Vita Life Sciences Limited Annual Report 2008

Vita Life Sciences Limited

ABN 35 003 190 421


VitaHealth
Complete
Pharma
Salmon Oil
1000mg
VitaHealth

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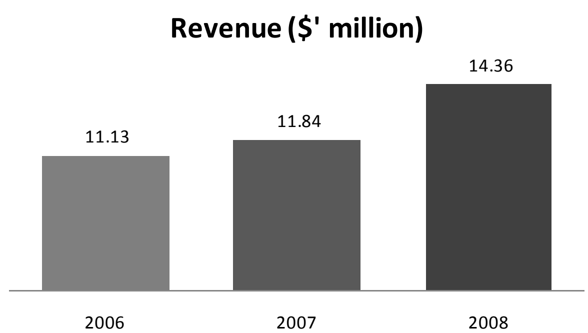
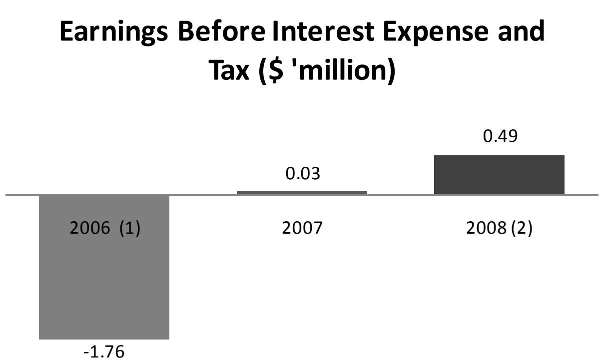
Financial Highlights

Year ended 31 December	2006 A$'000	2007 A$'000	2008 A$ '000
Revenue	11,134	11,839	14,356
Earnings Before Interest Expense and Tax	(1,755) *	35	490
Net profit / (loss) after tax	(2,122) *	(204)	353
Shareholders' Funds	(2,141)	2,880	3,846
Borrowings	8,141	818	1,286

* Excluding profit on disposal of Cyclopharm Limited of $11.8 million

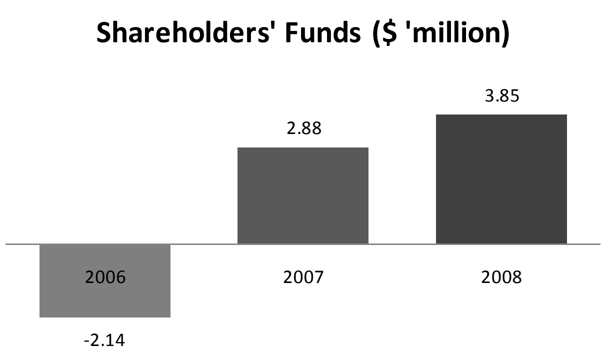


Sales revenue: Increased by 21.3%



EBIT: Increased by more than 100.0%

Note 1:Excluding profit on disposal of Cyclopharm Limited of $11.8 million
Note 2: EBIT is after deducting loss / investment cost in new business units of $0.60 million



Shareholders' funds: Increased by 33.5%

Chairman's Letter

Dear Vita Life Shareholder,

The recently concluded financial year ended 31 December 2008 was profitable for the Company - the first profit in seven years, excluding a one-off gain from the disposal of Cyclopharm Limited in 2006. Whilst the Company's principal operating business, the Health division, has been profitable since 2006, costs at the holding company level, relating to litigation in connection with the former Managing Director, and the Pan Pharmaceuticals ("Pan") product recall in 2003 which caused a consequential loss of market share and consumer confidence in our produce range, had resulted in losses throughout those 7 years. In this regard, I am reminded of a statement by Lau Tzu, a 6th century B.C. philosopher:

"*A journey of a thousand miles begins with a single step*"

We have now taken that step to redemption!

I am proud of the way Vita Life's management has handled the challenges and opportunities, particularly developing new markets and expanding the methods we use to sell product. Vita Life is now a robust Group, well-positioned for profitable growth into the future. 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 and returning the Company to profitability.

I am pleased to report that in 2008 the Company has made the following noticeable progress:

- Improvement in turnover of 21.3% to $14.36m;
- Improvement in earnings before interest expense and taxes ("EBIT") to $0.49m (2007: EBIT of $0.03m); and
- Successful establishment of our VitaHealth and Herbs of Gold brand products in China.

The Company will continue to focus on its Health and Investment divisions. Amid the current global challenges, the continued successful positioning and resultant increase in sales from these businesses will ensure the Company's overall longer term competitiveness and growth.

As a consequence of the Therapeutic Goods Administration's ("TGA") mandatory Pan product recall, the Health division suffered substantial losses and lost its leading position in several key markets in Australia and Asia. As noted above, it is only after seven years the Company has been able to capture some of the ground it lost as a result of the product recall. In view of the settlement and payment of $55.0 million in 2008 by the Australian Government to Pan's major shareholder, Mr. Jim Selim, the Company believes it has a substantial claim against the TGA, a claim that is now in the process of being finalised and filed in the Federal Court of Australia.

Finally, I would like to thank our shareholders and stakeholders for their ongoing support and confidence in the Board and management in the past few years. Your support has enabled the Company to re-establish itself and the rewards are now beginning to be evident. We will continue to focus on the health business in both Asia and Australia. As the Book of Proverbs puts it:

A discerning man keeps wisdom in view, but a fool's eyes wander to the ends of the earth.

[Proverbs 17:24]

I look forward to reporting to you on further success and strengthened performance of the Company in the latter half of 2009.

Vanda Gould

Chairman

20 March 2009

Managing Director's Review

Overview

This has been a truly remarkable year for our Company. The Health division's established Herbs of Gold and VitaHealth brands, sold in Australia, Malaysia and Singapore, started the financial year with strong sales growth. Amid the global economic challenges, the Company delivered a robust performance with positive sales growth continuing in the second half of 2008. Overall, sales grew by 21.3% to $14.36 million for the 2008 financial year compared to 2007.

Other key financial results were:

- Variable operating expenses (distribution and marketing expenses) were higher at 16.6% of sales (2007: 14.8%). The increase in these expenses were primarily due to set up costs in China and Thailand, and inflationary factors which affected freight and delivery costs;
- Fixed operating expenses (occupancy, administrative and sundry expenses) were contained at 47.0% of sales (2007: 47.2%);
- Net interest costs reduced to $0.16m (2007: $0.30m) as a result of average borrowings reducing to $1.01m (2007: $4.48m); and
- The Company's consolidated profit before interest expense and tax ("EBIT") was $0.49m (2007: EBIT of $0.03m), positively impacted by improvement in sales and operating results and the receipt of dividends from the Pan Pharmaceuticals Liquidator.

Over the past two years, we have seen a number of significant changes implemented in line with our operating and strategic plans. In 2008, our achievements include the following:

- Strengthened our Herbs of Gold brand in Australia following the successful launch of unique products and gaining more retail shelf spaces. The brand recorded a healthy sales growth and help improved profitability of the Company;
- Anchored our presence in Thailand through various sales and marketing strategies;
- Commenced trading in the People's Republic of China; and
- Appointed as the Malaysian agent for Lydia Jordane and Lycon Wax brands, a new skin and body care product range launched to complement our health supplements range.

Management remains cautiously optimistic of continued growth in 2009 and will be pursuing several strategies to gain competitive advantage when economies recover, including:

- Work closely with our distributors and retail customers to overcome the global economic challenges;
- Reformulate existing products and develop new products with the benefit of continuing to produce quality products at effective costs;
- Widen our product range, particularly for the China and Thailand markets;
- Continue our growth expansion initiatives in new markets such as Indonesia and Vietnam; and
- Invest in staff training to develop the skills and knowledge of our people.

Financial Performance

The Health division's established divisions remained the key driver of sales with growth of 20.6% during the financial year; Australia increased by 31.0%, Malaysia increased by 10.4% and Singapore increased by 9.9%.

Managing Director’s Review (Continued)

Other notable key components of the Health division’s 2008 financial results were:

- Improvement in overall gross margins to $8.57m (2007: $6.78m) as a result of our successful strategies;
- Improvement in EBIT of $0.75m (2007: $0.15m) which continued the positive trend established in 2007;
- Increased profitability for Health divisions’ established Herbs of Gold and VitaHealth brands, sold in Australia and Asia respectively in 2008;
- Recovery of $1.0m from proceeds received from Pan Pharmaceuticals Liquidator; and
- Increase in wages and salaries primarily due to the Health division’s expanding staff base for its new and established businesses, annual increment and higher sales incentives paid out in line with higher sales.

New Businesses

As outlined in our previous years’ Annual Report, several new business ventures commenced with the focus on increasing sales, profitability and market share in the long term.

The Health Division’s new business units’ progress can be summarised as follows:

- Since its inception, the multi-level-marketing unit in Malaysia has faced challenges from existing companies which employed costly short-term competitive strategies to create barriers of entry. We are developing new initiatives to break these barriers with a focus on building a successful long-term business;

- We expanded into Thailand to replicate the successes of the Company’s established business units. Despite time consuming and technically challenging regulatory approval processes, we have successfully obtained approvals for a wide range of products over the past two years. We expect improved results in this business unit and will continue our efforts to strengthen our presence in Thailand;

- Since 2006, we developed an affordable health supplement brand known as Pharma Direct in Malaysia. In 2008, our revenue almost doubled with the business unit now at breakeven; and

- In late 2007, after extensive efforts, regulatory approvals were obtained to set up a wholly owned subsidiary in the People’s Republic of China. We obtained approvals for the importation of products under the VitaHealth and Herbs of Gold brands and commenced sales to distributors in China towards the end of 2008. This is truly an exciting venture which provides the Company new growth opportunities.

Whilst the revenue contribution of new business units in Malaysia, Thailand and China were not significant and incurred losses, mainly due to set up and new product registration costs, satisfactory progress was made with sales revenue doubling from 2007. We expect continuing improved performance in 2009 despite the deteriorating economic environment. As outlined in last year’s annual report the investment by the Company in these new markets will negatively impact results in the short term but are necessary for the long term prospects of the Company.

Managing Director’s Review (Continued)

Regional Commentary

Australia

Australia continues to be the division’s largest revenue contributor, accounting for 46.2% (2007: 42.8%) of the Company’s total revenue.

Revenue growth was 31.0% in 2008. The result demonstrates the benefits from focussed action in:

- Introducing a wide range of new and existing products with improved formulation;
- Closely engaging with our customers;
- Repositioning distribution arrangements, supported by a trade financing facility from an Australian financial institution; and
- Judiciously spending on marketing activities.

Whilst the repositioned distribution arrangements have improved delivery efficiencies and profitability, trading conditions remained competitive, including impractical measures taken by other parties to undermine such efficiencies. However, consistent with the favourable growth in sales, the Australian business reported a healthy profit in 2008.

Malaysia and Singapore

Revenue for the established businesses in Malaysia and Singapore grew by 10.4% and 9.9% respectively. Both continued to be profitable although the profitability is increasingly impacted by higher advertising and promotional commitments demanded by large retailers. We are mindful of the constant pressures on margins and will continue to introduce premium products and other cost control measures.

Whilst revenue grew in both subsidiaries, the collective revenue accounted for only 52.4% of total Company’s revenue (2007: 56.6%). This is primarily due to the healthier revenue growth in our Australian subsidiary.

Investment Division

The Company has an investment of $1.04m in a property project comprising of 352 houses and 20 shops in Malaysia.

The Investment division did not record any accounting revenue during the financial year and the loss of $0.07m mainly represents an unrealised foreign exchange loss. Currently, the project is cash flow positive and did not require further funding from the Company.

Despite the tightening credit for housing and consumer loans, the project made satisfactory progress with the sale of all units under Phase 1 in 2008. The project is expected to launch the initial 38 units of phase 2 in the second quarter of 2009 with remaining 62 units of the phase to be launched dependant on demand and market viability.

Managing Director’s Review (Continued)

2009- Forward

On-going contraction in economies and higher unemployment rates in countries where the Company has operations and uncertainty on the bottoming of the current global financial crisis will impact the Company’s performance in 2009. Despite this, we will continue to pursue our focus on increasing sales, profitability and market share in the long term. We plan to accelerate the extension of our product range, strengthen brands in all markets, maintain effective costs and productive margins, grow our presence in new markets albeit at more conservative rate given the current economic outlook.

The Company has re-built its core strengths, customer base, brands and people to achieve excellent results in what has been a watershed year. Having worked hard to rebuild brand image after the Pan Pharmaceuticals product recall, which resulted in the loss of our leading market position and key personnel thus crippling any timely efforts to restore the Company’s position, the Company now has a strong foundation upon which it can build.

Our teams are coherent in tackling the extremely challenging tasks ahead under the current economic environment. With continuing support of the Board, I am cautiously optimistic of an improved performance in 2009.

I would like to thank our Chairman, Mr Vanda Gould, my fellow board members and colleagues for their support and commitment in improving the Company for shareholders, employees and valued customers.

Eddie L S Tie
Managing Director
20 March 2009

Directors' Report

Your Directors submit their report for the year ended 31 December 2008.

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

Mr Gould 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.

Mr Gould 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, including CVC Limited and Cyclopharm Limited which are listed on the Australian Securities Exchange ("ASX").

Mr Gould lives in Sydney and is 60 years old.

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

Mr Tie 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.

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

Mr Tie lives in Kuala Lumpur, Malaysia and is 50 years old.

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

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

Mr Sharman 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.

Mr Sharman is a Director of ASX listed company, Cyclopharm Ltd .

Mr Sharman lives in Melbourne and is 42 years old.

Directors' Report (Continued)

Mr Henry G Townsing
Non-Executive Director
Dip Val

Mr Townsing 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.

Mr Townsing lives in Melbourne and is 53 years old.

Mr Townsing resigned from the Board on 27 February 2009.

Interests in the shares of the company and related bodies corporate

As at the date of this report, the interests of the all directors (except Mr Townsing who resigned as a Director on 27 February 2009) in the shares of Company were disclosed in the table below. There has been no change in Mr Townsing's interest from the end of financial year to the date of his resignation:

Director	31/12/2007	Sales	Purchases	31/12/2008
Mr Vanda R Gould - non beneficial	7,186,126	-	-	7,186,126
Mr Eddie L S Tie - beneficial	2,845,500	-	40,000	2,885,500
- non beneficial	-	-	30,000	30,000
Mr John S Sharman - beneficial	316,750	-	-	316,750
- non beneficial	161,200	-	-	161,200
Mr Henry G Townsing - non beneficial	4,833,396	-	30,000	4,863,396

* 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 profit before tax for the financial year ended 31 December 2008 was $305,871 (2007: loss before tax of $323,873). A tax credit of $47,606 (2007: tax benefit of $119,608) arose resulting in a profit after tax of $353,477 (2007: loss after tax of $204,265).

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

Directors' Report (Continued)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 28 March 2008, the Company purchased the remaining equity interest of 6.75% which it does not own in Vita Healthcare Asia Pacific Sdn Bhd ("VHAP"), the Health division of the Group.

Prior to this acquisition, the Company owned 93.25% of the capital of VHAP with the balance of 6.75% owned by Vital BioTech Holdings Ltd, a Hong Kong listed company.

The acquisition was settled by issuing 1,586,053 new shares or 3.4% of the Company's existing issued capital.

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

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 $16,132 (2007: $22,394).

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)

ENVIRONMENTAL REGULATIONS

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

DIRECTORS' 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	10	10	4	4	1	1	1	1
Mr John S Sharman	10	10	4	3	*	*	*	*
Mr Henry G Townsing (#)	10	10	*	*	1	1	1	1
Mr Eddie L S Tie	10	10	*	*	*	*	*	*

* Not a member of the committees
# Henry G Townsing resigned as a Director on 27 February 2009.

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	40,800
Share registry services	28,264
	69,064

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
- other measures which are either in place or can be adopted to manage or mitigate those risks.

Directors' Report (Continued)

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.

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 comprises Mr Gould, Chairman of the Remuneration Committee, and Mr Townsing during the financial year.

The Remuneration Committee is responsible for:

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

Total remuneration for all existing non-executive Directors during the financial year was $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 on 6 July 2006.

Directors' Report (Continued)

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.

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

Structure
The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 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.

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Executive remuneration (Continued)

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

Remuneration consists of the following key elements:

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

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

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

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

Variable remuneration - Short Term Incentive ("STI")

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

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

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

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

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Variable remuneration – Long Term Incentives

<u>Objective</u>
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 $142,364 (including superannuation) per annum for the year ended 31 December 2008.
- 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.

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.

Directors' Report (Continued)

Remuneration of Key Management Personnel (Audited)
Table 1: Remuneration for the year ended 31 December 2008

Consolidated	Short term employee benefits					
	Salary & Fees $	Bonus $	Superannuation $	Share based payments $	Total $	Performance rated %
2008						
Directors						
Mr Vanda R Gould Non-Executive Director	30,000	-	-	-	30,000	n/a
Mr Eddie L S Tie (1) Managing Director	127,111	-	15,253	14,856	157,220	9%
Mr John S Sharman Non-Executive Director	15,000	-	-	-	15,000	n/a
Mr Henry G Townsing (2) Non-Executive Director	15,000	-	-	-	15,000	n/a
Total Directors Compensation	187,111	-	15,253	14,856	217,220	7%
Key Management Personnel						
Y T Ong Chief Operating Officer-VHAP	106,032	4,237	12,223	-	122,492	3%
L M Leong Country Manager- Singapore	113,533	12,030	9,231	-	134,794	9%
Nathan Cheong Country Manager- Australia	113,000	5,000	9,000	-	127,000	4%
C L Khoo Chief Financial Officer	68,583	4,618	8,792	-	81,993	6%
Edmund E M Sim Senior Manager, Regional Regulatory	86,896	9,085	9,056	-	105,037	9%
Total Key Management Compensation	488,044	34,970	48,302	-	571,316	6%
Grand total	675,155	34,970	63,555	14,856	788,536	6%

(1) Mr Eddie L S Tie received allotment of 825,000 ordinary shares in 2007 pursuant to Vita Life's Long Term Incentive Plan valued at $14,856 (2007: $15,153), as disclosed in Note 24 to the financial statements;

(2) Mr Henry G Townsing resigned from the Board of Directors on 27 February 2009.

Directors' Report (Continued)

REMUNERATION REPORT (CONTINUED)

Remuneration of Key Management Personnel (Audited) (Continued)
Table 2 Remuneration for the year ended 31 December 2007

Consolidated	Short term employee benefits					
	Salary & Fees $	Bonus $	Superannuation $	Share based payments $	Total $	Performance rated %
2007						
Directors						
Mr Vanda R Gould Non-Executive Director	30,000	-	-	-	30,000	n/a
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	n/a
Mr Henry G Townsing Non-Executive Director	15,000	-	-	-	15,000	n/a
Total Directors Compensation	184,664	-	15,174	15,153	214,991	7%
Key Management Personnel						
Y T Ong (2) Chief Operating Officer-VHAP	49,773	-	6,608	-	56,381	0%
L M Leong Country Manager- Singapore	96,747	9,491	8,443	-	114,681	8%
Nathan Cheong Country Manager- Australia	100,369	-	7,865	-	108,234	0%
C L Khoo Chief Financial Officer	58,724	2,943	7,749	-	69,416	4%
Edmund E M Sim Senior Manager, Regional Regulatory	77,998	6,426	8,000	-	92,424	7%
Total Key Management Compensation	383,611	18,860	38,665	-	441,136	4%
Grand total	568,275	18,860	53,839	15,153	656,127	5%

(1) Mr Eddie L S Tie received allotment of 825,000 ordinary shares in 2007 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.

Signed in accordance with a resolution of the Directors.

Eddie L S Tie
Managing Director
20 March 2009

Russell Bedford
New South Wales

Level 42, Suncorp Place
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Australia

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W: www.russellbedford.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 2008 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 2009

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 2008. 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 2008, 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 14.8% 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 during the financial year and Mr Gould is Chairman of the Committee. Board membership is reviewed annually by the Committee to ensure the Board has appropriate mix of qualifications, skills and experience. External advisers may be used in this process. Candidates are appointed by the Board and must stand for election at the next general meeting of shareholders. 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, 2.6

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, 6.1,6.2

(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 6.1, 6.2

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 Companies should establish the function reserved to the board and those delegated to senior executives and disclose those functions.	2b	Comply
1.2 Companies should disclose the process for evaluating the performance of senior executives.	5a, 5b	Comply
1.3 Companies should 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; and		
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or summary of the policy.	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; and		
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 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	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 Companies should design a communications policy for promoting effective communication with sharholders and encourage participation at general meetings and disclose their policy or a summary of that policy.	6a, 6b	Comply
6.2 Provide the information indicated in the Guide to reporting on Principle 6.	6a, 6b	Comply
Pinciple 7: Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material businesses risks and disclose a summary of those policies.	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 managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of business risks.	4b	Comply
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	4c	Comply
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 Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.	3c, 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 2008	Notes	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
CONTINUING OPERATIONS					
Sale of goods		14,356,081	11,838,907	-	-
Cost of sales		(5,792,221)	(5,059,243)	-	-
Gross profit		8,563,860	6,779,664	-	-
Other income	5 (a)	1,145,525	562,097	1,140,395	510,134
Distribution expenses		(1,002,180)	(470,496)	-	-
Marketing expenses		(1,374,520)	(1,280,876)	-	-
Occupancy expenses		(543,134)	(596,355)	(56,682)	(92,301)
Administrative expenses	5 (b)	(5,982,817)	(4,725,370)	(1,052,554)	(1,197,791)
Other expenses	5 (c)	(213,896)	(264,715)	(28,195)	(91,805)
Share of associates loss		(127,927)	(24,454)	-	-
Profit/ (loss) from continuing operations before interest and taxes		464,911	(20,505)	2,964	(871,763)
Finance income	5 (d)	24,960	55,269	135,970	148,815
Finance costs	5 (e)	(184,000)	(358,637)	(90,918)	(302,461)
Profit / (loss) before income tax		305,871	(323,873)	48,016	(1,025,409)
Income tax credit	7	47,606	119,608	81,702	127,514
Net profit / (loss) for the year		353,477	(204,265)	129,718	(897,895)
Profit attributable to minority interest		-	49,120	-	-
Profit / (loss) attributable to members of the parent		353,477	(253,385)	129,718	(897,895)
		353,477	(204,265)	129,718	(897,895)
Earnings per share (cents per share)	6				
- basic earnings per share for continuing operations		0.73	(0.96)		
- basic earnings per share		0.73	(0.96)		
- diluted earnings per share		0.73	(0.96)		

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

Balance Sheet

as at 31 December 2008	Notes	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
ASSETS					
Current Assets					
Cash and cash equivalents	8	1,292,810	615,755	390,145	342,197
Trade and other receivables	9	2,144,768	1,929,112	2,436,916	2,866,201
Inventories	10	2,534,666	1,965,138	-	-
Other current assets	11	244,251	145,244	70,166	-
Total Current Assets		6,216,495	4,655,249	2,897,227	3,208,398
Non Current Assets					
Trade and other receivables	9	622,768	539,289	394,699	418,720
Investment in subsidiaries	12	-	-	4,392,304	4,122,675
Investment in associates	13	1,450,086	1,187,677	-	-
Property, plant and equipment	14	229,355	274,159	194	843
Intangible assets	15	73,710	72,733	-	-
Deferred tax assets	7	48,174	-	-	-
Total Non Current Assets		2,424,093	2,073,858	- 4,787,197	4,542,238
Total Assets		**8,640,588**	**6,729,107**	**7,684,424**	**7,750,636**
LIABILITIES					
Current Liabilities					
Trade and other payables	16	3,179,145	2,776,001	2,113,645	2,562,810
Interest bearing loans and borrowings	17	1,277,610	817,572	700,000	700,000
Current income tax liability		86,123	67,445	-	-
Provisions	18	235,675	183,642	-	31,250
Total Current Liabilities		4,778,553	3,844,660	2,813,645	3,294,060
Non Current Liabilities					
Interest bearing loans and borrowings	17	8,631	-	341,613	341,613
Provisions	18	7,780	4,719	-	-
Total Non Current Liabilities		16,411	4,719	341,613	341,613
Total Liabilities		**4,794,964**	**3,849,379**	**3,155,258**	**3,635,673**
Net Assets		**3,845,624**	**2,879,728**	**4,529,166**	**4,114,963**
Equity					
Contributed Equity	19	44,549,823	44,280,194	44,549,823	44,280,194
Accumulated losses		(40,428,479)	(40,449,910)	(40,050,666)	(40,180,384)
Employee share based payments reserve	24	30,009	15,153	30,009	15,153
Foreign currency translation reserve		(928,498)	(1,442,583)	-	-
Parent entity interest		3,222,855	2,402,854	4,529,166	4,114,963
Minority interest		622,769	476,874	-	-
Total Equity		**3,845,624**	**2,879,728**	**4,529,166**	**4,114,963**

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

Cash Flow Statement

For the year ended 31 December 2008	Notes	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from customers		14,934,436	13,049,190	-	-
Payments to suppliers and employees		(15,780,047)	(10,856,066)	(1,328,250)	(479,570)
Borrowing costs		(176,786)	(338,526)	(89,418)	(297,761)
Interest paid on convertible notes		-	(1,135,143)	-	(1,135,143)
Income tax credit receivable / (paid)		18,110	(54,135)	81,702	-
Interest received		24,960	55,269	135,970	148,815
Proceeds from Pan Pharmaceuticals Ltd Liquidator		1,042,012	-	1,042,012	-
Income from settlement of legal case		355,000	-	355,000	-
Recovery of receivables previously written off		149,731	-	149,731	-
Net cash flows from / (used in) operating activities	8 (e)	567,416	720,589	346,747	(1,763,659)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		319	11,781	-	-
Purchase of property, plant and equipment		(76,530)	(187,605)	-	-
Costs incurred from increased shareholding in controlled entity		-	-	-	(1,108,620)
Net cash flows used in investing activities		(76,211)	(175,824)	-	(1,108,620)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		-	6,665,890	-	6,665,890
Share issue costs		-	(737,346)	-	(737,346)
Proceeds from external borrowings		499,802	7,205	-	-
Repayment of external borrowings		-	(1,722,746)	-	(1,722,747)
Repayment of convertible notes		-	(5,701,508)	-	(5,701,508)
Loans from / (to) related parties		-	58,297	(298,799)	3,480,396
Loans to associated entities		(236,069)	(552,642)	-	-
Net cash flows from / (used in) from financing activities		263,733	(1,982,850)	(298,799)	1,984,685
Net increase / (decrease) in cash and cash equivalents		754,938	(1,438,085)	47,948	(887,594)
Net foreign exchange differences		(46,750)	29,574	-	-
Cash and cash equivalents at beginning of the year		522,471	1,930,982	342,197	1,229,791
Cash and cash equivalent at end of the year	8 (d)	**1,230,659**	**522,471**	**390,145**	**342,197**

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 2008

	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 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
Balance at 1 Jan 2008	44,280,194	(40,449,910)	15,153	(1,442,583)	2,402,854	476,874	2,879,728
Profit attributable to members of parent entity	-	353,477	-	-	353,477	-	353,477
Acquisition of minority interest (Note 19)	269,629	(332,046)	-	-	(62,417)	62,417	-
Employee share option scheme	-	-	14,856	-	14,856	-	14,856
Exchange difference on translation of foreign operations	-	-	-	514,085	514,085	83,478	597,563
Balance at 31 Dec 2008	44,549,823	(40,428,479)	30,009	(928,498)	3,222,855	622,769	3,845,624

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 2008	Contributed Equity $	Accumulated Losses $	Employee Share Based Payments Reserve $	Total $
PARENT				
Balance at 1 Jan 2007	38,979,150	(39,282,489)	-	(303,339)
Loss attributable to members of parent entity	-	(897,895)	-	(897,895)
Issue of share capital	6,665,890	-	-	6,665,890
Share issue costs	(737,346)	-	-	(737,346)
Employee share option scheme	-	-	15,153	15,153
De-recognition of employee/ director long-term incentive shares	(627,500)	-	-	(627,500)
Balance at 31 Dec 2007	44,280,194	(40,180,384)	15,153	4,114,963
Balance at 1 Jan 2008	44,280,194	(40,180,384)	15,153	4,114,963
Profit attributable to members of parent entity	-	129,718	-	129,718
Acquisition of minority interest (Note 19)	269,629	-	-	269,629
Employee share option scheme	-	-	14,856	14,856
Balance at 31 Dec 2008	44,549,823	(40,050,666)	30,009	4,529,166

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 2008

1 CORPORATE INFORMATION

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

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 2008. 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

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 Life Sciences 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 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, Vitaron Jaya Sdn Bhd, Vita Life Sciencs Sdn Bhd and Pharma Direct Sdn Bhd are in Malaysian Ringgit (RM), whilst Vitahealth IP Pte Ltd, VitaHealth Asia Pacific (S) Pte Ltd and Vita Corporation Pte Limited are in Singapore dollars (SGD).

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

2 Summary of Significant Accounting Policies (continued)

(e) Foreign currency translation (continued)

(i) 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.

(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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

2 Summary of Significant Accounting Policies (continued)

(j) Goodwill and Intangibles (continued)

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

Intangibles

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

2 Summary of Significant Accounting Policies (continued)

(n) Provisions (continued)

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

(o) Employee entitlements

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

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

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

(p) Issued capital

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

(q) Leases

Finance Leases
Leases of fixed assets, which substantially transfer to the Group all 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 2008

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 2008

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 2008

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 for the tax period ended 30 June 2003.

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

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

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

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

Other taxes

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the 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 2008

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 2008

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 2008

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).

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 2008

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 2008, 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 2007-3	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 8	Operating Segments	1 January 2009	Refer to AASB 2007-3 above.	1 January 2009
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 123 (revised)	Borrowing Costs	1 January 2009	Refer to AASB 2007-6 above.	1 January 2009

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 2007-8	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 101 (revised)	Presentation of Financial Statements	1 January 2009	Refer to AASB 2007-8 above.	1 January 2009

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

3 Significant Accounting Judgments, Estimates and Assumptions (continued)

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 2008

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 2008 and 31 December 2007.

	Continuing Operations				
	Australia	**Singapore**	**Malaysia**	**Others**	**Total**
	$	**$**	**$**	**$**	**$**
Year ended 31 December 2008					
Revenue					
Sales to external customers	6,628,838	3,075,643	4,450,436	201,164	14,356,081
Segment results					
Profit / (loss) before tax and finance costs	425,383	184,007	100,707	(92,299)	617,798
Finance costs	(174,979)	(2,256)	(8,226)	1,461	(184,000)
Share of loss of associates	-	-	(127,927)	-	(127,927)
Profit before income tax					305,871
Income taxes					47,606
Net profit for the year					353,477
Assets and liabilities					
Segment assets	3,574,950	1,462,226	1,953,018	200,308	7,190,502
Investment in associates					1,450,086
Total assets					8,640,588
Segment liabilities	2,999,924	732,049	950,265	112,726	4,794,964
Total liabilities					4,794,964
Other segment information					
Capital expenditure	(3,701)	(13,365)	(58,732)	(732)	(76,530)
Depreciation	(32,038)	(20,392)	(89,613)	(1,118)	(143,161)
Amortisation	-	(10,061)	(8,698)	-	(18,759)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

4 Segment Information (continued)

	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	643,128	1,533,757	197,199	5,541,430
Investment in associates					1,187,677
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 2008

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 2008 and 31 December 2007.

	Continuing Operations		
	Health	**Investment**	**Total**
	$	**$**	**$**
Year ended 31 December 2008			
Revenue			
Sales to external customers	14,356,081	-	14,356,081
Result			
Segment results	754,727	(70,179)	684,548
Unallocated expenses	-	-	(194,677)
Profit before tax and finance costs			489,871
Finance costs			(184,000)
Profit before income tax			305,871
Income taxes			47,606
Net profit for the year			353,477
Assets and liabilities			
Segment assets	6,971,847	218,655	7,190,502
Investment in associates			1,450,086
Total assets			8,640,588
Segment liabilities	4,787,209	7,755	4,794,964
Total liabilities			4,794,964
Other segment information			
Capital expenditure	(76,530)	-	(76,530)
Depreciation	(143,161)	-	(143,161)
Amortisation	(18,759)	-	(18,759)
Cash flow information			
Net cash flow from operating activities	566,040	1,376	567,416
Net cash flow used in investing activities	(76,211)	-	(76,211)
Net cash flow from financing activities	367,482	(103,749)	263,733

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

4 Segment Information (continued)

	Continuing Operations		
	Health	**Investment**	**Total**
	$	**$**	**$**
Year ended 31 December 2007			
Revenue			
Sales to external customers	11,838,907	-	11,838,907
Result			
Segment results	130,876	(18,232)	112,644
Unallocated expenses	-	-	(77,880)
Profit before tax and finance costs			34,764
Finance costs			(358,637)
Loss before income tax			(323,873)
Income tax credit			119,608
Net loss for the year			(204,265)
Assets and liabilities			
Segment assets	5,426,503	114,927	5,541,430
Investment in associates			1,187,677
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	720,589	-	720,589
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 2008

5 REVENUE AND EXPENSES

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
(a) Other income				
Proceeds from Pan Pharmaceuticals Ltd Liquidator	1,042,012	-	1,042,012	-
Unrealised foreign exchange gains	83,005	-	83,005	-
Gain on disposal of property, plant and equipment	319	8,842	-	-
Other income	20,189	30,977	15,378	-
Income from settlement of legal case	-	355,000	-	355,000
Recovery of receivables previously written off	-	155,134	-	155,134
Rental income	-	12,144	-	-
	1,145,525	**562,097**	**1,140,395**	**510,134**
(b) Administrative expenses				
Legal and other professional fees	(583,202)	(123,481)	(449,877)	(841)
Consultants	(316,783)	(273,649)	(255,252)	(218,827)
Allowance for impairment loss	(57,803)	(4,183)	(225,384)	(806,104)
Wages and salaries	(3,977,839)	(3,306,506)	-	-
Defined contribution superannuation expense	(358,005)	(297,586)	-	-
Travelling expenses	(357,775)	(371,338)	(34,732)	(60,590)
Share based payment expense	(14,856)	(15,153)	(14,856)	(15,153)
Depreciation	(143,161)	(113,297)	(649)	(3,460)
Amortisation	(18,759)	(20,851)	-	-
Other administrative expenses	(154,634)	(199,326)	(71,804)	(92,816)
	(5,982,817)	**(4,725,370)**	**(1,052,554)**	**(1,197,791)**
(c) Other expenses				
Product registration costs	(124,646)	(91,957)	-	-
Foreign currency expenses	(41,678)	(17,951)	(18,558)	-
Other non-operating expenses	(47,572)	(63,001)	(9,637)	-
Restructuring costs	-	(91,806)	-	(91,805)
	(213,896)	**(264,715)**	**(28,195)**	**(91,805)**
(d) Finance income				
Interest received - external parties	24,960	55,269	16,747	46,505
Interest received - related parties	-	-	119,223	102,310
	24,960	**55,269**	**135,970**	**148,815**
(e) Finance expenses				
Interest expense - external parties	(118,885)	(310,670)	(89,418)	(297,762)
Bank charges	(7,214)	(42,521)	(1,500)	(4,699)
Finance charges - hire purchase and lease contracts	(57,901)	(5,446)	-	-
	(184,000)	**(358,637)**	**(90,918)**	**(302,461)**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

6 EARNINGS PER SHARE

	CONSOLIDATED 2008 $	2007 $
(a) Earnings/ (loss) used in calculating earnings per share		
Net profit / (loss) attributable to equity holders from continuing operations	353,477	(204,265)
Profit attributable to minority interest	-	(49,120)
Net profit / (loss) attributable to equity holders of the parent	**353,477**	**(253,385)**
	Number	**Number**
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	48,196,932	26,339,801
Adjusted weighted average number of ordinary shares for diluted earnings per share	48,196,932	26,339,801

7 INCOME TAXES

	CONSOLIDATED 2008 $	2007 $	PARENT 2008 $	2007 $
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement:				
Current income tax				
Current income tax charge	126,772	-	-	-
Tax benefits arising from previously unrecognised tax losses of prior years	(126,204)	-	81,702	-
Prior year overprovision	-	119,608	-	127,514
Deferred income tax				
Relating to origination and reversal of temporary differences	(48,174)	-	-	-
Income tax expense reported in the income statement	**(47,606)**	**119,608**	**81,702**	**127,514**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

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	
	2008 $	2007 $	2008 $	2007 $
Total accounting profit / (loss) before income tax	305,871	(323,873)	48,016	(1,025,409)
At the parent entity's statutory income tax rate of 30% (2007: 30%)	91,761	(97,162)	14,405	(307,623)
Adjustment in respect of current income tax of previous year	-	119,608	-	127,514
Foreign tax rate adjustment	13,901	(258)	-	-
Travel and staff amenities expenses	49,050	2,776	3,882	-
Share based payments	4,457	4,546	4,457	4,546
Other expenditure not allowable for income tax purpose	11,439	7,126	47,071	246,912
Tax losses and timing differences (not brought to account) / recognised	(123,002)	82,972	11,887	56,165
Aggregate income taxes	**47,606**	**119,608**	**81,702**	**127,514**

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

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Deferred tax assets				
Doubtful debts	18,069			
Inventory obsolescence	18,390	-	-	-
Provision:		-	-	-
Annual leave	9,382	-	-	-
Long service leave	2,333	-	-	-
Net deferred tax assets	**48,174**	**-**	**-**	**-**

(d) Tax losses

The Group has Australian carry forward tax losses for which no deferred tax assets is recognised on the balance sheet of $15,188,218 which are available indefinitely for offset against future taxable income of the companies in which losses arose. The benefit of these tax losses has not been brought to account as the probable recognition criteria has not been satisfied.

(e) Unrecognised temporary differences

At 31 December 2008, there is no recognised or unrecognised deferred tax liability (2007: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates, as the Group has no liability for additional taxation should such amounts be remitted.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

7 INCOME TAXES (CONTINUED)

(f) Tax consolidation

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

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

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

Measurement method adopted under UIG 1052 Tax Consolidation Accounting
The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. Current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

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

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

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

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

Tax consolidation contributions / (distributions)
The Company has recognised the following amount as tax-consolidation contribution adjustment:

	PARENT	
	2008 **$**	**2007** **$**
Total increase in intercompany receivable of Vita Life Sciences Limited	81,702	-

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

8 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Cash at bank and in hand (a)	1,109,387	471,697	390,145	342,197
Short term deposit (b)	183,423	144,058	-	-
Total cash and cash equivalents	**1,292,810**	**615,755**	**390,145**	**342,197**

(a) Cash at bank of $459,830 (2007: $352,635) earns interest at floating rates based on daily bank deposit rates.

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

(c) The fair value of cash equivalents for the Group and the parent are $1,292,810 (2007:$615,755) and $390,145 (2007: $342,197) respectively.

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
(d) 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	1,109,387	471,697	390,145	342,197
Short term deposit	183,423	144,058	-	-
Bank overdrafts - secured	(62,151)	(93,284)	-	-
	1,230,659	**522,471**	**390,145**	**342,197**
(e) Reconciliation of net profit / (loss) after tax to net cash flows from operations				
Net profit / (loss) after tax	353,477	(204,265)	129,718	(897,895)
Adjustments for non-cash income and expense items:				
Depreciation	143,161	113,297	649	3,460
Amortisation	18,759	20,851	-	-
Unrealisd foreign currency losses / (gains)	386,151	(112,660)	(83,479)	-
Net profit on disposal of property, plant & equipment	(319)	(8,842)	-	-
Shared based payment expense	14,856	15,153	14,856	15,153
Allowance for impairment loss	57,803	4,183	225,384	806,104
	973,888	**(172,283)**	**287,128**	**(73,178)**
Increase/decrease in assets and liabilities:				
Increase in inventories	(569,528)	(283,018)	-	-
(Increase) / decrease in receivables	(273,459)	1,103,598	610,200	1,196,752
(Increase) / decrease in other assets	(37,512)	3,991,372	(70,166)	-
Increase / (decrease) in income tax payable	18,678	(173,743)	-	(127,513)
Increase / (decrease) in trade and other payables	400,255	(3,696,562)	(449,165)	(2,697,220)
Increase / (decrease) in other liabilities	55,094	(48,775)	(31,250)	(62,500)
Net cash from operating activities	**567,416**	**720,589**	**346,747**	**(1,763,659)**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

9 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Current				
Trade receivables, third parties	1,921,365	1,142,044	-	-
Allowance for impairment loss (a)	(75,232)	(17,429)	-	-
	1,846,133	1,124,615	-	-
Other receivables:				
Other receivables (b)	289,842	804,497	51,000	669,731
Net tax receivable	8,793	-	8,531	-
	2,144,768	1,929,112	59,531	669,731
Loan to controlled entities (c)	-	-	6,425,693	6,126,894
Allowance for impairment loss (a)	-	-	(4,048,308)	(3,930,424)
	2,144,768	**1,929,112**	**2,436,916**	**2,866,201**
Non- current				
Related party receivables (d)	622,768	539,289	622,768	539,289
Allowance for impairment loss (a)	-	-	(228,069)	(120,569)
	622,768	**539,289**	**394,699**	**418,720**

(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 $57,803 (2007: $4,183) has been recognised by the Group and $225,384 (2007: $806,104) by the parent. These amounts have been included in the administrative expenses.

Movement in the provision for impairment loss were as follows:

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
At 1 January	17,429	13,246	4,050,993	3,244,889
Charge for the year	57,803	4,183	225,384	806,104
	75,232	**17,429**	**4,276,377**	**4,050,993**

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

(c) 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;

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Related party receivable (non-current) of $622,768 (2007: $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

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

10 INVENTORIES

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Raw materials at cost	427,684	421,671	-	-
Finished goods at lower of cost and net realisable value	2,106,982	1,543,467	-	-
	2,534,666	**1,965,138**	**-**	**-**

(a) Inventory expense

Inventories recognised as an expense for the year ended 31 December 2008 totalled $5,648,310 (2007: $4,747,891) 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	
	2008 $	2007 $	2008 $	2007 $
Prepayments	183,376	81,217	70,166	-
Security deposits	60,875	64,027	-	-
	244,251	**145,244**	**70,166**	**-**

12 INVESTMENT IN SUBSIDIARIES

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Investment in controlled entities at cost	**-**	**-**	**4,392,304**	**4,122,675**

(a) Details regarding subsidiaries are disclosed in Note 21.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

13 INVESTMENT IN ASSOCIATES

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	%
Non- current				
Unlisted				
- Mitre Focus Sdn Bhd (a) (i)	1,186,107	1,034,969	-	-
- Vita Life Sciences (Thailand) Co. Ltd (a) (ii)	13,770	14,128	-	-
- Vitahealth (Thailand) Co. Ltd (a) (iii)	250,209	138,580	-	-
Investments in associates	**1,450,086**	**1,187,677**	**-**	**-**

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	$	$	$	$
(a) Details of the carrying value of investments and share of profits / (losses) in associates				
(i) Mitre Focus Sdn Bhd				
- Investment in associate at cost	22	22	-	-
- Loan to associate	1,186,347	1,034,969	-	-
- Cumulative share of associate's loss	(262)	(22)	-	-
Carrying value of investment in associate	**1,186,107**	**1,034,969**	**-**	**-**
(ii) Vita Life Sciences (Thailand) Co. Ltd				
- Investment in associate at cost	16,933	16,933	-	-
- Cumulative share of associate's loss	(3,163)	(2,805)	-	-
Carrying value of investment in associate	**13,770**	**14,128**	**-**	**-**
(iii) Vitahealth (Thailand) Co. Ltd				
- Investment in associate at cost	34,571	34,571	-	-
- Loan to associate	377,538	138,580	-	-
- Cumulative share of associate's loss	(161,900)	(34,571)	-	-
Carrying value of investment in associate	**250,209**	**138,580**	**-**	**-**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

13 INVESTMENT IN ASSOCIATES (CONTINUED)

	Place of Incorporation	Ownership Interest 2008 %	Ownership Interest 2007 %
(b) Investment details			
Name of Company			
Unlisted			
- Mitre Focus Sdn Bhd	Malaysia	6.3	6.3
- Vita Life Sciences (Thailand) Co. Ltd	Thailand	49.0	46.0
- Vitahealth (Thailand) Co. Ltd	Thailand	74.0	71.0

	CONSOLIDATED 2008 $	CONSOLIDATED 2007 $
(c) Summarised financial information		
The following illustrates summarised financial information relating to the Group's associates:		
Extract from the associates' balance sheets:		
Current assets	163,046	104,820
Non - current assets	3,120,544	2,551,096
	3,283,590	2,655,916
Current liabilities	(3,465,551)	(2,678,475)
Non - current liabilities	-	-
	(3,465,551)	(2,678,475)
Net assets / (liabilities)	(181,961)	(22,559)
Share of associates' net assets / (liabilities)	**(140,355)**	**(23,483)**
Extract from the associates' income statements:		
Revenue	85,003	38,996
Net profit / (loss)	(135,735)	(69,711)

(d) The reporting date of associates is 31 December 2008. The reporting date coincides with the Company's reporting date.

(e) Loans to associates are interest free and have no fixed repayment term;

(f) The Group's effective equity interest in Vitahealth (Thailand) Co. Ltd is by virtue of Vita Life Sciences (Thailand) Co. Ltd's (an associate of the Group) direct equity interest of 51% and the Group's direct equity interest of 49%. Given this ownership structure, the Group has no control but only exercises significant influence over Vitahealth (Thailand) Co. Ltd;

(g) As at 31 December 2008, there are no contingent liabilities relating to the associates.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

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 2008						
At 1 January 2008 net of accumulated depreciation and impairment	74,597	186,808	12,754	274,159	843	843
Additions	13,381	63,149	-	76,530	-	-
Disposals	-	-	-	-	-	-
Exchange differences	7,917	13,907	3	21,827	-	-
Depreciation / amortisation for the year	(43,784)	(96,247)	(3,130)	(143,161)	(649)	(649)
At 31 December 2008 net of accumulated depreciation and impairment	**52,111**	**167,617**	**9,627**	**229,355**	**194**	**194**
At 31 December 2008						
Cost value	291,512	1,532,480	143,435	1,967,427	33,729	33,729
Accumulated depreciation and impairment	(239,401)	(1,364,863)	(133,808)	(1,738,072)	(33,535)	(33,535)
Net carrying amount	**52,111**	**167,617**	**9,627**	**229,355**	**194**	**194**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

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 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**

The net carrying value of plant and equipment held under finance lease contracts at 31 December 2008 is $9,627 (2007: $12,754).

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

15 INTANGIBLES ASSETS

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

	Development costs $
Consolidated	
Year ended 31 December 2008	
At 1 January 2008 net of accumulated depreciation and impairment	72,733
Additions	18,258
Amortisation	(18,759)
Exchange differences	1,478
At 31 December 2008 net of accumulated depreciation and impairment	**73,710**
At 31 December 2008	
Gross carrying amount	412,287
Accumulated amortisation and impairment	(338,577)
Total	**73,710**
Year ended 31 December 2007	
At 1 January 2007 net of accumulated depreciation and impairment	77,699
Additions	15,885
Impairment / amortisation	(20,851)
At 31 December 2007 net of accumulated depreciation and impairment	**72,733**
At 31 December 2007	
Gross carrying amount	327,413
Accumulated amortisation and impairment	(254,680)
Total	**72,733**

(a) Development costs

Development costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 3 years. The amortisation has been recognised in the 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 2008

16 TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Current				
Trade payables (a)	2,164,036	1,329,611	152,205	119,348
Net tax payable	46,880	-	-	-
Other payables and accruals	949,427	1,430,477	169,772	651,794
	3,160,343	2,760,088	321,977	771,142
Loan from controlled entities (b)	-	-	1,791,668	1,791,668
Loan from associated entities (b)	18,802	15,913	-	-
	3,179,145	**2,776,001**	**2,113,645**	**2,562,810**

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

(b) The loans from 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	
	2008 $	2007 $	2008 $	2007 $
Current				
Trade financing facility - secured (a)	496,300	-	-	-
Secured loans (b)	700,000	700,000	700,000	700,000
Lease liabilities - secured (c)	19,159	24,288	-	-
Bank overdrafts - secured (d)	62,151	93,284	-	-
	1,277,610	**817,572**	**700,000**	**700,000**
Non - Current				
Related party loan - unsecured	-	-	341,613	341,613
Lease liabilities - secured (c)	8,631	-	-	-
	8,631	**-**	**341,613**	**341,613**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

17 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

	CONSOLIDATED		PARENT	
At reporting date, the following financing facilities has been negotiated and were available:	2008 $	2007 $	2008 $	2007 $
Total facilities available:				
Trade financing facility - secured	1,200,000	-	-	-
Secured loans	3,000,000	3,000,000	3,000,000	3,000,000
Bank overdraft	166,072	137,623	-	-
	4,366,072	**3,137,623**	**3,000,000**	**3,000,000**
Facilities utilised at balance date:				
Trade financing facility - secured	496,300	-	-	-
Secured loans	700,000	700,000	700,000	700,000
Bank overdraft	62,151	93,284	-	-
	1,258,451	**793,284**	**700,000**	**700,000**
Facilities not utilised at balance date:				
Trade financing facility - secured	703,700	-	-	-
Secured loans	2,300,000	2,300,000	2,300,000	2,300,000
Bank overdraft	103,921	44,339	-	-
	3,107,621	**2,344,339**	**2,300,000**	**2,300,000**

(a) Trade financing facility

Trade financing facility is provided by an Australian bank to a subsidiary. The weighted average interest rate for the facility as at 31 December 2008 is 11.89%. The facility has a fixed and floating charge over the assets and undertakings of the subsidiary.

(b) Secured loan

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

(c) Lease liabilities

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

(d) Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at 31 December 2008 is 7.73% p.a. (2007: 7.75% p.a.) The bank overdraft of the controlled entity is secured by way of a pledge of the short term deposits of the controlled entity

(e) Fair value

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

(f) 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 2008

18 PROVISIONS

	Employee Entitlements $	Deferred Consideration $	Others $	Total $
Consolidated				
Balance at 1 January 2008	**79,496**	**31,250**	**77,615**	**188,361**
Arising during the year	9,514	-	76,830	86,344
Utilised	-	(31,250)	-	(31,250)
Balance at 31 December 2008	**89,010**	**-**	**154,445**	**243,455**
At 31 December 2008				
Current	81,230	-	154,445	235,675
Non-Current	7,780	-	-	7,780
	89,010	**-**	**154,445**	**243,455**
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**
Parent				
Balance at 1 January 2008	**-**	**31,250**	**-**	**31,250**
Arising during the year	-	-	-	-
Utilised		(31,250)	-	(31,250)
Balance at 31 December 2008	**-**	**-**	**-**	**-**
At 31 December 2007				
Current	-	31,250	-	31,250
Non-Current	-	-	-	-
	-	**31,250**	**-**	**31,250**

(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

Deferred consideration was due to one of the vendors of Herbs of Gold Pty Limited, a subsidiary company, in consideration with the settlement agreement dated 17 May 2006.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

19 CONTRIBUTED EQUITY

	2008 Number	2007 Number	2008 $	2007 $
Issued and paid up capital				
Ordinary shares	**48,580,228**	**46,994,175**	**44,549,823**	**44,280,194**
Ordinary shares				
Balance at beginning of the year	46,994,175	51,357,651	44,280,194	38,979,150
Acquisition of minority interest (a)	1,586,053	-	269,629	-
Consolidation of ordinary shares (4 shares to 1 share)	-	(38,517,926)	-	-
Derecognition of employee/ director long-term incentive shares	-	-	-	(627,500)
Issued of shares to Managing Director	-	825,000	-	-
Shares issued during the year	-	33,329,450	-	6,665,890
Share issue costs	-	-	-	(737,346)
Balance at end of the year	**48,580,228**	**46,994,175**	**44,549,823**	**44,280,194**

(a) Acquisition of minority interest

On 28 March 2008, the Company and Vital Bio Tech Holdings Limited ("VBH") completed an agreement whereby the Company acquired 1,333,333 shares (or 6.75% shareholding) in VitaHealthcare Asia Pacific Sdn Bhd ("VHAP") from VBH, in exchange for 1,586,053 new Vita Life shares or 3.4% of Vita Life's existing issued capital. An amount of $269,629, which was the market value of the shares exchanged, was recognised in the Contributed Equity of the Company.

From 28 March 2008, VHAP became a wholly owned subsidiary of the Company.

(b) Capital management

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

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

The Directors did not declare a dividend during the financial year ended 31 December 2008 (2007: Nil).

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

19 CONTRIBUTED EQUITY (CONTINUED)

(b) Capital management (Continued)

The gearing ratio based on continuing operations as at 31 December 2008 and 2007 were as follows:

	CONSOLIDATED		PARENT	
	2008 $	2007 $	2008 $	2007 $
Total interest bearing loans and borrowings	1,286,241	817,572	1,041,613	1,041,613
Less cash and cash equivalents	(1,292,810)	(615,755)	(390,145)	(342,197)
Net (cash) / debt	(6,569)	201,817	651,468	699,416
Total equity	3,845,624	2,879,728	4,529,166	4,114,963
Total capital	3,839,055	3,081,545	5,180,634	4,814,379
Gearing ratio	-0.2%	6.5%	12.6%	14.5%

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 2008

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 2008 %	2007 %
Tetley Research Pty Limited	Australia	100	100
Tetley Treadmills Pty Limited	Australia	100	100
Tetley Manufacturing Pty Limited	Australia	100	100
Vimed BioSciences Pty Limited	Australia	100	100
Allrad No. 19 Pty Limited	Australia	100	100
Lovin Pharma International Limited	Ireland	100	100
Vita Corporation Pte Limited	Singapore	100	100
Supplements World Pte Ltd - In Liquidation	Singapore	-	-
VitaHealth Laboratories (HK) Limited	Hong Kong	100	100
Vita Healthcare Asia Pacific Sdn Bhd	Malaysia	100	93
Swiss Bio Pharma Sdn Bhd	Malaysia	100	93
Vitaron Jaya Sdn Bhd	Malaysia	100	93
Vita Life Sciences Sdn Bhd	Malaysia	70	66
VitaHealth Asia Pacific (S) Pte Limited	Singapore	100	93
Herbs of Gold Pty Limited	Australia	100	93
Herbs of Gold (Shanghai) Co. Limited	People's Republic of China	100	-
VitaHealth IP Pte Limited	Singapore	100	93
VitaHealth Laboratories Australia Pty Limited	Australia	100	93
Sino Metro Developments Limited	British Virgin Island	100	93
VitaHealth (Macao Commercial Offshore) Limited	Macao	100	93
Pharma Direct Sdn Bhd	Malaysia	100	93
Premier Foods Pty Limited	Australia	100	93

(b) Key management personnel

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

(c) Ultimate holding company

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

21 RELATED PARTY DISCLOSURE (CONTINUED)

(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		PARENT	
	2008 $	2007 $	2008 $	2007 $
Other transactions with related parties				
CVC Venture Managers Pty Ltd (i)	148,656	551,012	148,656	551,012
Fashion and Fragrance Co Ltd (ii)	n/a	150,614	n/a	150,614
Cyclopharm Limited (iii)	n/a	36,643	n/a	36,643

(i) On 23 May 2008, shareholders of the Company approved the Small Holding Sale facility and Share Purchase Plan 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 fee. In accordance with shareholder approvals, CVC Venture Managers Pty Ltd was paid $37,500. The related party was also paid $111,156 (2007: $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 during the relevant period in the previous financial year, provided consultancy services to the Company. The related party was paid $150,614 during the financial year ended 31 December 2007. Fashion and Fragrance is not a related party in 2008.

(iii) In previous financial year, the Company incurred $36,643 of costs payable to Cyclopharm Limited, which was a related party in 2007, in respect of the cost for the divestment of certain assets, liabilities and business of Vita Medical Limited in a restructuring scheme. Cyclopharm is a related party in 2008.

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

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) (Resigned on 27 February 2009)

Executives

Y T Ong	Chief Operating Officer, Vita Healthcare Asia Pacific Sdn Bhd
L M Leong	Country Manager, Singapore
Nathan Cheong	Country Manager, Australia
C L Khoo	Chief Financial Officer
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'.

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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	
	2008 $	2007 $	2008 $	2007 $
Financial assets				
Cash at bank and in hand	1,109,387	471,697	390,145	342,197
Short term deposit	183,423	144,058	-	-
	1,292,810	615,755	390,145	342,197
Financial liabilities				
Trade financing facility - secured	496,300	-	-	-
Bank overdrafts - secured	62,151	93,284	-	-
	558,451	**93,284**	**-**	**-**
Net exposure	**734,359**	**522,471**	**390,145**	**342,197**

At 31 December 2008, 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)	
	2008 $	2007 $	2008 $	2007 $
Consolidated				
+ 1.00% (100 basis points)	3,296	4,480	3,296	4,480
- 0.50% (50 basis points)	(1,648)	(2,240)	(1,648)	(2,240)
Parent				
+ 1.00% (100 basis points)	3,486	8,466	3,486	8,466
- 0.50% (50 basis points)	(1,743)	(4,233)	(1,743)	(4,233)

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 2008, the Group had the following exposure to foreign currency:

	CONSOLIDATED		PARENT	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Financial assets				
Cash and cash equivalents				
- Singapore Dollar (SGD)	462,175	130,874	-	-
- Malaysia Ringgit (RM)	252,982	87,018	-	-
- Hong Kong Dollar (HKD)	40,650	41,683	-	-
- Chinese Yuan Renminbi (RMB)	81,843	-	-	-
Trade and other receivables				
- Singapore Dollar (SGD)	247,194	109,237	-	-
- Malaysia Ringgit (RM)	465,754	409,967	394,699	418,720
- Hong Kong Dollar (HKD)	16,916	37,211	-	-
- Chinese Yuan Renminbi (RMB)	6,612	-	-	-
	1,574,126	**815,990**	**394,699**	**418,720**
Financial liabilities				
Trade and other payables				
- Singapore Dollar (SGD)	643,259	437,382	-	-
- Malaysia Ringgit (RM)	731,969	429,161	-	-
- Hong Kong Dollar (HKD)	90,849	3,867	-	-
- Chinese Yuan Renminbi (RMB)	3,403	-	-	-
Bank overdrafts				
- Malaysia Ringgit (RM)	62,151	-	-	-
	1,531,631	**870,410**	**-**	**-**
Net exposure	**42,495**	**(54,420)**	**394,699**	**418,720**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

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 2008, 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)	
	2008 $	2007 $	2008 $	2007 $
Consolidated				
AUD/ SGD + 10.0%	(18,858)	(29,594)	162,710	67,605
AUD/ SGD - 5.0%	10,877	17,134	(93,476)	(39,140)
AUD/ RM + 10.0%	21,328	14,765	(411,974)	(178,739)
AUD/ RM - 5.0%	(8,152)	(8,548)	225,796	103,481
AUD/ HK + 10.0%	(6,324)	(1,378)	(52,279)	(28,139)
AUD/ HK - 5.0%	3,661	798	30,267	16,291
AUD/ RMB + 10.0%	8,000	-	(6,318)	-
AUD/ RMB - 5.0%	(4,632)	-	3,658	-

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

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

The table below reflects all contractually fixed pay-offs for settlement of financial liabilities and collection of financial assets. Trade payables and other financial liabilities generally originate from the financing of assets used in our ongoing operations such as 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

At 31 December 2008, the Group and the Company has available approximately $3.1 million (2007: $3.5 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
2008					
Financial Assets					
Cash assets	3.92%	1,109,387	183,423	-	1,292,810
Trade and other receivables	n/a	-	2,144,768	622,768	2,767,536
		1,109,387	2,328,191	622,768	4,060,346
Financial Liabilities					
Trade and other payables	n/a	-	3,179,145	-	3,179,145
Trade finance facility	11.89%	496,300	-	-	496,300
Secured loans	12.50%	700,000	-	-	700,000
Bank overdrafts - secured	7.73%	62,151	-	-	62,151
Lease liabilities	12.00%	-	19,159	8,631	27,790
		1,258,451	3,198,304	8,631	4,465,386
2007					
Financial Assets					
Cash assets	4.65%	471,697	144,058	-	615,755
Trade and other receivables	n/a	-	1,929,112	539,289	2,468,401
		471,697	2,073,170	539,289	3,084,156
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

Parent		Floating	Fixed interest maturing 1 year or less	Fixed interest maturing 1 to 5 years	Total
2008					
Financial Assets					
Cash assets	4.82%	390,145	-	-	390,145
Trade and other receivables	n/a	-	59,531	394,699	454,230
		390,145	59,531	394,699	844,375
Financial Liabilities					
Trade and other payables	n/a	-	321,977	-	321,977
Secured loans	12.50%	-	700,000	-	700,000
		-	1,021,977	-	1,021,977
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
		-	1,471,142	-	1,471,142

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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		PARENT	
	2008 $	2007 $	2008 $	2007 $
Expense arising from equity-settled share based payment transactions (Note 5 (b))	14,856	15,153	14,856	15,153
	14,856	**15,153**	**14,856**	**15,153**

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2008 and 2007.

(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").

(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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

24 SHARE BASED PAYMENT PLANS (CONTINUED)

(b) Type of share based payment plans (Continued)

(ii) Plan Shares issued in 2007(Continued)

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.

	2008 No.	2007 No.	2008 WAEP	2007 WAEP
Outstanding at the beginning of the year	1,452,500	627,500	1.21	1
Granted during the year	-	825,000	-	0.21
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	**1,452,500**	**1,452,500**	**1.21**	**1.21**

The outstanding balance of the implied options as at 31 December 2008 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 with no performance hurdle;
- 188,750 options over ordinary shares with an exercise price of $1.00 each, exercisable until 31 December 2010 with no performance hurdle;
- 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 2008 is 1.04 years (2007: 2.04 years).

The weighted average fair value of options granted during the year was $0.03 (2007: $0.12).

24 SHARE BASED PAYMENT PLANS (CONTINUED)

(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 17 month period from August 2007 to December 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.

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	
	2008 $	2007 $	2008 $	2007 $
Within one year	239,301	205,762	32,400	43,200
After one year but not more than five years	98,216	266,064	-	32,400
	337,517	**471,826**	32,400	**75,600**

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

25 COMMITMENTS (CONTINUED)

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	
Consolidated	**2008 Minimum lease payments $**	**2007 Minimum lease payments $**
Within one year	14,721	13,238
After one year but not more than five years	13,569	13,253
Total minimum lease payments	28,290	26,491
Less amounts representing finance charges	(500)	(2,203)
Present value of minimum lease payments	27,790	**24,288**

26 NET TANGIBLE ASSET PER SHARE

	2008 $	2007 $
Net assets per share	0.08	0.11
Net tangible assets per share	0.08	0.11
	Number	**Number**
Weighted average number of ordinary shares for net assets per share	48,196,932	26,339,801

27 SIGNIFICANT EVENTS AFTER BALANCE DATE

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

28 CONTINGENCIES

Contingent assets

(a) Proposed Pan Pharmaceuticals Legal Proceedings

During the 2003 to 2004 period, the Company suffered substantial losses as a consequence of the Pan Pharmaceuticals Ltd (In Liquidation) ("Pan") product recall which resulted from regulatory action taken by Therapeutic Goods Administration ("TGA") against Pan in April 2003.

In view of recent settlement and payment of $55.0 million by the Commonwealth of Australia to Pan's major shareholder, Mr. Jim Selim, the Company believes it has a substantial claim against the Commonwealth of Australia for losses it suffered as a result of the Pan product recall.

The claim, to be filed in the Federal Court of Australia in April 2009, will allege misfeasance in public office and negligence by the TGA and its officers. There is no amount brought to account during the current financial year.

(b) 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

This litigation relates to allegations made by the Vita Life group of companies 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, Pharmatech Industries Sdn Bhd, 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. The case is ongoing and is expected to be concluded in 2010.

Contingent liabilities

(a) 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 2009.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

29 AUDITORS' REMUNERATION

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

	CONSOLIDATED		PARENT	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
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	82,000	70,000	70,000	70,000
Other services in relation to the entity and any other entity in the consolidated group				
- tax compliance services	40,800	20,000	40,800	20,000
- independent accountant's report	-	45,000	-	45,000
- share registry	28,264	35,535	28,264	35,535
	151,064	**170,535**	139,064	**170,535**
Amount receivable or due and receivable by non Russell Bedford NSW audit firms for:				
- audit or review of the financial report	36,615	62,359	-	-
	187,679	**232,894**	139,064	**170,535**

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 2008 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
Managing Director
20 March 2009

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New South Wales

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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 2008, 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.

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, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's 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 2008 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.

2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b)

Report on Remuneration Report
We have audited the Remuneration Report included on pages 11 to 16 of the directors' report for the year ended 31 December 2008.The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion the Remuneration Report of Vita Life Sciences Limited for the year ended 31 December 2008, complies with section 300A of the Corporations Act 2001.

RUSSELL BEDFORD NSW
Chartered Accountants

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

Sydney, 20 March 2009

ASX Additional Information

The following information is current as at 16 March 2009.

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	12.4%
Stinoc Pty Limited (a subsidiary of CVC Limited)	5,907,886	12.2%
Chemical Trustee Limited	5,543,825	11.4%
Eddie L S Tie	2,885,500	5.9%

B. DISTRIBUTION OF EQUITY SECURITY HOLDERS

(i) Analysis of number of equity security holders by size of holding as at 1 March 2009:

Category	Ordinary shareholders
1 - 1,000	1,298
1,001 - 5,000	677
5,001 - 10,000	182
10,001 - 100,000	208
100,001 and over	38
	2,403

(ii) There were 2,060 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	12.4%
Stinoc Pty Limited	5,907,886	12.2%
Chemical Trustee Limited	5,543,825	11.4%
Eddie L S Tie	2,885,500	5.9%
Normandy Finance & Investments Asia Limited	2,148,317	4.4%
Normandy Nominees Limited	2,095,224	4.3%
Vital Bio Tech Holdings Limited	1,586,053	3.3%
OCI Construction Limited	1,211,909	2.5%
Abasus Investments Limited	1,202,919	2.5%
Hua Wang Bank Berhad	1,123,973	2.3%
South Seas Holdings Pty Limited	1,028,156	2.1%
Derrin Brothers Properties Limited	1,023,630	2.1%
Andrew Tan Teik Wei	1,022,500	2.1%
Normandy Finance & Investments Limited	765,469	1.6%
Phillip Securities Pte Limited	669,565	1.4%
Amanah Raya (Labuan) Limited	667,506	1.4%
Universal Trustee (Malaysia) Berhad	422,884	0.9%
Daud Yunus	361,830	0.7%
John Sharman	316,750	0.7%
Pilmora Pty Limited	299,874	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.

Corporate Directory

Directors

Vanda Gould
Non-Executive Chairman

Eddie L S Tie
Managing Director

John Sharman
Non-Executive Director

Company Secretary
Terry Kong

Corporate Office
Suite 630, Level 6
1 Queens Road
Melbourne Victoria 3004
T: 61 (03) 9867 2811
F: 61 (03) 9820 5957

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

Asian Regional Office
81G, Jalan SS 21/60
Damansara Utama
47400 Petaling Jaya
Malaysia
T: 60 (03) 7729 3873
F: 60 (03) 7727 4658

Website
www.vitalifesciences.com.au

Auditor
Russell Bedford NSW
Level 42, SunCorp Place
259 George Street
Sydney NSW 2000

Banker
Westpac Banking Corporation
409 St Kilda Road
Melbourne Victoria 3004

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

Solicitor
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).

Vita Life Sciences Limited Annual Report 2008

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

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