



Preliminary Final Report of
Vita Life Sciences Limited
For the Year Ended 31 December 2008

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

Current Reporting Period: Financial Year Ended 31 December 2008

Previous Corresponding Period: Financial Year Ended 31 December 2007

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Name of Entity: Vita Life Sciences Limited

ABN: 35 003 190 421

Results for announcement to the market

		Percentage Change %	2008 A\$
Revenue	up	21.26	14,356,081
Profit before income tax	up	194.44	305,871
Net profit after tax	up	273.05	353,477
Net profit attributable to members	up	239.50	353,477
Dividends (distributions)	Amount per security	Franked amount per security	
Interim dividend per share	Nil	Nil	
Final dividend per share	Nil	Nil	

Record date for determining entitlements to dividends

N/A

Commentary on Results

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

Financial Overview

The Company's sales revenue grew to \$14.36m or by 21.3% for the 2008 financial year compared to 2007. Strong sales growth was achieved in the Company's 3 principal markets; Australia increased by 31.1%, Malaysia increased by 10.5% and Singapore increased by 10.7% (measured in local currency).

Gross profit margins also improved in 2008 due to a combination of factors including introduction of new higher margin products, increased selling prices and tighter promotional spending. Through improved formulation of some established products purchase costs were also reduced and the introduction of several new products at higher margins, gross profit increased to \$8.57m in 2008 (2007: \$6.78m).

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 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 and tax ("EBIT") was \$0.49m (2007: EBIT of \$0.35m), positively impacted by improvement in sales and operating results and the receipt of dividends from the Pan Pharmaceuticals Liquidator.

Segment Results

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

	Continuing Operations		
	Health	Investment \$	Total \$
Year ended 31 December 2008			
Result			
Segment profit / (loss) before interest and tax	754,727	(70,179)	684,548
Unallocated expenses			(194,677)
Profit before interest and tax			<u>489,871</u>
Finance costs			(184,000)
Profit before income tax			<u>305,871</u>
Income tax benefit			47,606
Net profit for the year			<u><u>353,477</u></u>

Health Division

Key financial results of Health division were:

- i. Sales revenue grew by 21.3%;
- ii. Established business units' sales revenue grew by 20.6%;
- iii. New business units sales contributed \$0.19m (2007: \$0.09m);
- iv. Gross profit margins improved to 59.7% (2007: 57.3%); and
- v. EBIT of \$0.75m (2007: \$0.15m).

Commentary on Results (Continued)

Segment Results (Continued)

Health Division (Continued)

Health division's established divisions remained the key driver of the Company with sales growth of 20.6% during the financial year. The Health divisions' established Herbs of Gold and VitaHealth brands, sold in Australia, Malaysia and Singapore, increased its profitability in all three countries in 2008.

Whilst the revenue contribution of new Health division units in China, Malaysia and Thailand were not significant and incurred small losses, satisfactory progress was made where sales revenue doubled from 2007. As outlined in last year's annual report the investment in new markets would negatively impact results in the shorter term, however these initiatives will underpin the Company's longer term growth prospects.

Overall, Health division's EBIT of \$0.75m (2007: \$0.15m) continued the positive trend established in 2007.

Investment division

The Company has an investment of \$1.04m in a 352 home and 20 shop property project in Malaysia.

The Investment division did not record any accounting revenue during the financial year and the loss of \$0.07m mainly represents the unrealised foreign exchange losses.

During the financial year, the sale of homes was slower than expected as a result of tightening credit for housing and consumer loans. However, the project made satisfactory progress with all phase one (1) homes sold.

Cash Flow Analysis

The Group generated \$0.75m of net cash and cash equivalents during the financial year (2007: Utilised \$1.41m of net cash and cash equivalents). This was primarily due to growth in sales which had increased the receipts from customers by 14.4% to \$14.93m (2007: \$13.05m).

The level of cash generated from operating activities remained consistent with previous year. Whilst sales grew, the expanded sales base required higher purchases, fixed expenses and costs associated with the Health division's new businesses.

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

Commentary on Results (Continued)

Cash Flow Analysis (Continued)

	2008	2007
	\$	\$
Earnings Before Interest, Tax, Depreciation & Amortisation	(518,694)	(448,454)
Increase/decrease in assets and liabilities:		
(Increase) / decrease in receivables	(273,459)	1,103,598
Increase in inventories	(569,528)	(283,018)
Increase / (decrease) in trade payables	834,425	(287,777)
Decrease in other payables and accruals	(434,170)	(3,408,785)
Increase / (decrease) in income tax payables & other liabilities	73,772	(222,518)
(Increase) / decrease in other assets	(37,512)	3,991,372
Other revenue	1,145,525	562,097
Adjustments for non-cash income and expense items:	458,491	(72,592)
	678,850	933,923
Interest (net)	(159,040)	(303,368)
Tax benefit	47,606	119,608
Net cash flows from operating activities	567,416	750,163
Net cash flows used in investing activities	(76,211)	(175,824)
Net cash flows from / (used in) from financing activities	263,733	(1,982,850)
Net increase / (decrease) in cash and cash equivalents	754,938	(1,408,511)

Outlook for 2009

In the Company's 2008 Half Year Report, the global economic challenges that began in the United States were thought to impact the Group's activities. Whilst trading conditions are very competitive, the Health division has continued to grow. Management remain cautiously optimistic of continued growth in 2009. The Company's focus on increasing sales, profitability and market share in the long term remains unchanged.

Income Statement

for the year ended 31 December 2008

	Notes	2008 \$	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	3 (a)	1,145,525	562,097
Distribution expenses		(1,002,180)	(470,496)
Marketing expenses		(1,374,520)	(1,280,876)
Occupancy expenses		(543,134)	(596,355)
Administrative expenses	3 (b)	(5,982,817)	(4,725,370)
Other expenses	3 (c)	(213,896)	(264,715)
Share of associates loss		(127,927)	(24,454)
Profit/ (loss) from continuing operations before interest and taxes		464,911	(20,505)
Finance income	3 (d)	24,960	55,269
Finance costs	3 (e)	(184,000)	(358,637)
Profit / (loss) before income tax		305,871	(323,873)
Income tax credit	5	47,606	119,608
Net profit / (loss) for the year		353,477	(204,265)
Profit attributable to minority interest		-	49,120
Profit / (loss) attributable to members of the parent		353,477	(253,385)
		353,477	(204,265)
Earnings per share (cents per share)	4		
- 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	2008 \$	2007 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,292,810	615,755
Trade and other receivables	7	2,144,768	1,929,112
Inventories	8	2,534,666	1,965,138
Other current assets	9	244,251	145,244
Total Current Assets		6,216,495	4,655,249
Non Current Assets			
Trade and other receivables	7	622,768	539,289
Investment in associates	10	1,450,086	1,187,677
Property, plant and equipment	11	229,355	274,159
Intangible assets	12	73,710	72,733
Deferred tax assets		48,174	-
Total Non Current Assets		2,424,093	2,073,858
Total Assets		8,640,588	6,729,107
LIABILITIES			
Current Liabilities			
Trade and other payables	13	3,179,145	2,776,001
Interest bearing loans and borrowings	14	1,277,610	817,572
Current income tax liability		86,123	67,445
Provisions	15	235,675	183,642
Total Current Liabilities		4,778,553	3,844,660
Non Current Liabilities			
Interest bearing loans and borrowings	14	8,631	-
Provisions	15	7,780	4,719
Total Non Current Liabilities		16,411	4,719
Total Liabilities		4,794,964	3,849,379
Net Assets		3,845,624	2,879,728
Equity			
Contributed Equity	16	44,549,823	44,280,194
Accumulated losses		(40,428,479)	(40,449,910)
Employee share based payments reserve		30,009	15,153
Foreign currency translation reserve		(928,498)	(1,442,583)
Parent entity interest		3,222,855	2,402,854
Minority interest		622,769	476,874
Total Equity		3,845,624	2,879,728

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

Cash Flow Statement

For the Year Ended 31 December 2008

	Notes	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customers		14,934,436	13,049,190
Payments to suppliers and employees		(15,780,047)	(10,826,492)
Borrowing costs		(176,786)	(338,526)
Interest paid on convertible notes		-	(1,135,143)
Income tax credit receivable / (paid)		18,110	(54,135)
Interest received		24,960	55,269
Proceeds from Pan Pharmaceuticals Ltd Liquidator		1,042,012	-
Income from settlement of legal case		355,000	-
Recovery of receivables previously written off		149,731	-
Net cash flows from / (used in) operating activities	6 (b)	567,416	750,163
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)
Net cash flows used in investing activities		(76,211)	(175,824)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	6,665,890
Share issue costs		-	(737,346)
Proceeds from external borrowings		499,802	7,205
Repayment of external borrowings		-	(1,722,746)
Repayment of convertible notes		-	(5,701,508)
Loans from related parties		-	58,297
Loans to associated entities		(236,069)	(552,642)
Net cash flows from / (used in) from financing activities		263,733	(1,982,850)
Net increase / (decrease) in cash and cash equivalents		754,938	(1,408,511)
Net foreign exchange differences		(46,750)	-
Cash and cash equivalents at beginning of the year		522,471	1,930,982
Cash and cash equivalent at end of the year	6 (a)	1,230,659	522,471

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	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

Notes to the Financial Statements

For the Year Ended 31 December 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. 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 Vita Life Sciences Limited and its subsidiaries ("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 Sciences Limited are accounted for at cost in the separate financial statements of the parent entity.

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (continued)

(d) Business combinations

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

Except for non-current assets classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the 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 VitaHealthcare Asia Pacific Sdn Bhd, Swiss Bio Pharma Sdn Bhd, Vitaron Jaya Sdn Bhd, Vita Life Sciences Sdn Bhd and Pharma Direct Sdn Bhd are in Malaysian Ringgit (MYR), whilst Vitahealth IP Pte Ltd, VitaHealth Asia Pacific (S) Pte Ltd and Vita Corporation Pte Limited are in Singapore dollars (SGD).

(ii) Transactional and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (continued)

(f) Cash and cash equivalents

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

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

(g) Trade and other receivables

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

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

(h) Inventory

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

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (continued)

(i) Property, plant and equipment

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

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

	<i>Rate</i>	<i>Method</i>
Plant and equipment	10-33%	Straight-line method
Leasehold Improvements	20-50%	Straight-line method
Motor Vehicles	20-50%	Straight-line method

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the 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

1 Summary of Significant Accounting Policies (continued)

(j) Goodwill and Intangibles (continued)

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

Intangibles

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

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

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

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

	<u>Patents and licences</u>	<u>Development costs</u>
Useful lives	Indefinite	Finite
Method used	Not depreciated or revalued	8 – 10 years – Straight line
Internally generated / Acquired	Acquired	Internally generated
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end annually for indicator of impairment

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (continued)

(k) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (continued)

(n) Provisions

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

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

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

(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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (continued)

(q) Leases (continued)

Operating Leases

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

(r) Revenue recognition

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

Sale of goods

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

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

Interest

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

Dividends

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (continued)

(s) Taxes

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

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (continued)

(s) Taxes (continued)

Tax consolidation

The Company is the head entity of the tax consolidated group comprising all the Australian wholly owned subsidiaries. The implementation date for the tax consolidated group was 30 June 2003.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a "stand alone basis without adjusting for intercompany transactions" approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under consolidation.

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

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

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

(t) Other taxes

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

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

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

1 Summary of Significant Accounting Policies (continued)

(u) Financial instruments

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

De-recognition of financial instruments

Financial assets

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

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

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (continued)

(u) Financial instruments (continued)

Financial assets carried at amortised cost

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

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

Financial assets carried at cost

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

(v) Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (continued)

(w) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

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

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

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

1 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 <i>Segment Reporting</i> .	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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

1 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

2 Segment Information

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating business segments. Management has assessed the reportable business segments under AASB 114 Segment Reporting and have determined that on adoption of AASB 8 Segment Reporting (applicable from 1 January 2009), additional operating segments will most likely be reported. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(a) Business segments

The Group operates in the industry segment of the sale of over the counter (OTC) health supplements, vitamins and investments.

Business Industry	Products/Services
Health	OTC vitamins and supplements
Investment	General investments

(b) Geographical segment

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

Business Segments

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2008 and 31 December 2007.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

2 Segment Information (continued)

	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

2 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	750,163	-	750,163
Net cash flow from investing activities	(175,824)	-	(175,824)
Net cash flow from financing activities	(1,564,607)	(418,243)	(1,982,850)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

2 Segment Information (continued)

Geographical segments

The Group's geographical segments are determined based on the locations of the Group's assets. The following table presents revenue, expenditures and certain asset and liabilities information regarding geographical segments for the year ended 31 December 2008 and 31 December 2007.

	Continuing Operations				Total \$
	Australia \$	Singapore \$	Malaysia \$	Others \$	
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	664,493	88,835	(37,006)	(98,524)	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	5,140,348	1,462,226	387,620	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

2 Segment Information (continued)

	Continuing Operations				Total \$
	Australia \$	Singapore \$	Malaysia \$	Others \$	
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

3 REVENUE AND EXPENSES

	2008 \$	2007 \$
(a) Other income		
Proceeds from Pan Pharmaceuticals Ltd Liquidator	1,042,012	-
Unrealised foreign exchange gains	83,005	-
Gain on disposal of property, plant and equipment	319	8,842
Other income	20,189	30,977
Income from settlement of legal case	-	355,000
Recovery of receivables previously written off	-	155,134
Rental income	-	12,144
	1,145,525	562,097
(b) Administrative expenses		
Legal and other professional fees	(583,202)	(123,481)
Consultants	(316,783)	(273,649)
Allowance for impairment loss	(57,803)	(4,183)
Wages and salaries	(3,977,839)	(3,306,506)
Defined contribution Superannuation expense	(358,005)	(297,586)
Travelling expenses	(357,775)	(371,338)
Share based payment expense	(14,856)	(15,153)
Depreciation	(143,161)	(113,297)
Amortisation	(18,759)	(20,851)
Other administrative expenses	(154,634)	(199,326)
	(5,982,817)	(4,725,370)
(c) Other expenses		
Product registration costs	(124,646)	(91,957)
Foreign currency expenses	(41,678)	(17,951)
Other non-operating expenses	(47,572)	(63,001)
Restructuring costs	-	(91,806)
	(213,896)	(264,715)
(d) Finance income		
Interest received - external parties	24,960	55,269
	24,960	55,269
(e) Finance expenses		
Interest expense - external parties	(118,885)	(310,670)
Bank charges	(7,214)	(42,521)
Finance charges - hire purchase and lease contracts	(57,901)	(5,446)
	(184,000)	(358,637)

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

4 EARNINGS PER SHARE

	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

5 INCOME TAXES

	2008 \$	2007 \$
(a) Income tax expense		
The major components of income tax expense are:		
<i>Income Statement:</i>		
<i>Current income tax</i>		
Current income tax charge	(34,096)	-
Prior year overprovision	-	119,608
<i>Deferred income tax</i>		
Recognition of prior years tax losses	81,702	-
Income tax expense reported in the income statement	47,606	119,608

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

5 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:

	2008	2007
	\$	\$
Total accounting profit / (loss) before income tax	305,871	(323,873)
At the parent entity's statutory income tax rate of 30% (2007: 30%)	91,761	(97,162)
Adjustment in respect of current income tax of previous year	-	119,608
Foreign tax rate adjustment	13,901	(258)
Entertainment	49,050	2,776
Share based payments	4,457	4,546
Other expenditure not allowable for income tax purpose	11,439	7,126
Tax losses and timing differences (not brought to account) / recognised	(123,002)	82,972
Aggregate income taxes	47,606	119,608

(c) 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.

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, 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

6 CASH AND CASH EQUIVALENTS

	2008 \$	2007 \$
Cash at bank and in hand	1,109,387	471,697
Short term deposit	183,423	144,058
Total cash and cash equivalents	1,292,810	615,755

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

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

The fair value of cash equivalents is \$1,292,810 (2007:\$615,755).

	2008	2007 \$
(a) Reconciliation of Cash Flow Statement		
For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	1,109,387	471,697
Short term deposit	183,423	144,058
Bank overdrafts - secured	(62,151)	(93,284)
	1,230,659	522,471

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

6 CASH AND CASH EQUIVALENTS (CONTINUED)

	2008 \$	2007 \$
(b) Reconciliation of net profit / (loss) after tax to net cash flows from operations		
Net profit / (loss) after tax	353,477	(204,265)
Adjustments for non-cash income and expense items:		
Depreciation	143,161	113,297
Amortisation	18,759	20,851
Unrealised foreign currency losses / (gains)	386,151	(83,086)
Net profit on disposal of property, plant & equipment	(319)	(8,842)
Shared based payment expense	14,856	15,153
Allowance for impairment loss	57,803	4,183
	973,888	(142,709)
Increase/decrease in assets and liabilities:		
Increase in inventories	(569,528)	(283,018)
(Increase) / decrease in receivables	(273,459)	1,103,598
(Increase) / decrease in other assets	(37,512)	3,991,372
Increase / (decrease) in income tax payable	18,678	(173,743)
Increase / (decrease) in trade and other payables	400,255	(3,696,562)
Increase / (decrease) in other liabilities	55,094	(48,775)
Net cash from operating activities	567,416	750,163

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

7 TRADE AND OTHER RECEIVABLES

	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
Net tax receivable	8,793	-
	2,144,768	1,929,112
Non-current		
Related party receivables (c)	622,768	539,289
	622,768	539,289

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and generally on 30 to 90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$57,803 (2007: \$4,183) has been recognised by the Group. These amounts have been included in the administrative expenses.

Movement in the provision for impairment loss were as follows:

	2008 \$	2007 \$
At 1 January	17,429	13,246
Charge for the year	57,803	4,183
	75,232	17,429

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

(c) Related party receivable (non-current) of \$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.

8 INVENTORIES

	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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

9 OTHER CURRENT ASSETS

	2008 \$	2007 \$
Prepayments	183,376	81,217
Security deposits	60,875	64,027
	244,251	145,244

10 INVESTMENT IN ASSOCIATES

	2008 \$	2007 \$
Non- current		
<i>Unlisted</i>		
- Mitre Focus Sdn Bhd	1,186,107	1,034,969
- Vita Life Sciences (Thailand) Co. Ltd	13,770	14,128
- Vitahealth (Thailand) Co. Ltd	250,209	138,580
Investments in associates	1,450,086	1,187,677

	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
- 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
- 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
- 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

10 INVESTMENT IN ASSOCIATES (CONTINUED)

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

(i) 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;

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

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

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements \$	Plant and equipment \$	Leased 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
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)
At 31 December 2008 net of accumulated depreciation and impairment	52,111	167,617	9,627	229,355
At 31 December 2008				
Cost value	291,512	1,532,480	143,435	1,967,427
Accumulated depreciation and impairment	(239,401)	(1,364,863)	(133,808)	(1,738,072)
Net carrying amount	52,111	167,617	9,627	229,355

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements	Plant and equipment	Leased 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
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)
At 31 December 2007 net of accumulated depreciation and impairment	74,597	186,808	12,754	274,159
At 31 December 2007				
Cost value	225,209	1,346,636	97,067	1,668,912
Accumulated depreciation and impairment	(150,612)	(1,159,828)	(84,313)	(1,394,753)
Net carrying amount	74,597	186,808	12,754	274,159

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

12 INTANGIBLES ASSETS

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

13 TRADE AND OTHER PAYABLES

	2008 \$	2007 \$
Current		
Trade payables (a)	2,164,036	1,329,611
Net tax payable	46,880	-
Other payables and accruals	949,427	1,430,477
	3,160,343	2,760,088
Loan from associated entities (b)	18,802	15,913
	3,179,145	2,776,001

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

14 INTEREST BEARING LOANS AND BORROWINGS

	2008 \$	2007 \$
Current		
Trade financing facility - secured (a)	496,300	93,284
Secured loans (b)	700,000	700,000
Lease liabilities - secured (c)	19,159	24,288
Bank overdrafts - secured (d)	62,151	-
	1,277,610	817,572
Non - Current		
Lease liabilities - secured (c)	8,631	-
	8,631	-
At reporting date, the following financing facilities has been negotiated and were available:		
	2008 \$	2007 \$
Total facilities available:		
Trade financing facility - secured	1,200,000	1,200,000
Secured loans	3,000,000	3,000,000
Bank overdraft	166,072	137,623
	4,366,072	4,337,623
Facilities utilised at balance date:		
Trade financing facility - secured	496,300	93,284
Secured loans	700,000	700,000
Bank overdraft	62,151	-
	1,258,451	793,284
Facilities not utilised at balance date:		
Trade financing facility - secured	703,700	1,106,716
Secured loans	2,300,000	2,300,000
Bank overdraft	103,921	137,623
	3,107,621	3,544,339

(a) **Trade financing facility**

Trade financing facility is provided by an Australian bank. The weighted average interest rate for the facility as at 31 December 2008 is 11.89% (2007: 11.15%). The facility is secured over the assets and undertakings of one of the subsidiaries.

(b) **Secured loans**

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 8.23% p.a. (2007: 8.25% 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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

15 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

(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

16 CONTRIBUTED EQUITY

	2008	2007	2008	2007
	Number	Number	\$	\$
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.

17 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

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

18 SUBSEQUENT EVENTS

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

19 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 & Medispec Sdn Bhd & Khoo Seng Kang & Gan Hook Chun & Pang Seng Meng & Pang Seng Hock. 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

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

20 DETAILS OF CONTROL OVER ENTITIES

Subsidiaries

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	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

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.

Notes to the Financial Statements (Continued)

For the Year Ended 31 December 2008

21 INFORMATION ON AUDIT OR REVIEW

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

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

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

Not applicable

Compliance Statement

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

Terry Kong
Company Secretary
24 February 2009

VLS