(273,649)	(398,210)	(218,827)	(328,401)
Allowance for impairment loss	(4,183)	-	(806,104)	(51,363)
Wages and salaries	(3,306,506)	(3,015,270)	-	-
Defined contribution Superannuation expense	(297,586)	(257,508)	-	-
Travelling expenses	(371,338)	(382,047)	(60,590)	(153,800)
Share based payment expense	(15,153)	-	(15,153)	-
Depreciation	(113,297)	(112,903)	(3,460)	(6,539)
Amortisation	(20,851)	(216,819)	-	-
Other administrative expenses	(199,326)	(187,451)	(92,816)	(72,191)
	(4,725,370)	**(5,910,360)**	**(1,197,791)**	**(1,482,426)**
(c) Other expenses				
Restructuring costs	(91,806)	(128,796)	(91,805)	(128,796)
Product registration costs	(91,957)	(97,644)	-	-
Goodwill impairment	-	(1,110,015)	-	-
Write off of investment	-	(407,229)	-	-
Foreign currency expenses	(17,951)	(12,610)	-	(12,610)
Other non-operating expenses	(63,001)	(113,799)	-	-
	(264,715)	**(1,870,093)**	**(91,805)**	**(141,406)**
(d) Finance income				
Discounts on redemption of convertible notes	-	1,266,921	-	1,266,921
Interest received - external parties	55,269	75,241	46,505	51,300
Interest received - related parties	-	-	102,310	26,275
	55,269	**1,342,162**	**148,815**	**1,344,496**
(e) Finance expenses				
Convertible notes interest	-	(1,292,091)	-	(1,292,091)
Interest expense - external parties	(310,670)	(299,564)	(297,762)	(299,564)
Interest expense - related parties	-	(32,517)	-	(32,517)
Bank facility fees	(22,410)	(90,000)	-	(90,000)
Bank charges	(20,111)	(27,908)	(4,699)	(8,134)
Convertible notes expenses	-	(12,000)	-	(12,000)
Finance charges - hire purchase and lease contracts	(5,446)	(2,580)	-	-
	(358,637)	**(1,756,660)**	**(302,461)**	**(1,734,306)**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

6 EARNINGS PER SHARE

	CONSOLIDATED 2007 $	2006 $
(a) Earnings/ (loss) used in calculating earnings per share		
Net (loss) / profit attributable to equity holders from continuing operations	(204,265)	8,274,830
Net profit attributable to equity holders from discontinued operations	-	1,390,203
(Profit) / loss attributable to minority interest	(49,120)	142,295
Net (loss) / profit attributable to equity holders of the parent	**(253,385)**	**9,807,328**
	Number	**Number**
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	26,339,801	49,448,243
Adjusted weighted average number of ordinary shares for diluted earnings per share	26,339,801	62,117,454

7 INCOME TAXES

	CONSOLIDATED 2007 $	2006 $	PARENT 2007 $	2006 $
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement:				
Current income tax				
Current income tax charge	-	-	-	-
Prior year overprovision	119,608	-	127,514	-
Deferred income tax				
Relating to origination and reversal of temporary differences	-	-	-	-
Income tax expense reported in the income statement	**119,608**	**-**	**127,514**	**-**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

7 INCOME TAXES (CONTINUED)

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement 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:

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Total accounting (loss)/ profit before income tax	(323,873)	8,274,830	(1,025,409)	12,618,574
At the parent entity's statutory income tax rate of 30% (2006: 30%)	(97,162)	2,482,449	(307,623)	3,785,572
Adjustment in respect of current income tax of previous year	119,608	-	127,514	-
Foreign tax rate adjustment	(258)	25,256	-	-
Entertainment	2,776	-	-	-
Share based payments	4,546	-	4,546	-
Other expenditure not allowable for income tax purpose	7,126	402,635	246,912	17,482
Tax losses and timing differences (not brought to account) / recognised	82,972	(2,910,340)	56,165	(3,803,054)
Aggregate income taxes	**119,608**	**-**	**127,514**	**-**

(c) Tax losses

The Group has Australian carry forward tax losses for which no deferred tax assets is recognised on the balance sheet of approximately $17,810,996 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.

At 31 December 2007, there is no recognised or unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group’s subsidiaries, as the Group has no liability for additional taxation should such amounts be remitted.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

8 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
Cash at bank and in hand	471,697	1,783,538	342,197	1,229,791
Short term deposit	144,058	147,444	-	-
Total cash and cash equivalents	**615,755**	**1,930,982**	**342,197**	**1,229,791**

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

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

The fair value of cash equivalents for the Group and the parent are $615,755 (2006:$1,930,982) and $342,197 (2006: $1,229,791) respectively.

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
(a) Reconciliation of Cash Flow Statement				
For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:				
Cash at bank and in hand	471,697	1,783,538	342,197	1,229,791
Short term deposit	144,058	147,444	-	-
Bank overdrafts - secured (Note 17)	(93,284)	-	-	-
	522,471	**1,930,982**	**342,197**	**1,229,791**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

8 CASH AND CASH EQUIVALENTS (CONTINUED)

	CONSOLIDATED		PARENT	
	2007 $	2006 $	2007 $	2006 $
(b) Reconciliation of net (loss) / profit after tax to net cash flows from operations				
Net (loss) / profit after tax	(204,265)	9,665,033	(897,895)	12,618,574
Adjustments for non-cash income and expense items:				
Depreciation	113,297	112,903	3,460	6,539
Amortisation	20,851	216,819	-	-
Impairment write-down	-	1,110,016	-	-
Foreign currency gains	(83,086)	(22,748)	-	-
Gain on disposal of Cyclopharm Limited	-	(8,602,287)	-	(10,037,712)
Fair value on gains on assets held for use	-	(3,184,662)	-	(3,184,662)
Discount on redemption of convertible notes	-	(1,266,921)	-	(1,266,921)
Net profit on disposal of property, plant & equipment	(8,842)	(936)	-	-
Shared based payment expense	15,153	-	15,153	-
Allowance for impairment loss	4,183	-	806,104	-
	(142,709)	**(1,972,783)**	**(73,178)**	**(1,864,182)**
Increase/decrease in assets and liabilities:				
(Increase) / decrease in inventories	(283,018)	1,478,275	-	-
Decrease / (increase) in receivables	1,103,598	2,695,888	1,196,752	(94,518)
Decrease in other assets	3,991,372	-	-	-
Decrease in income tax payable	(173,743)	(208,201)	(127,513)	(7,788)
(Decrease) / increase in trade and other payables	(3,696,562)	(1,132,924)	(2,697,220)	537,591
(Decrease) / increase in other liabilities	(48,775)	(344,746)	(62,500)	287,556
Net cash from operating activities	**750,163**	**515,509**	**(1,763,659)**	**(1,141,341)**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

9 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Current				
Trade receivables, third parties	1,142,044	1,166,037	-	-
Allowance for impairment loss	(17,429)	(13,246)	-	-
	1,124,615	1,152,791	-	-
Other receivables:				
Other receivables	804,497	1,758,408	669,731	1,752,407
Net tax receivable	-	125,694	-	114,076
Related party receivables	-	685,797	-	685,797
	1,929,112	3,722,690	669,731	2,552,280
Loan to controlled entities	-	-	6,126,894	7,138,020
Allowance for impairment loss	-	-	(3,930,424)	(3,244,889)
	1,929,112	**3,722,690**	**2,866,201**	**6,445,411**
Non- current				
Loan to associates	1,173,549	627,951	-	-
Related party receivables	539,289	539,289	539,289	539,289
Allowance for impairment loss	-	-	(120,569)	-
	1,712,838	**1,167,240**	**418,720**	**539,289**

(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 loss of $4,183 (2006: Nil) has been recognised by the Group and $806,104 (2006: $51,363) by the parent. These amounts have been included in the administrative expenses.

Movement in the provision for impairment loss were as follows:

	CONSOLIDATED		PARENT	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
At 1 January	13,246	461,743	3,244,889	14,063,769
Charge for the year	4,183	-	806,104	51,363
Transfer to assets held for sale	-	(448,497)	-	(10,870,243)
	17,429	**13,246**	**4,050,993**	**3,244,889**

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) The Related party receivables (Current) are loans to certain Directors and employees for the purchase of shares under the Company's Long Term Incentive Plan at $1.00 each post the share consolidation on 31 May 2007. Recourse for the loans is strictly limited in all circumstances to the Vita Life shares purchased with the proceeds of this loan. The loans are non-interest bearing and are payable upon exercising the share purchase and subsequent disposal of the shares by the borrowers. During the financial year, the Company reversed the recognition of the employee and Director limited recourse share loans and the corresponding contributed equity of $627,500 as the settlement of these loans are no longer considered probable following the 1:4 consolidation of shares on 31 May 2007;

(c) Loans to controlled entities and associates are interest free and have no fixed repayment term. For terms and conditions relating to related parties, refer to note 21;

(d) Related party receivable (non-current) of $539,289 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.

(e) 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.

(f) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risks exposure are disclosed in Note 23.

10 INVENTORIES

	CONSOLIDATED		PARENT	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Raw materials at cost	421,671	342,724	-	-
Finished goods at lower of cost and net realisable value	1,543,467	1,339,396	-	-
	1,965,138	**1,682,120**	**-**	**-**

(a) Inventory expense

Inventories recognised as an expense for the year ended 31 December 2007 totalled $4,747,891 (2006: $4,832,034) for the Group. This expense has been included in the cost of sales line item as a cost of inventories.

11 OTHER ASSETS

	CONSOLIDATED		PARENT	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Prepayments	81,217	56,070	-	-
Security deposits	64,027	71,977	-	-
	145,244	**128,047**	**-**	**-**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

12 INVESTMENT IN SUBSIDIARIES

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$	$	$	$
Investment in controlled entities at cost	**-**	**-**	**4,122,675**	**3,014,055**

13 INVESTMENT IN ASSOCIATES

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$	$	$	$
(a) Investments details				
Unlisted				
- Mitre Focus Sdn Bhd	-	-	-	-
- Vita Life Sciences (Thailand) Co. Ltd	14,128	15,389	-	-
- Vitahealth (Thailand) Co. Ltd	-	23,193	-	-
Investments in associates	**14,128**	**38,582**	**-**	**-**

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$	$	$	$
(b) Movement in carrying amount of the Group's investment in associates				
Mitre Focus Sdn Bhd				
At 1 January	-	-	-	-
Investment during the year	22	-		
Share of associate profit/ (loss)	(22)	-	-	-
At 31 December	**-**	**-**	**-**	**-**
Vita Life Sciences (Thailand) Co. Ltd				
At 1 January	15,389	16,933	-	-
Share of associate profit/ (loss)	(1,261)	(1,544)	-	-
At 31 December	**14,128**	**15,389**	**-**	**-**
Vitahealth (Thailand) Co. Ltd				
At 1 January	23,193	34,571	-	-
Share of associate profit/ (loss)	(23,193)	(11,378)	-	-
At 31 December	**-**	**23,193**	**-**	**-**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

14 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the period:

	Group				Parent	
	Leasehold improvements	**Plant and equipment**	**Leased Plant and Equipment**	**Total**	**Plant and Equipment**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Year ended 31 December 2007						
At 1 January 2007 net of accumulated depreciation and impairment	104,828	103,320	3,063	211,211	4,303	4,303
Additions	16,710	155,295	15,600	187,605	-	-
Disposals	-	-	(2,939)	(2,939)	-	-
Exchange differences	(4,267)	(4,030)	(124)	(8,421)	-	-
Depreciation / amortisation for the year	(42,674)	(67,777)	(2,846)	(113,297)	(3,460)	(3,460)
At 31 December 2007 net of accumulated depreciation and impairment	**74,597**	**186,808**	**12,754**	**274,159**	**843**	**843**
At 31 December 2007						
Cost value	225,209	1,346,636	97,067	1,668,912	33,729	33,729
Accumulated depreciation and impairment	(150,612)	(1,159,828)	(84,313)	(1,394,753)	(32,886)	(32,886)
Net carrying amount	**74,597**	**186,808**	**12,754**	**274,159**	**843**	**843**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of carrying amounts at the beginning and end of the period (continued):

	Group				Parent	
	Leasehold improvements	Plant and equipment	Leased Plant and Equipment	Total	Plant and Equipment	Total
	$	$	$	$	$	$
Year ended 31 December 2006						
At 1 January 2006 net of accumulated depreciation and impairment	52,285	657,440	535,438	1,245,163	10,841	10,841
Additions	104,716	117,308	11,551	233,575	-	-
Disposals	(34,825)	(585,955)	(533,844)	(1,154,624)	-	-
Depreciation / amortisation for the year	(17,348)	(85,473)	(10,082)	(112,903)	(6,538)	(6,538)
At 31 December 2006 net of accumulated depreciation and impairment	**104,828**	**103,320**	**3,063**	**211,211**	**4,303**	**4,303**
At 1 January 2006						
Cost value	309,774	2,567,105	610,025	3,486,904	33,729	33,729
Accumulated depreciation and impairment	(257,489)	(1,909,665)	(74,587)	(2,241,741)	(22,888)	(22,888)
Net carrying amount	**52,285**	**657,440**	**535,438**	**1,245,163**	**10,841**	**10,841**
At 31 December 2006						
Cost value	217,345	1,228,716	112,362	1,558,423	33,729	33,729
Accumulated depreciation and impairment	(112,517)	(1,125,396)	(109,299)	(1,347,212)	(29,426)	(29,426)
Net carrying amount	**104,828**	**103,320**	**3,063**	**211,211**	**4,303**	**4,303**

The net carrying value of plant and equipment held under finance lease contracts at 31 December 2007 is $12,754 (2006: $3,063).

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

15 INTANGIBLES ASSETS

Reconciliation of carrying amounts at the beginning and end of the period:

	Consolidated	
	Development costs $	Total $
Year ended 31 December 2007		
At 1 January 2007 net of accumulated depreciation and impairment	77,699	77,699
Additions	15,885	15,885
Amortisation	(20,851)	(20,851)
At 31 December 2007 net of accumulated depreciation and impairment	**72,733**	**72,733**
At 31 December 2007		
Gross carrying amount	327,413	327,413
Accumulated amortisation and impairment	(254,680)	(254,680)
Total	**72,733**	**72,733**
Year ended 31 December 2006		
At 1 January 2006 net of accumulated depreciation and impairment	189,675	189,675
Additions	14,682	14,682
Impairment / amortisation	(41,724)	(41,724)
Disposal	(84,934)	(84,934)
At 31 December 2006 net of accumulated depreciation and impairment	**77,699**	**77,699**
At 31 December 2006		
Gross carrying amount	311,528	311,528
Accumulated amortisation and impairment	(233,829)	(233,829)
Total	**77,699**	**77,699**

(i) 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 8 to 10 years. The amortisation has been recognised in the income statement 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 2007

16 TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2007 **$**	**2006** **$**	**2007** **$**	**2006** **$**
Current				
Trade payables	1,329,611	1,617,388	119,348	551,166
Other payables and accruals	1,430,477	4,839,262	651,794	2,917,196
	2,760,088	6,456,650	771,142	3,468,362
Loan from controlled entities	-	-	1,791,668	3,344,040
Loan from associated entities	15,913	22,957	-	-
	2,776,001	**6,479,607**	**2,562,810**	**6,812,402**

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

(b) The loans from controlled and associated entities are interest free and have no fixed repayment term. For terms and conditions relating to related parties, refer to note 21.

(c) Fair value

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

(d) Interest rate, foreign exchange and liquidity risks

Information regarding interest rate, foreign exchange and liquidity risks is set out in note 23.

17 INTEREST BEARING LOANS AND BORROWINGS

	CONSOLIDATED		PARENT	
	2007 **$**	**2006** **$**	**2007** **$**	**2006** **$**
Current				
Convertible notes - secured	-	5,701,508	-	5,701,508
Bank overdrafts - secured	93,284	-	-	-
Secured loans	700,000	2,422,746	700,000	2,422,747
Lease liabilities - secured	24,288	10,870	-	-
	817,572	**8,135,124**	**700,000**	**8,124,255**
Non - Current				
Related party loan - unsecured	-	-	341,613	378,268
Lease liabilities - secured	-	6,213	-	-
	-	**6,213**	**341,613**	**378,268**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

17 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(a) Financing facilities available

	CONSOLIDATED		PARENT	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
At reporting date, the following financing facilities has been negotiated and were available:				
Total facilities available:				
Bank overdrafts - secured	137,623	143,462	-	-
Secured loans	3,000,000	3,000,000	3,000,000	3,000,000
	3,137,623	**3,143,462**	**3,000,000**	**3,000,000**
Facilities utilised at balance date:				
Bank overdrafts - secured	93,284	-	-	-
Secured loans	700,000	2,422,746	700,000	2,422,747
	793,284	**2,422,746**	**700,000**	**2,422,747**
Facilities not utilised at balance date:				
Bank overdrafts - secured	44,339	143,462	-	-
Secured loans	2,300,000	577,254	2,300,000	577,253
	2,344,339	**720,716**	**2,300,000**	**577,253**

(b) Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 31 December 2007 is 7.75% (2006: 7.75%). The bank overdraft of the controlled entity is secured by way of a pledge of the short term deposit of the controlled entity.

(c) 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.

(d) Lease liabilities

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

(e) Fair value

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

(f) Interest rate, foreign exchange and liquidity risks

Details regarding the interest rate, foreign exchange and liquidity risks are disclosed in Note 23.

(g) 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 2007

18 PROVISIONS

	Employee Entitlements $	Deferred Consideration $	Others $	Total $
Consolidated				
Balance at 1 January 2007	**71,996**	**93,750**	**71,390**	**237,136**
Arising during the year	89,982	-	6,225	96,207
Utilised	(82,482)	(62,500)	-	(144,982)
Balance at 31 December 2007	**79,496**	**31,250**	**77,615**	**188,361**
At 31 December 2007				
Current	74,777	31,250	77,615	183,642
Non-Current	4,719	-	-	4,719
	79,496	**31,250**	**77,615**	**188,361**
At 31 December 2006				
Current	71,996	93,750	66,681	232,427
Non-Current	-	-	4,709	4,709
	71,996	**93,750**	**71,390**	**237,136**
Parent				
Balance at 1 January 2007	**-**	**93,750**	**-**	**93,750**
Arising during the year	-	-	-	-
Utilised		(62,500)	-	(62,500)
Balance at 31 December 2007	**-**	**31,250**	**-**	**31,250**
At 31 December 2007				
Current	-	31,250	-	31,250
Non-Current	-	-	-	-
	-	**31,250**	**-**	**31,250**
At 31 December 2006				
Current	-	62,500	-	62,500
Non-Current	-	31,250	-	31,250
	-	**93,750**	**-**	**93,750**

(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.

(b) Deferred consideration

On 17 May 2006, the Company entered into a settlement with Kate Helena Fraser and Global Herbs Pty Ltd, the vendor of Herbs of Gold Pty Ltd, a subsidiary of the group, for an amount of $475,000. The settlement was to be paid in several installments; the balance of which is $31,250 (2006: $93,750) and is to be paid on 1 May 2008.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

19 CONTRIBUTED EQUITY

	2007 Number	2006 Number	2007 $	2006 $
Issued and paid up capital				
Ordinary shares	**46,994,175**	**51,357,651**	**44,280,194**	**38,979,150**
Ordinary shares				
Balance at beginning of the year	51,357,651	47,766,831	38,979,150	38,081,445
Consolidation of ordinary shares (4 shares to 1 share) (i)	(38,517,926)	-	-	-
Derecognition of employee/ director long-term incentive shares (ii)	-	-	(627,500)	-
Issued of shares to Managing Director (iii)	825,000	-	-	-
Shares issued during the year (iv)	33,329,450	3,590,820	6,665,890	897,705
Share issue costs (iv)	-	-	(737,346)	-
Balance at end of the year	**46,994,175**	**51,357,651**	**44,280,194**	**38,979,150**

(i) Share consolidation

On 31 May 2007 the company consolidated its ordinary shares on issue on a 1:4 basis.

(ii) De-recognition of employee and director shares

During the year, the Company reversed the recognition of the employee and Director limited recourse share loans and capital of $627,500 (equivalent to 627,500 ordinary shares) issued previously under the Company's Long Term Incentive Plan ("Plan"). Settlement of the loans is not considered probable as the shares have increased in price to $1.00 following the 1:4 consolidation of shares on 31 May 2007. The transaction has been treated as share options.

In addition, the International Financial Reporting Council have recommended that where employee shares are issued under a limited recourse loan payment plan, the loan assets and the increment to share capital should not be recognised at grant date but rather, the transactions be treated as share options.

(iii) Shares issued to managing director

At the Annual General Meeting held on 31 May 2007, the shareholders approved the Company's issue of 825,000 Plan shares to the Managing Director, Mr Eddie L S Tie.

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost is recognised in the income statement together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the employees become fully entitled to the award (the vesting date).

As at 31 December 2007, the Company recognised $15,153 in the income statement with a corresponding increase in employee share based payments reserve.

19 CONTRIBUTED EQUITY (CONTINUED)

(iv) Shares issued as part of initial public offering and listing on Australian Securities Exchange ("ASX")

On 17 August 2007, the Company completed a new share issue exercise and on 23 August 2007 the Company's ordinary shares were listed on the Australian Securities Exchange Ltd. A total of 33,329,450 new ordinary shares were allotted at $0.20 each raising $6,665,890 before issue costs of approximately $737,346. The net proceeds were applied to retirement borrowings and working capital.

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 did not declare a dividend during the financial year ended 31 December 2007.

Management monitor capital through gearing ratio (net debt over total capital). Management aims to not exceed gearing ratio of 45%.

20 RESERVES

Nature and purpose of reserves

(a) Employee share based payments reserve

The employee share based payments reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

(b) Foreign currency translation reserve

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

21 RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statements of Vita Life Sciences Limited and the subsidiaries listed in the following table.

Name	Place of Incorporation	Percentage of Equity Interest 2007 %	2006 %
Vimed BioSciences Pty Limited	Australia	100	100
Allrad No. 19 Pty Limited	Australia	100	100
Tetley Manufacturing Pty Limited	Australia	100	100
Tetley Research Pty Limited	Australia	100	100
Tetley Treadmills Pty Limited	Australia	100	100
VitaHealth Laboratories Australia Pty Limited	Australia	93	90
Premier Foods Pty Limited	Australia	93	90
Herbs of Gold Pty Limited	Australia	93	90
Lovin Pharma International Limited	Ireland	100	100
Vita Corporation Pte Limited	Singapore	100	100
Supplements World Pte Ltd - In Liquidation	Singapore	-	100
VitaHealth Asia Pacific (S) Pte Limited	Singapore	93	90
VitaHealth IP Pte Limited	Singapore	93	90
Vita Healthcare Asia Pacific Sdn Bhd	Malaysia	93	90
Swiss Bio Pharma Sdn Bhd	Malaysia	93	90
Vitaron Jaya Sdn Bhd	Malaysia	93	90
Vita Life Sciences Sdn Bhd	Malaysia	66	63
Pharma Direct Sdn Bhd	Malaysia	93	-
Sino Metro Developments Limited	British Virgin Island	93	90
VitaHealth Laboratories (HK) Limited	Hong Kong	100	100
VitaHealth (Macao Commercial Offshore) Limited	Macao	93	90

(b) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 22.

(c) Ultimate parent

Vita Life Sciences Limited is the ultimate parent entity for the Group.

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
Other transactions with related parties				
CVC Venture Managers Pty Ltd	551,012	365,963	551,012	365,963
Fashion and Fragrance Co Ltd	150,614	139,593	150,614	139,593
Normandy Finance and Investments Asia Ltd	-	32,517	-	32,517
Cyclopharm Limited	36,643	6,572,051	36,643	6,064,863

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

21 RELATED PARTY DISCLOSURE (CONTINUED)

(d) Transactions with related parties (continued)

(i) On 31 May 2007, shareholders of the Company approved the capital raising exercise of the Company. In that meeting, approval was also given to pay a fee to a Director related party, CVC Venture Managers Pty Ltd, an underwriting commission. In accordance with shareholder approvals, CVC Venture Managers Pty Ltd was paid $359,477. The related party was also paid $191,535 for consultancy fees during the financial year.

(ii) Fashion and Fragrance Co. Ltd, a company in which Mr Eddie L S Tie was a director from January 2007 to October 2007, and therefore a related party, provided consultancy services to the Company. The related party was paid $150,614 (2006: $139,593).

(iii) In previous financial year, Normandy Finance and Investments Asia Ltd, a company in which Mr Townsing is a director, and therefore a director related party, provided a loan to the Company. The principal and interest of $311,417 and $32,517 respectively was paid in the previous financial year.

(iv) In previous financial year, Cyclopharm Limited group acquired all the assets, liabilities and business of Vita Medical Limited in a restructuring scheme which resulted in the divestment of the Cyclopharm Limited group subsequently in October 2006, when it ceased to be a subsidiary of Vita Life. The consideration for the sale of the controlled entities sold to Cyclopharm Limited amounted to $6,572,051. During the financial year 2007, the Company incurred $36,643 of costs in respect of the mentioned divestment.

(v) The Company has loans to certain Directors and employees for the purchase of shares under the Company's Long Term Incentive Plan at $1.00 each post the share consolidation on 31 May 2007, as disclosed in note 9. Recourse for the loans is strictly limited in all circumstances to the Vita Life shares purchased with the proceeds of this loan. The loans are non-interest bearing and are payable upon exercising the share purchase and subsequent disposal of the shares by the borrowers. During the financial year, the Company reversed the recognition of the employee and Director limited recourse share loans and the corresponding contributed equity of $627,500 as the settlement of these loan are no longer considered probable following the 1:4 consolidation of shares on 31 May 2007.

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

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

22 KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Directors

Vanda Gould	Chairman (Non-executive)
Eddie L S Tie	Managing Director
J S Sharman	Director (Non-executive)
H G Townsing	Director (Non-executive)

Executives

C L Khoo	Chief Financial Officer
Y T Ong	Chief Operating Officer, Vita Healthcare Asia Pacific Sdn Bhd
L M Leong	Country Manager, Singapore
Nathan Cheong	Country Manager, Australia
Edmund Sim	Regional Regulatory Senior Manager

(b) Compensation of Key Management Personnel
In accordance with the Corporations Amendment Regulations 2005 (No.4), the Company has transferred the remuneration disclosures required by *AASB 124: Related Party Disclosures* from the notes to the financial statements, to the Directors' Report under the heading of 'Remuneration Report'.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

Risk exposures and responses

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short term borrowing obligations. The level of borrowings is disclosed in note 17. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

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

	CONSOLIDATED		PARENT	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Financial assets				
Cash at bank and in hand	471,697	1,783,538	342,197	1,229,791
Short term deposit	144,058	147,444	-	-
	615,755	1,930,982	342,197	1,229,791
Financial liabilities				
Bank overdrafts - secured	93,284	-	-	-
	93,284	**-**	**-**	**-**
Net exposure	**522,471**	**1,930,982**	**342,197**	**1,229,791**

At 31 December 2007, if interest rate had moved, as illustrated in the table below, with all variables held constant, post tax profit and equity would have been affected as follows:

	Annual Post Tax Profit Higher/ (Lower)		Equity Higher/ (Lower)	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Consolidated				
+ 1.00% (100 basis points)	4,480	3,113	4,480	3,113
- 0.50% (50 basis points)	(2,240)	(1,557)	(2,240)	(1,557)
Parent				
+ 1.00% (100 basis points)	8,466	5,266	8,466	5,266
- 0.50% (50 basis points)	(4,233)	(2,633)	(4,233)	(2,633)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk arises from the financial assets of the Group which comprise trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each application note. The Group does not have any assets which are past due on balance date.

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

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

Foreign currency risk

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

At 31 December 2007, the Group had the following exposure to foreign currency:

	CONSOLIDATED	
	2007	**2006**
	$	**$**
Financial assets		
Cash and cash equivalents		
- Singapore Dollar (SGD)	130,874	199,151
- Malaysia Ringgit (RM)	87,018	338,888
- Hong Kong Dollar (HKD)	41,683	29,337
Trade and other receivables		
- Singapore Dollar (SGD)	109,237	174,660
- Malaysia Ringgit (RM)	409,967	339,792
- Hong Kong Dollar (HKD)	37,211	-
	815,990	1,081,828
Financial liabilities		
Trade and other payables		
- Singapore Dollar (SGD)	437,382	454,462
- Malaysia Ringgit (RM)	429,161	501,917
- Hong Kong Dollar (HKD)	3,867	3,234
	870,410	**959,613**
Net exposure	**(54,420)**	**122,215**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)
The following sensitivity is based on the foreign currency risk expenses in existence at the balance sheet date.

At 31 December 2007, had the Australian Dollar moved, as illustrated in the table below, with all variables held constant, post tax profit and equity would have been affected as follows:

	Annual Post Tax Profit Higher/ (Lower)		**Equity Higher/ (Lower)**	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Consolidated				
AUD/ SGD + 10.0%	(29,594)	(1,254,675)	(67,605)	(97,222)
AUD/ SGD - 5.0%	17,134	726,391	39,140	56,286
AUD/ RM + 10.0%	14,765	96,380	178,739	25,213
AUD/ RM - 5.0%	(8,548)	(55,799)	(103,481)	(14,597)
AUD/ HK + 10.0%	(1,378)	(140)	(28,139)	(31,552)
AUD/ HK - 5.0%	798	81	16,291	18,267

The Parent does not have any exposure to foreign currency risk.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

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

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

The table below reflects all contractually fixed pay-offs for settlement of financial liabilities and collection of financial assets. Trade payables and other financial liabilities generally originate from the financing of assets used in our ongoing operations such as investments in working capital (inventories, trade receivables and investment in property plant and equipment). These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group monitors its expected settlement of financial assets and liabilities on an ongoing basis. At 31 December 2007, the Group and the Company has available approximately $2.3 million of unused credit facilities available for immediate use.

Consolidated	Weighted average interest rate	Floating	Fixed interest maturing 1 year or less	Fixed interest maturing 1 to 5 years	Total
2007					
Financial Assets					
Cash assets	4.65%	471,697	144,058	-	615,755
Trade and other receivables	n/a	-	1,929,112	1,712,838	3,641,950
		471,697	2,073,170	1,712,838	4,257,705
Financial Liabilities					
Trade and other payables	n/a	-	2,776,001	-	2,776,001
Secured loans	12.50%	700,000	-	-	700,000
Bank overdrafts - secured	7.75%	93,284	-	-	93,284
Lease liabilities	12.00%	-	24,288	-	24,288
		793,284	2,800,289	-	3,593,573
2006					
Financial Assets					
Cash assets	3.70%	1,783,538	147,444	-	1,930,982
Trade and other receivables	n/a	-	3,722,690	1,167,240	4,889,930
		1,783,538	3,870,134	1,167,240	6,820,912
Financial Liabilities					
Trade and other payables	n/a	-	6,479,607	-	6,479,607
Secured loans	12.50%	2,422,746	-	-	2,422,746
Convertible notes	10.75%	-	5,701,508	-	5,701,508
Lease liabilities	12.00%	-	10,870	6,213	17,083
		2,422,746	12,191,985	6,213	14,620,944

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Parent		Floating	Fixed interest maturing 1 year or less	Fixed interest maturing 1 to 5 years	Total
2007					
Financial Assets					
Cash assets	5.50%	342,197	-	-	342,197
Trade and other receivables	n/a	-	669,731	418,720	1,088,451
		342,197	669,731	418,720	1,430,648
Financial Liabilities					
Trade and other payables	n/a	-	771,142	-	771,142
Secured loans	12.50%	700,000	-	-	700,000
		700,000	771,142	-	1,471,142
2006					
Financial Assets					
Cash assets	5.00%	1,229,791	-	-	1,229,791
Trade and other receivables	n/a	-	2,552,280	-	2,552,280
		1,229,791	2,552,280	-	3,782,071
Financial Liabilities					
Trade and other payables	n/a	-	3,468,362	-	3,468,362
Secured loans	12.50%	2,422,746	-	-	2,422,746
Convertible notes	10.75%	-	5,701,508	-	5,701,508
		2,422,746	9,169,870	-	11,592,616

Fair value
All of the Group's financial instruments recognised in the balance sheet have been assessed as at fair values.

24 SHARE BASED PAYMENTS PLAN

(a) Recognised share based payment expenses

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
Expense arising from equity-settled share based payment transactions (Note 5 (b))	15,153	-	15,153	-
	15,153	**-**	**15,153**	**-**

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2007 and 2006.

(b) Type of share based payment plans

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

In valuing transactions settled by way of issue of shares, no account is taken of any performance conditions, other than market conditions linked to the price of the shares of Vita Life. All shares issued have market performance conditions so as to align shareholder return and reward for the Company's selected management and staff ("Participants").

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

24 SHARE BASED PAYMENT PLANS (CONTINUED)

(ii) Plan Shares issued in 2007
At the Company's Annual General Meeting held on 31 May 2007, shareholders approved the issue of the Plan to Mr Eddie L S Tie, the Company's Managing Director. On 29 June 2007, 825,000 new shares were allotted under the Plan.

The Shares vest upon the satisfaction of certain performance conditions ("Hurdles") within the term specified for Participants in the Plan.

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

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

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

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

(iii) Options
AASB 2 Share based Payment requires that the benefit to an employee arising from an employee share scheme such as the Vita Life Plan be treated as an expense in which the benefit is gained. The employee benefit is deemed to be the implied option ("Implied Option") arising from the Plan.

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

	2007 No.	2006 No.	2007 WAEP	2006 WAEP
Outstanding at the beginning of the year	627,500	-	1.00	-
Granted during the year	825,000	627,500	0.21	1.00
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	**1,452,500**	**627,500**	**0.55**	**1.00**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

24 SHARE BASED PAYMENT PLANS (CONTINUED)

(iii) Options (Continued)

The outstanding balance of the implied options as at 31 December 2007 is represented by:

- 250,000 options over ordinary shares with an exercise price of $1.00 each, exercisable until 30 May 2009 with no performance hurdle;
- 188,750 options over ordinary shares with an exercise price of $1.00 each, exercisable until 31 December 2009;
- 188,750 options over ordinary shares with an exercise price of $1.00 each, exercisable until 31 December 2010;
- 325,000 options over ordinary shares with an exercise price of $0.20 each, exercisable until 17 January 2010 with no performance hurdle;
- 250,000 options over ordinary shares with an exercise price of $0.20 each, exercisable upon meeting cumulative profit before tax of not less than $2 million for the 2 years ending 30 June 2008 and 2009 with expiry of the option on 30 June 2009; and
- 250,000 options over ordinary shares with an exercise price of $0.23 each, exercisable upon meeting cumulative profit before tax of not less than $4.5 million for the 3 years ending 30 June 2008, 2009 and 2010 with expiry of the option on 30 June 2010.

(iv) Range of exercise price, weighted average remaining contractual life and weighted average fair value

The range of exercise prices for options outstanding at the end of the year was $0.20 - $1.00.

The weighted average remaining contractual life for the share options outstanding at 31 December 2007 is 2.04 years (2006: 2.07 years).

The weighted average fair value of options granted during the year was $0.12 (2006: $0.22).

(v) Implied option pricing

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

	2007		2006
Exercise price per option	$ 0.23	$ 0.20	$ 1.00
Dividend yield	-	-	-
Expected annual volatility	30.00%	30.00%	30.00%
Risk-free interest rate (p.a.)	6.00%	6.00%	6.00%
Expected life of implied option (Years)	3 years	2 - 2.5 years	3.5 - 5 years
Fair value per option	$0.04	$0.04 - $0.05	$0.00 - $0.40
Exercise price per option	$0.23	$0.20	$1.00
Share price at grant date	$0.20	$0.20	$0.05
Model used	Black Scholes	Black Scholes	Black Scholes

In respect of the Implied Options arising from the Shares granted in 2007, the expected volatility was determined using historic data over a 6 month period from August 2007 to January 2008. The expected volatility for the Implied Options was adjusted to reflect comparable companies in terms of industry and market capitalisation. The Implied Options arising from the Plan are not listed and as such do not have a market value.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

25 COMMITMENTS

Operating lease commitments – Group as lessee

The Group has entered into commercial property leases for various offices and warehouse facilities.

These leases have an average life of between 1 and 3 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease.

There are no restrictions placed upon the lessee by entering into these leases.

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

	CONSOLIDATED		PARENT	
	2007 **$**	**2006** **$**	**2007** **$**	**2006** **$**
Within one year	205,762	324,721	43,200	22,298
After one year but not more than five years	266,064	193,045	32,400	41,619
	471,827	**517,766**	75,600	**63,917**

Finance lease and hire purchase commitments

The Group has finance leases for various items of plant and machinery expiring from 1 to 5 years. At the end of the lease terms the Group has the opportunity to purchase the equipment at deemed market rate.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments (included within borrowings) are as follows:

Consolidated	**2007 Minimum lease payments $**	**2006 Minimum lease payments $**
Within one year	13,238	7,978
After one year but not more than five years	13,253	10,260
Total minimum lease payments	26,491	18,238
Less amounts representing finance charges	(2,203)	(1,096)
Present value of minimum lease payments	24,288	**17,142**

26 SIGNIFICANT EVENTS AFTER BALANCE DATE

Recovery of Loan Previously Written Off

On 6 August 2007, the Company was appointed Controller of shares (“Charged Shares”) in Amanah Properties Trust Managers Berhad (“APTM”), a company registered in Malaysia, over which the Company had a charge for a debt owed to the Company.

On 21 February 2008, the Directors approved the sale of the Charged Shares to Perkasa Normandy Holdings Sdn Bhd, a company registered in Malaysia. The transaction is pending shareholders’ approval at the forthcoming Annual General Meeting.

Exchange of Minority Interest with Shares in Parent Company

The Company owns 93.25% of the capital of the Health division’s holding company, Vita Healthcare Asia Pacific Sdn Bhd. The remaining 6.75% is owned by Vital BioTech Holdings Ltd, a Hong Kong listed company. Agreement has been reached to purchase the 6.75% in exchange for 1,586,053 new Vita Life shares or 3.4% of Vita Life’s existing issued capital. At the date of this report, the agreement is pending completion of formal documentation.

There are no other subsequent events after balance date that affects the operating results or financial position of the Company and its subsidiaries.

27 CONTINGENCIES

Contingent assets

VitaHealth Laboratories (Australia) Pty Ltd & Supplements World Pte Ltd [In liquidation] & VitaHealth Laboratories (HK) Ltd v Pharmatech Industries Sdn Bhd & Khoo Seng Kang & Gan Hook Chun & Pang Seng Meng. Civil Suit No. D1-22-1551-2002 – High Court of Malaysia at Kuala Lumpur

The allegations made by the Vita Life group of companies are against the former Managing Director, two former Malaysian senior managers of the group and a contract packer in Malaysia. Damages are unspecified.

The contract packer has lodged a counter claim for RM 10 million alleging wrongful termination of the packing agreement and the Vita Life group of companies has obtained an interim injunction order against the remaining Defendants restraining them from selling products which carry the VitaHealth name and logo.

Based on legal advice, the Directors believe the Group has a strong case and the counter claim is without merit and the matter is expected to be set down for trial in 2008.

Contingent liabilities

Gan Hook Chun & Khoo Seng Kang v Zuellig Pharma Sdn Bhd. Kuala Lumpur Industrial Court Case No: 15(9)/4-753/05

Zuellig Pharma Sdn Bhd (ZPM), acting as the agent of our subsidiary, had in the past employed these two managers. These managers were subsequently dismissed in the financial year 2002. The former managers are now suing ZPM for wrongful dismissal and seeking for reinstatement in the Kuala Lumpur Industrial Court.

The directors believe the Group has a strong case in its defence. The case is ongoing and is expected to be concluded in 2008.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2007

28 AUDITORS' REMUNERATION

The auditor of Vita Life Sciences Limited is Russell Bedford NSW.

	CONSOLIDATED		PARENT	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Amount receivable or due and receivable by Russell Bedford NSW for:				
An audit or review of the financial report of the entity and any other entity in the consolidated group	70,000	115,000	70,000	115,000
Other services in relation to the entity and any other entity in the consolidated group				
- tax compliance services	20,000	-	20,000	-
- independent accountant's report	45,000	30,000	45,000	30,000
- share registry	35,535	25,387	35,535	25,387
	170,535	**170,387**	170,535	**170,387**
Amount receivable or due and receivable by non Russell Bedford NSW audit firms for:				
- review of the financial report	62,359	40,764	-	-
	232,894	**211,151**	170,535	**170,387**

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements, notes and the additional disclosures are in accordance with the *Corporations Act 2001* and:
   (a) Comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) Give a true and fair view of the financial position as at 31 December 2007 and of the performance for the year ended on that date of the Company and consolidated group;
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
   (a) The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   (b) The financial statements and notes for the financial year comply with Accounting Standards; and
   (c) The financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Eddie L S Tie
Director
20 March 2008

Russell Bedford
New South Wales

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Australia

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF VITA LIFE SCIENCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Vita Life Sciences Limited (the company) and the consolidated entity, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration. The consolidated entity comprises both the company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in the directors' report and not in the financial report.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, comply with International Financial Reporting Standards.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditors' responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditors' opinion

In our opinion:

1. the financial report of Vita Life Sciences Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) other mandatory financial reporting requirements in Australia.

(c) the remuneration disclosures that are contained on pages 14 to 15 of the remuneration report of the directors' report comply with Accounting Standard AASB 124.

2. the consolidated/parent financial statements and notes or financial report also comply with International Financial Reporting Standards as disclosed in Note 2(b).

RUSSELL BEDFORD NSW
Chartered Accountants

GREGORY C RALPH M.Com., F.C.A.
Partner

Sydney, 20 March 2008

ASX Additional Information

The following information is current as at 3 March 2008.

A. SUBSTANTIAL SHAREHOLDERS

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

Shareholder	**No of ordinary shares held**	**Percentage held of issued ordinary capital**
Barleigh Wells Limited	6,000,000	12.8%
Stinoc Pty Limited (a subsidiary of CVC Limited)	5,907,886	12.6%
Chemical Trustee Limited	3,536,216	7.5%
Eddie L S Tie	2,845,500	6.1%

B. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(i) Analysis of number of equity security holders by size of holding as at 3 March 2008:

Category	**Ordinary shareholders**
1 - 1,000	1,328
1,001 - 5,000	725
5,001 - 10,000	200
10,001 - 100,000	242
100,001 and over	40
	2,535

(ii) There were 1,893 holders of less than a marketable parcel of ordinary shares.

C. EQUITY SECURITY HOLDERS

	Ordinary shares	
Twenty largest quoted equity security holders	**Number held**	**Percentage of shares issued**
Barleigh Wells Limited	6,000,000	12.8%
Stinoc Pty Limited	5,907,886	12.6%
Chemical Trustee Limited	3,536,216	7.5%
Eddie L S Tie	2,845,500	6.1%
Normandy Finance & Investments Asia Limited	2,148,317	4.6%
Normandy Nominees Limited	2,095,224	4.5%
OCI Construction Limited	1,211,909	2.6%
Abasus Investments Limited	1,202,919	2.6%
Hua Wang Bank Berhad	1,123,973	2.4%
Universal Trustee (Malaysia) Berhad	1,068,268	2.3%
South Seas Holdings Pty Limited	1,028,156	2.2%
Derrin Brothers Properties Limited	1,023,630	2.2%
Andrew Tan Teik Wei	1,022,500	2.2%
Normandy Finance & Investments Limited	765,469	1.6%
Phillip Securities Pte Limited	669,565	1.4%
Alistair Wright	500,000	1.1%
John Sharman	316,750	0.7%
Daud Yunus	361,830	0.8%
Jeanette Wright	300,000	0.6%
Sycamoor Pty Limited	269,608	0.6%

D. VOTING RIGHTS

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

General Information

Directors
Vanda Gould
Non-Executive Chairman

Eddie L S Tie
Managing Director

John Sharman
Non-Executive Director

Henry Townsing
Non-Executive Director

Company Secretary
Henry Townsing

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F: 61 (02) 9545 1311

Asian Regional Office
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Damansara Utama
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Malaysia
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F: 60 (03) 7727 4658

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Auditors
Russell Bedford NSW
Level 42, Suncorp Place
259 George Street
Sydney NSW 2000

Bankers
Westpac Banking Corporation
409 St Kilda Road
Melbourne 3004
VIC

Share Registry
Gould Ralph Pty Ltd
Level 42, Suncorp Place
259 George Street
Sydney NSW 2000
T: 61 (02) 9032 3000
F: 61 (02) 9032 3088

Solicitors
Piper Alderman
Level 24, 385 Bourke Street
Melbourne VIC 3000

Stock Exchange Listing
The ordinary shares of Vita Life Sciences Limited are listed on the Australian Securities Exchange Ltd (code: VSC).

Vita Life Sciences Limited Annual Report 2007

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ABN 35 003 190 421

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