Vita Life Sciences Limited and Controlled Entities
Annual Report
31 December 2004

Contents **Page**

Dear Shareholder,

It is with a sense of slow progress that I report to you on the challenges associated with returning the Vita Life Sciences Group to financial health.

As you will recall our Vita Health division suffered exceptional losses in 2003, and much of 2004 was spent rebuilding this business. Progress has been difficult and certainly slower than we expected. In hindsight, the massive Pan recall masked certain unrelated system failings within our Vita Health business which we believe we have now rectified. Certainly it has taken us longer than anticipated to rid ourselves of the effects of the culture of corruption created by our former Managing Director, Mr Pang. We are still repaying debts incurred by Mr Pang's team which is draining critical cash resources from the operation of the business.

During the year we restructured and split the Vita Health and the Vita Medical businesses and we hope that ultimately Vita Health will become a separately listed business in Asia. We also completed the investment into Vita Health by Vital BioTech Holdings Limited and made the first deposit into our joint venture in China. We believe the actions we have taken in relation to the Vita Health business will help underpin its future viability.

2004 was a record year for Vita Medical, with our initiatives in Canada proving very successful. In total we sold 162,500 Patient Administration Sets ("PAS") worldwide (which was a record for the company) and 59 Generators. For the first quarter of 2005 our results are strong and we are hopeful for another record year. We are currently investigating some very interesting opportunities for the Vita Medical business which we hope, should they be successful, will make 2005 a very successful year.

Shareholders will recall that we received a positive judgement against Mr Seng Meng Pang on 23 August 2004 and we were awarded damages and costs and were directed to cancel bonus shares issued to Mr Pang as a result of these frauds. Mr Pang subsequently appealed the decision and during January 2005 Vita Life Sciences Limited was involved in a cross-appeal against Mr Seng Meng Pang in the High Court of Singapore.

Although Mr Pang withdrew his appeal at the 11th hour, we decided to pursue our cross-appeal in view of the fact that we had already spent a very substantial sum on legal costs in preparing for the appeal and the only additional legal costs would relate to a maximum of half-a-day in Court. Mr Pang represented himself at the appeal.

Unfortunately the Court of Appeal declined to alter Justice Rajah's findings. The Chief Justice indicated that due to the complexity of the matter the trial judge was in the best position to determine the appropriate quantum of damages that would be payable by the former Managing Director, Mr Pang, for his fraudulent activities concerning the Vita Group. The Court declined to make any further order in relation to costs and simply dismissed the matter without a formal written judgment and made no order as to costs.

Whilst naturally we are very disappointed with this outcome, it may not be of major consequence because it appears likely that Mr Pang will be declared bankrupt as a result of debt recovery we have taken.

We are taking legal advice to determine whether to commence legal action against the former auditors of the VitaHealth Group, Messrs Arthur Andersen, in relation to their involvement in this matter. The Vita Group's loss from the fraudulent activities of Mr Pang is in my opinion in excess of $30 million.

The Board of Vita Life Sciences Limited would like to publicly express their thanks to Mr Cavinder Bull of Messrs Drew & Napier who has handled the litigation in Singapore up to this point. Unfortunately, because Drew & Napier act for Ernst & Young (the firm which has taken over the Arthur Andersen practice in Singapore), Mr Bull will be unable to act for us should we proceed with the case against Arthur Andersen. Nevertheless I am personally very grateful for his and his team's efforts in relation to at least achieving public recognition (in the written judgment of the High Court) of the substantial and complex frauds that were perpetrated against your company.

Shareholders will also appreciate that there are still a number of other relatively minor but still very serious cases in which Vita is involved as a consequence of Mr Pang's former tenure as Managing Director of the Vita Group. These cases are essentially Malaysian cases and they relate to the uncovering of a number of products purporting to be part of the VitaHealth range but in fact belonging to a company in which certain senior employees and Mr Pang were shareholders. The Vita Group was paying all the costs of manufacturing and distributing the products and our allegation is that all the income was going to this unrelated "VitaHealth" company. Not only were we paying the costs for a competitor, we were also paying for the development of their new "related" brand name! Cross-claims have been received from several of these "employee shareholders" which in effect say they were wrongly dismissed by VitaHealth and were in fact acting as the shareholder nominees of Mr Pang. The truth of this situation potentially may be established by a full hearing before a Malaysian Superior Court.

Unfortunately there are also a number of minor legal cases where goods or services allegedly ordered do not relate to our VitaHealth company but rather to the abovementioned unrelated "VitaHealth" company allegedly associated with Mr Pang. It is hard to estimate how long it will take to resolve all these issues as the Malaysian court system is overloaded.

Whilst it is appreciated that a number of shareholders have written to both the Singaporean Government and the Australian Government complaining about their failure to bring criminal sanctions against Mr Pang, I do not believe there is anything more which the Board of Vita Life Sciences Limited can do at this time in relation to further action against Mr Pang.

Part of the ongoing distraction for the management of VitaHealth relates to hacking into the company's electronic correspondence. The company has experienced continuing difficulties because of correspondence purportedly from the company which attempts to destroy customer relationships or to damage those relationships so that the company's commercial objectives are not obtained.

Shareholders should be aware that during the hearing in the High Court of Singapore we presented evidence that Mr Pang was hacking into the company's email system and showing evidence of his possession of company emails to lawyers and other parties. Unfortunately the Court declined to do anything specifically about this problem and we cannot be certain whether Mr Pang is continuing with these activities or whether we are dealing with disgruntled former employees.

Unfortunately the instance of fraudulent and malicious emails continues to be an issue for us and we have made a report to the police about our ongoing concerns. We would encourage all the supporters and trading partners of Vita Life who receive false and malicious emails to view them as nothing more than a desperate attempt by discredited people who seek to damage the business of Vita Life.

In any event I wish to express my appreciation to the current staff of VitaHealth for their dedication and willingness to be focused when they are confronting these types of difficulties along with the need to completely rebuild the old business into a wholly ethical undertaking.

On 15 February 2005 Vita Life Sciences Limited received a letter from Mr Tony D'Aloisio, Managing Director & CEO of Australian Stock Exchange Limited ("ASX"). This letter was in essence a formal response to the numerous letters sent by our shareholders to the ASX in relation to the inequitable delisting of our shares by the ASX. Unfortunately Mr D'Aloisio suggests that the appropriate way forward is for us to re-apply for listing. The ASX does concede, however, that it would be sympathetic to the company in view of all the circumstances and as soon as we can demonstrate that we meet relevant criteria we will seek re-listing. Shareholders will appreciate, however, that currently Vita shares would have only a relatively nominal value. We have already cancelled some of Mr Pang's shares and hope to be able to deal with the rest of his shareholding shortly.

Yours faithfully,

Vanda Gould
Chairman

The 2004 results for Vita Life Sciences Limited ("Vita Life") are a mixed bag. Vita Life recorded an operating loss after tax of $1.91 million compared to last year's loss of $17.5 million. Vita Medical enjoyed a record year whilst VitaHealth continues to struggle to recover from the impacts of its difficult past. We also made substantial improvements to the operating structure of our businesses which has resulted in significant cost savings.

On an EBITDA basis the Vita Life group recorded a positive result of $1,040,897 (2003: loss $14,491,962) whilst on an EBIT basis the group recorded a small positive result of $192,025 (2003: loss $15,440,623). Revenue for the group from operating activities was marginally lower against last year at $22.81 million ($22.9 million in 2003) and we now believe that the level of sales achieved for this year and last year represents the bottom end of our performance. We expect the year 2005 will show improvement in this area.

The interest on the Unsecured Convertible Notes continues to be a very heavy burden for our company and it is unlikely that Vita Life will be able to achieve satisfactory profits after tax until the Unsecured Convertible Notes have been dealt with. To that end we are currently working on several initiatives which, if successful, could see Vita Life emerge from under its current debt burden. Obviously everyone at Vita Life is keenly aware of the need to deal with the balance of the Unsecured Convertible Notes in a satisfactory manner, and every effort is being made to achieve a positive outcome.

Table 1: Summary of operating performance

	Year ended 31 December 2004	Year ended 31 December 2003
Total Revenue	25,143,204	23,208,708
Operating Expenses (including all write offs)	(24,102,307)	(37,700,670)
Earnings before Interest, Tax, Depreciation & Amortisation	1,040,897	(14,491,962)
Earnings before Interest and Tax	192,025	(15,440,623)
PBT	(2,025,447)	(17,226,016)
PAT	(1,912,083)	(17,517,858)

The Future

We are confident that the worst is behind us and we are all working towards improving the profit performance of Vita Life. However, as has been well documented in the past, our ability to continue rebuilding the business is dependant on the continued support of our financial backers and Unsecured Convertible Noteholders. We remain confident that the necessary financial support is available, but nonetheless, Vita Life remains vulnerable and we can offer no guarantees about our future success.

On a positive note during the year we concluded our deal with Vital BioTech Holdings Limited taking a 10% stake in the restructured VitaHealth group and our goal remains to list the Vita Health business on an Asian stock exchange in the future.

There are a number of important developments at Vita Medical, including the launch of a new Technegas machine. We are hopeful that this new machine will reinvigorate the market for Technegas, as this is the first new machine since the original launched in 1986.

Our cash position is still very tight, but many of the unforseen negative impacts which were affecting our business and therefore our cash flow have been dealt with. Accordingly we have commenced negotiations with our advisors in the United States to finalise our NDA trial and submit our application to the Food & Drug Authority. As yet we have not finalised our timelines for completion of the trial but we are hopeful that the application can be submitted in late 2005 or early 2006.

We continue to negotiate with the Australian National University "ANU" in an effort to find a way forward to develop Thrombotrace. We believe that we have an "in principle" agreement that will allow the technology to move forward. As noted last year, in the event that a mutually satisfactory deal cannot be completed, Vimed may need to be placed into administration.

At VitaHealth we have bolstered the senior management team with the appointment of a new group managing director, Mr Eddie Tie. We have moved the head office of VitaHealth to Malaysia and we are making substantial increases to our personnel in an effort rebuild the top line sales for the Vita Health business.

Vita Medical

Vita Medical had a record year with an operating profit of $2.773 million or 31.9% of sales. Sales were $8.70 million which was an increase of 12.4% over 2003. We experienced significant growth in the Canadian market and Technegas maintained its position as a leading ventilation scanning device in Europe. It is clear that whilst Technegas has seen a number of new competitors come into the market, our business is winning back users. We believe that this reinforces the strength of the technology and is a cause for optimism going forward.

Much of our improvement has come from the success in penetrating the Canadian market where there are now currently 24 generators installed and consumable (PAS) usage has surged from 46 boxes (2,300 PAS) in 2003 to 161 boxes (8,050 PAS) in 2004 with this upward trend continuing in 2005. Australia/NZ had a flat year for generator sales as was expected due to the saturation of available sites in 2003 and PAS usage was down 6% also which we attribute to the influence of many more Multislice CT scanners entering the market as competition.

There was continued growth in Asia with 9 new generators but more importantly PAS usage was up from 54 boxes in 2003 to 95 in 2004. We expect this upward trend to continue in Asia during 2005. European sales of generators as expected were down from 46 to 28 due to the ceasing of the placement policy but sales of PAS enjoyed an increase of 2.5% over 2003 with 2,166 boxes sold. 6 generators were placed into Argentina and Chile during 2004 as “seed” machines but it is expected that due to the financial constraints within these health markets that growth will be slow.

Overall on a global scale, during 2004 there were 59 generators sold or placed into the market and sales of 3,250 boxes of PAS (162,500 individual patient studies), which was an increase of 5.3% over 2003. Inventory was further reduced by $529,000 during 2004 versus year-end 2003.

In 2005 we expect to see continued expansion in Canada, Latin America and the Middle East. Europe continues to find growth and we are looking at expansion during 2004 into “eastern” bloc countries. In total, sales of consumables are expected to rise by a further 10% with the majority of that growth being attributed to further market penetration in Canada.

As noted earlier, work is almost complete on a new generator which is the first to be introduced to the market since 1986. This generator is seen as an important step in offering a modern product and has addressed all the shortcomings of the old model. The new generator is aimed at capturing new sales and also to replace generators that are older than 8 years. We estimate this latter market is the region of 200 generators globally and we will seek to replace the majority of these old units over the next two years. The new generator is to be named Technegas PLUS and it is planned to be available in Australia in July 2005 and in Europe in September 2005.

VitaHealth

2004 was a year of challenging issues, consolidation and rebuilding our three flagship brands consisting of VitaHealth, Herbs of Gold and Robovites. Resourcing of Pan affected products took longer than originally envisaged and even today, with the combination of regulatory issues in Malaysia, and the difficulty in getting our liquid products manufactured in Australia, we only have 90% of our former product range available for sale.

With the benefit of hindsight, VitaHealth would have been better to forsake many of its former products and concentrate on developing and introducing new products and innovations. We believe this is where the future success of VitaHealth will be. We are concentrating on developing a long line of new and innovative products to supplement our already established brands and products.

We are pleased that even though we operated without a substantial portion of our product range during the year we were able to maintain our merchandising shelf space and prominence in the market despite intense competitive pressures. We believe that this is testimony to the strength of the brands which have been built over many years. Today VitaHealth remains one of the leading brands in Singapore, Malaysia and Indonesia while Herbs of Gold retains a prominent position in the health food segment in Australia.

We have seen substantial changes in the market place over the last 18 months. Consumers are more educated because of the higher profile the industry has developed as a result of the Pan incident. Consumers have become more cautious and price conscious. In Asia the introduction of many new but small brands has made the space very price-competitive. Ultimately we believe that the new smaller brands may not be able to sustain their presence as a result of increasing pressure on margin and there will be an opportunity for market rationalisation.

During the year we spent a substantial amount of time and money on maintaining and developing our brands. We developed and launched what we believe is a more modern and stronger brand identity pack for both VitaHealth and Herbs of Gold. Our objective is to encourage our existing and our new customers to assess our products in a positive and professional way. Our launch was generally well received by both the trade and our customers. We were again awarded the Superbrand accolade in Singapore and Malaysia and VitaHealth was selected as a semi-finalist in the prestigious 2004 Singapore Promising Brands Award. VitaHealth was also nominated for the 'Customers' choice awards' for Guardian and Watsons in Singapore.

Several new products were introduced in Malaysia and we were the first to introduce a 'licap' (liquid dosage form) for one of our products which has been proven in clinical trials to enhance bioavailabity. In Australia, we rolled out a new pharmacy-only brand "VitaScience" during the second half of 2004 in an attempt to capitalise on the growing pharmacy segment. We expect that VitaScience will make a positive contribution to the business during 2005 and beyond.

We have always considered that our staff is our single most important asset. We are pleased that two of our sales executives were awarded the Australian inaugural CHC Industry "Best Sales Rep" of the year award. This award is given independently by the health food retailers in Australia and we are very pleased that our staff won 2 out of the 5 interstate Australian awards. We believe this is a testament to our continued focus on exacting standards of customer service and product knowledge.

As noted elsewhere in this report, we completed the migration of the VitaHealth regional head office from Singapore to Malaysia in the last quarter of 2004. We expect to achieve substantial cost savings from the move but of equal importance, the move helps us better support our largest market which is in Malaysia.

Finally we acknowledge and thank our staff for their efforts and support. We also acknowledge and thank the efforts and support of our suppliers, many of whom have offered support to us in an environment where they too have been negatively affected by recent events. We look forward to building on all our trading relationships and to a better result for VitaHealth in 2005.

Vimed BioSciences

As noted above we believe that we have reached an "in principle" agreement with the ANU which should allow the technology to be developed further.

Corporate restructure

During the year we were able to extract significant cost savings as a result of the restructure of our businesses. In total we estimate that over $1.85 million of operating costs have been cut from our businesses in 2004.

Whilst the relocation of the VitaHealth head office to Malaysia resulted in an overall cost increase during this year for that business (its operating costs included redundancy and relocation expenses which will not be incurred during 2005), we expect that the relocation will result in operating cost savings of in excess of $1.5 million during the 2005 year.

We also expect to receive the full benefit of the restructure of the Vita Life corporate office during 2005, which should result in a further saving of $450,000.

Table 2 illustrates the areas of savings in each part of our business:

	Estimated operating cost saving for 2004	Estimated operating cost savings for 2005
Vita Medical	450,000	-
VitaHealth	(350,000)	1,500,000+
Corporate	1,000,000	450,000
Vimed	750,000	-
Total reduction in operating costs	1,850,000	1,950,000+

Legal Issues

As has been well publicised the case against Mr Seng Meng Pang has been concluded and we are pleased that Vita Life and its supporters have been vindicated in their efforts to bring Mr Pang to justice. Our Chairman has already said much on this issue and I do not intend to add anything to those comments other than to say that our employees and many of Vita Life's supporters have been inspired by our Chairman's resolve and willingness to make sure that the wrong doings against our Company did not go unpunished.

Further good news on the legal front was that during the year we successfully settled our claim against Ace Insurance Limited.

In relation to other legal matters, Vita Medical's situation with Nordion continues on the same footing as previously advised. Progress has been very slow and the matter has recently been adjourned again and is scheduled to be heard later in 2005.

There are other legal issues which we continue to pursue or defend as the case may be. Our legal costs this year were $1.25 million ($1.28 million on 2003) and the effort that has gone into these issues has been enormous. We look forward to resolving all actions, on sensible and acceptable terms, as soon as possible.

Summary

Our current approach to Vita Life remains one of focusing on the near term viability of VitaHealth, to develop and grow the Vita Medical business, and ultimately to set Vita Medical and VitaHealth on separate paths. Every effort is being made to improve the financial performance of the businesses and to create opportunities to successfully deal with the enormous financial burden of the Unsecured Convertible Notes.

I would like to thank all the staff of Vita Life, whose dedication and support has been outstanding in the face of some very challenging issues. I would also thank our suppliers, financiers and trading partners whose support has been invaluable.

We believe that the worst is behind us and 2005 should bring a better result for us all.

John Sharman
Director

Melbourne
9 May 2005

Your directors present their report on the consolidated entity consisting of Vita Life Sciences Limited ("Vita Life") and the entities it controlled at the end of, or during, the year ended 31 December 2004.

Directors

The following persons were directors of Vita Life Sciences Limited during or since the end of the financial year:

Vanda R Gould
Gerald K Adams
John S Sharman
Henry G Townsing

Vanda Gould held office during the whole financial year and continues in office at the date of this report.

Gerald Adams resigned on 30 June 2004.

John Sharman held office during the whole financial year and continues in office at the date of this report. Pursuant to the company's constitution directors are required to stand for re-election every three years. Mr Sharman has consented to stand for re-election at the 2005 Annual General Meeting.

Henry Townsing commenced on 31 May 2004.

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of:

(a) packaging, sales and distribution of vitamins and supplements, and

(b) manufacture and sale of medical diagnostic equipment including associated research and development

Financial Results

During the year the economic entity recorded a loss from ordinary activities of $1,839,279.

Dividends – Vita Life Sciences Limited

The directors have resolved not to pay a final dividend for the year.

Matters subsequent to the end of the financial year

- Assignment of rights to damages pursuant to legal claims.

  Certain of the Company's subsidiary companies have a claim against the Administrator of Pan Pharmaceuticals and may have additional claims against certain parties involved in the Seng Meng Pang case. The company has entered into an agreement on commercial arms length terms with a third party and has sold/assigned the group's rights against insurers and the liquidator of Pan Pharmaceuticals and any future recovery from the auditor of Vita Corporation Pte Ltd to the third party to secure a financing facility of up to $3 million.

- Pan administration - dividend

  Subsidiary companies of Vita Life have lodged claims amounting to AUD $18.80 million against Pan Pharmaceuticals, including amounts for loss of profit. At the date of this report the company has appealed certain adjudications of the Liquidator. A summary of the current status of the Vita Life claim is as follows:

Table 3 – Status Summary: Claims against Pan Pharmaceuticals

Claim	Adjudication of Liquidator / Status	Dividend paid
$1.74 million	Accepted / Set Off	$0.07 million
$1.32 million	Rejected / Appealed	-
$15.74 million	Pending	-
$18.80 million	-	-

- Vimed BioSciences

  Shareholders are aware that the financial situation of Vita Life remains difficult. In an effort to preserve the integrity of the existing businesses and to preserve our cash we ceased all spending on the Vimed programme in February 2004. As at the time of this report we continue to negotiate with various stakeholders in relation to the future of Vimed BioSciences Pty Ltd. Where a satisfactory outcome cannot be reached in terms of the future of Vimed BioSciences Pty Ltd the directors may be forced to place it into voluntary administration. We are currently negotiating with the Australian National University over the future of Vimed BioSciences technology “Thrombotrace”, however no final position has been reached and we do not expect there to be any immediate financial impact for the Company as a result of these negotiations.

- New Drug Application (“NDA”) for Technegas in the USA

  We have commenced negotiations with our advisors with the view to completing the NDA programme.

- Cancellation of Shares

  In accordance with the judgment handed down by Justice Rajah in the High Court of the Republic of Singapore against Mr Pang the company cancelled 5,103,047 shares in Vita Life on 7 January 2005.

Environmental regulation

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

Information on directors

Director	Experience	Special responsibilities	Particulars of directors' interests in shares and options of Vita Life Sciences Limited		Particulars of directors' interests in Convertible Unsecured Notes of Vita Life Sciences Limited	
			Ordinary shares	Ordinary options	Ordinary Notes	Ordinary options
V R Gould B.Comm. M.Comm. FCA, FCPA	Non-executive director for 4.5 years. Chairman for 4.5 years. Director of several public and private companies.	Non-executive Chairman. Chairman of the Audit Committee and the Remuneration Committee.	7,643,815	-	292,563	
H G Townsing	Non- executive director since May 2004. Director of several private companies.	Member of the Audit Committee and the Remuneration Committee.	8,381,894		50,000	
J S Sharman B.Ec, Master of Applied Finance, ICAA	Executive director for 2.5 years. Investment Director for CVC Venture Managers Pty Limited.	Member of the Audit Committee and the Remuneration Committee.	1,030,000		50,000	

Meetings of directors

The number of meetings of the company's board of directors held during the year ended 31 December 2004 were:

	Board meetings attended	Eligible to attend
V R Gould (Chairman)	11	11
J S Sharman (Director)	10	11
G K Adams (Director)	5	5
H G Townsing (Director)	6	7

During the financial year, remuneration and audit committee discussions were performed at board level.

Retirement, election and continuation in office of directors

Gerald Kenneth Adams retired during the year.

Henry George Townsing was elected as a director on 31 May at the 2003 Annual General Meeting.

John Stewart Sharman was elected as a director on 31 May 2002. Pursuant to the company's constitution directors are required to stand for re-election every three years. Mr Sharman has consented to stand for re-election at the 2005 Annual General Meeting.

Directors' and executives' emoluments

Given the size of the company the Board of Directors sets remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as base salary, remuneration packages include superannuation, retirement and termination entitlements, performance related bonuses and fringe benefits. Executives are also eligible to participate in the Vita Life Sciences Directors' Share Option Plan or Employees' Share Option Plan as appropriate.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's diverse operations.

Remuneration and other terms of employment for the directors and other senior executives are formulised in service agreements.

Remuneration of non-executive directors is determined by the board within the maximum amount approved by the shareholders from time to time.

The board undertakes an annual review of its performance and the performance of the board committees against goals set at the start of the year.

Details of the nature and amount of each element of the emoluments of each director of Vita Life Sciences Limited and each of the two officers of the company and the consolidated entity receiving the highest emoluments are set out in the following tables.

Non-executive directors of Vita Life Sciences Limited

Name	Director's base fee $
V R Gould	30,000
H G Townsing	15,000

Executive directors of Vita Life Sciences Limited

Name	Base salary $	Bonus $	Superannuation $	Total $
J S Sharman *Finance Director*	160,000	-	14,500	174,500
G K Adams *Resigned as Managing Director 30 June 2004*	157,815	-	14,203	172,018

Other executives of the consolidated entity

Name	Base salary $	Motor vehicle $	Bonus $	Superannuation $	Other benefits $	Total $
S Ang *Managing Director VitaHealth Lab Singapore*	163,934	5,157	-	8,672	-	177,781
D O'Hare *General Manager Vitamedica Group*	122,271	34,935	-	12,227	-	169,432
J Goh *Country Manager – VitaHealth Lab Malaysia*	138,575	858	-	6,581	5,818	151,832
D T Rundell *Chief Executive Officer Vita Medical*	123,853	-	-	11,147	-	135,000
L M Leong *Chief Financial Officer, VitaHealth Singapore*	98,360	-	-	8,049	409	106,815

Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of Vita Life Sciences Limited granted during or since the end of the financial year to any of the directors or the 5 most highly remunerated officers of the company and consolidated entity as part of their remuneration were nil.

At the 2003 AGM, Shareholders approved a Long Term Incentive Plan for Directors and Employee's. Pursuant to that plan Mr John Sharman was granted a limited recourse loan of $250,000 which was used to purchase 1 million Vita Life Shares at 25 cents each. Recourse for the loan is strictly limited in all circumstances to the Vita Life shares purchased with the proceeds of this loan.

Shares under option

Mr Eddie Tie joined the group as Managing Director of Vita Healthcare Asia Pacific Sdn Bhd (which is the subsidiary holding company for the Vita Health group of companies) on 17 January 2005. As part of his remuneration package he has been granted certain options over Vita Healthcare Asia Pacific Sdn Bhd. A summary of the current shares under option are:

Director	Options granted	Company
E Tie	333,333	Vita Healthcare Asia Pacific Sdn Bhd

There are no outstanding options granted under the Vita Life Sciences Directors Share Option Plan.

Vita Life has undertaken to grant 12,500,000 options to a financial investor as part compensation for making a finance facility available. The options have a five year term and have an exercise price of 10 cents each. Drawdown of the facility is at the absolute discretion of the financier.

Insurance of officers

During the year the Company was unable to obtain Directors insurance. The Officers of the company who were not covered by any insurance policy include the Directors, the Company Secretary and Executive Officers.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an auditor of the Company or any related body corporate. In accordance with clause 29.1 of the Vita Life Sciences Limited constitution and section 199A of the Corporations Act 2001 the company has resolved to indemnify its directors and officers for a liability to a third party unless it arises out of conduct which is not in good faith.

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.)

Related party transaction

During the year CVC Venture Managers Pty Ltd ACN 002 700 361 was paid consultancy fees. Mr John Sharman and Mr Vanda Gould are both Directors of CVC Venture Managers and Vita Life Sciences.

In October 2003, Mr Sharman agreed to a secondment to undertake the role of Finance Director for Vita Life. Since July 2004 Mr Sharman has been responsible for the operations of the Company. CVC Venture Managers receives a monthly fee for that service. Mr Sharman is currently engaged full time for Vita Life Sciences.

In total, Vita Life paid CVC Venture Managers $181,063 during the 2004 financial year.

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.

State of Affairs

1. Convertible Unsecured Notes

   During the year the Company issued 1,236,015 million Convertible Unsecured Notes ("Notes") pursuant to its prospectus dated 13 March 2003 and Supplementary Prospectus dated 19 May 2003. Full details of the terms and condition of these Notes are contained in these two documents. Briefly the Notes have the following characteristics:

   (a) The first instalment of Notes were issued on 19 May 2003

   (b) Interest on the notes accrues at 10.75% per annum

   (c) Interest is payable on each 1 January and 1 July

   (d) Each note can be converted into four ordinary shares on any 30 June or 31 December in 2005, and also at the Maturity Date being 14 April 2006

   (e) Notes may be redeemed on 14 April 2006 (or earlier if there is an event of default)

   During the year certain Noteholders agreed to receive additional Notes in lieu of their cash entitlement.

2. Asset write downs

   Since December 2003 the Company has not had any further material write down of assets.

3. Investment by Vital BioTech Holdings Limited ("Vital BioTech")

   During the year the company sold a 10% equity stake in Vita Healthcare Asia Pacific Sdn Bhd (the subsidiary holding company for the Vita Health group of companies) for AUD1.78 million (SGD2.225 million) to Vital Biotech, an unrelated Hong Kong public company.

Auditors Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is attached to this report.

Other directors report disclosure requirements

- Review of operations;
- Significant changes in the state of affairs, and
- Likely development and expected results of operations.

This report is made in accordance with a resolution of the directors.

J S Sharman
Director
Melbourne
9 May 2005

Auditors Independence Declaration

Gould Ralph & Company Chartered Accountants

ABN 74 632 161 298

Level 42
AAP Centre
259 George Street
Sydney 2000 Australia
Telephone: (02) 9032 3000
Facsimile: (02) 9032 3088
Email: mail@gouldralph.com.au

9 May 2005

The Board of Directors
Vita Life Sciences Limited
Post Office Box 350
Menai Central 2234
Australia

Dear Members of the Board

AUDITORS INDEPENDENCE DECLARATION

This declaration is made in connection with our audit of the financial report of the consolidated entity consisting of Vita Life Sciences Limited ("Vita Life") and the entities it controlled at the end of, or during, the year ended 31 December 2004 and in accordance with the provisions of the Corporations Act 2001.

We declare that to the best of our knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001; and
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia;

in relation to this audit.

Yours faithfully
GOULD RALPH & COMPANY

G C RALPH, M.COM, FCA
Partner

Russell Bedford
Member of Russell Bedford International – with affiliated offices worldwide
Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

Corporate Governance Statement

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

The Company is a holding company and its main corporate governance practices, as applied to all subsidiary companies, are summarised below.

Board composition

The Board is responsible to Shareholders for the Company's overall corporate governance. For the majority of the year the Board was comprised of two Non-Executive Directors and one Executive Director. Mr Sharman was seconded to an Executive role as Finance Director in October 2003. The chairman, Mr V R Gould, is a Non-Executive Director. Mr Henry Townsing was appointed as a Non-Executive Director on 31 May 2004.

The Board's responsibilities include:

- Establishing the criteria for Board membership;
- Reviewing the composition of the Board;
- Identifying and nominating possible new candidates for the Board and assessing proposed new appointments;
- Reporting to shareholders;
- Reviewing and determining strategic direction and policy; and
- Establishing management goals and monitoring their achievement.

In addition to the eleven scheduled full meetings each year, other meetings may be held at short notice as required.

Appointment and retirement of Non-executive directors

It is the Board's policy to consider the appointment and retirement of Non-Executive Directors on a case-by-case basis. In doing so, the Board must take into account the requirements of the Constitution and the Corporations Law.

Currently, the Board requires Directors to be re-elected by rotation at least every three years, and they must retire at the Annual General Meeting following their seventieth birthday.

Mr J S Sharman was elected to the Board on 31 May 2002. As such he is up for re-election.

Remuneration arrangements for Directors and Senior Executives

The Remuneration Committee currently comprises Mr V R Gould (Chairman), Mr J S Sharman and Mr H G Townsing.

The Remuneration Committee is responsible for:

- Reviewing and approving the remuneration of Directors and other Senior Executives; and
- Reviewing the remuneration policies of the Company generally.

In determining the remuneration to be paid to Non-Executive Directors, consideration is given to the level of remuneration given by companies of comparable size and type.

Retiring Non-Executive Directors are not currently entitled to receive a retiree allowance.

Audit Committee

Due to the size of the Company we have not reconstituted the Audit Committee. Issues usually dealt with by the Audit Committee are addressed at Board level and include:

- the appointment as external auditors, and the terms and conditions of their appointment;
- Reviewing the performance of the external auditors and monitoring the level of fees charged;
- Monitoring compliance with the Corporations Law and other legal requirements;
- Reviewing internal and external audit reports and evaluating for the Board the adequacy of internal controls and management responses – this task includes identifying any deficiencies or breakdowns in controls and ensuring that appropriate remedial action is taken.

Investment and business risk management

The Board makes decisions on investments for the company, considering 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.

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.

Independent professional advice

In fulfilling their duties, each Director and each committee of the Board dealing with corporate governance matters may obtain independent professional advice at the Company's expense. Prior approval of the Chairman is required, whose approval must not be unreasonably withheld.

Shareholdings by directors

Company policy restricts trading by the Directors in their shares to certain times and circumstances.

Ethical standards

The Board endeavours to ensure that the Directors, officers and employees of Vita Life Sciences 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.

	Note	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Revenue from operating activities	2	22,808,316	23,208,708	-	925,866
Other Income	2	2,334,888	-	107,177	-
		25,143,204	**23,208,708**	**107,177**	**925,866**
Expenses from operating activities					
Cost of goods sold		(7,993,269)	(6,206,556)	-	-
Advertising and promotion expenditure		(3,715,758)	(3,610,959)	-	(118)
Finance costs	3	(2,217,472)	(1,785,393)	(2,009,197)	(1,698,773)
Depreciation and amortisation expenses	3	(848,872)	(948,661)	(20,956)	(29,193)
Employee expenses		(5,683,202)	(6,468,333)	(359,680)	(844,324)
Legal costs		(1,251,530)	(1,284,480)	(424,004)	(750,496)
Occupancy		(1,277,234)	(1,793,923)	(81,772)	(192,738)
Other expenses from ordinary activities		(2,571,788)	(8,941,019)	(179,093)	(287,641)
Provisions and write offs	3	(1,001,314)	(8,499,740)	(4,254,841)	(10,347,907)
Travel and accommodation		(608,212)	(895,660)	(140,608)	(189,905)
Profit/(loss) from ordinary activities		**(2,025,447)**	**(17,226,017)**	**(7,362,974)**	**(13,415,229)**
Income tax (expense) / benefit relating to ordinary activities	5a	113,364	(291,841)	79,953	-
Net profit/(loss)		**(1,912,083)**	**(17,517,858)**	**(7,283,021)**	**(13,415,229)**
Net (profit)/loss attributable to outside equity interests		72,804	90,087	-	-
Net profit/(loss) attributable to members of the parent entity	22	**(1,839,279)**	**(17,427,771)**	**(7,283,021)**	**(13,415,229)**
Non-owner transaction changes in equity					
Net exchange difference on translation of financial statements of self-sustaining foreign operations	21	366,733	(934,172)	-	-
Total changes in equity from non–owner related transactions attributable to members of the parent entity	25	**(1,472,546)**	**(18,361,943)**	**(7,283,021)**	**(13,415,229)**
Basic earnings per ordinary share	6	(2.79) cents	(35.4) cents		
Diluted earnings per ordinary share	6	(2.79) cents	(35.4) cents		

The statements of financial performance are to be read in conjunction with the accompanying notes.

	Note	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Current Assets					
Cash assets	8	966,863	679,696	338,106	179,506
Receivables	9	3,154,435	2,283,795	249,090	18,559
Inventories	10	4,136,405	5,693,160	-	-
Other	11	1,431,285	844,658	151,605	40,095
Total Current Assets		**9,688,988**	**9,501,309**	**738,801**	**238,160**
Non Current Assets					
Receivables	9	-	-	-	3,097,354
Other financial assets	12	-	2,000	4,221,300	6,553,344
Property, plant & equipment	13	2,012,113	2,391,221	20,937	52,866
Intangibles	14	7,309,780	7,678,160	-	-
Other	15	-	24,409	-	-
Total Non Current Assets		**9,321,893**	**10,095,790**	**4,242,237**	**9,703,564**
Total Assets		**19,010,881**	**19,597,099**	**4,981,038**	**9,941,724**
Current Liabilities					
Payables	16	8,392,265	9,046,910	2,586,290	1,663,128
Interest bearing liabilities	17	2,078,024	1,221,744	953,840	-
Current tax liabilities	5b	237,505	316,826	31,152	116,678
Provisions	19	1,165,884	1,165,381	750,000	760,449
Total Current Liabilities		**11,873,678**	**11,750,861**	**4,321,282**	**2,540,255**
Non Current Liabilities					
Interest bearing liabilities	17	17,241,343	17,062,047	17,019,980	16,708,723
Provisions	19	91,008	111,395	-	19,950
Total Non Current Liabilities		**17,332,351**	**17,173,442**	**17,019,980**	**16,728,673**
Total Liabilities		**29,206,029**	**28,924,303**	**21,341,262**	**19,268,928**
Net Assets		**(10,195,148)**	**(9,327,204)**	**(16,360,225)**	**(9,327,204)**
Equity					
Contributed equity	20	38,081,445	37,831,445	38,081,445	37,831,445
Reserves	21	188,896	(177,837)	-	-
(Accumulated losses)	22	(48,631,817)	(46,792,538)	(54,441,670)	(47,158,649)
Shareholders' equity attributable to members of the Company		(10,361,476)	(9,138,930)	(16,360,225)	(9,327,204)
Outside equity interest in controlled entities	24	166,328	(188,274)	-	-
Total Equity	25	**(10,195,148)**	**(9,327,204)**	**(16,360,225)**	**(9,327,204)**

The statements of financial position should be read in conjunction with the accompanying notes.

	Note	Consolidated		Company	
		2004	2003	2004	2003
		$	$	$	$
Cash flows from operating activities					
Cash receipts in the course of operations		21,506,395	18,410,187	-	300
Cash payments in the course of operations		(22,783,129)	(27,952,302)	(1,373,529)	(2,719,066)
Dividends received		824,151	-	824,151	-
Interest received		25,188	66,232	2,021	47,209
Borrowing costs		(538,200)	(374,784)	(338,045)	(309,768)
Income taxes paid	5b	238,309	(629,033)	(5,572)	(48,898)
Other		163,377	128,999	(72,807)	10,142
Net cash provided by / (used in) operating activities	31b	**(563,909)**	**(10,350,701)**	**(963,781)**	**(3,020,081)**
Cash flows from investing activities					
Loans to controlled entities		(8,316)	1,239,745	556,995	(5,766,884)
Payments for property, plant and equipment		(59,226)	(285,925)	-	(3,618)
Proceeds from sale of property, plant and equipment		2,542	-	-	-
Proceeds on sale of investments		-	-	-	-
Allotment of shares from subsidiaries	29b	1,780,000	184,400	-	-
Payments for Joint Venture interest		(401,665)	-	-	-
Payments for research and development		(317,483)	-	-	-
Payments for FDA approval capitalised		(105,535)	-	-	-
Net cash provided by / (used in) investing activities		**890,317**	**1,138,220**	**556,995**	**(5,770,502)**
Cash flows from financing activities					
Proceeds from issue of shares		-	550,767	-	-
Proceeds from borrowings		1,450,000	12,258,152	1,450,000	11,818,196
Repayment of borrowings		(884,614)	(3,665,030)	(884,614)	(3,350,000)
Finance lease payments		(221,447)	-	-	-
Net cash provided by / (used in) financing activities		**343,939**	**9,143,889**	**565,386**	**8,468,196**
Net increase (decrease) in cash held		**670,347**	**(68,592)**	**158,600**	**677,613**
Cash at beginning of the financial period		(333,261)	(264,669)	179,506	(498,107)
Cash at the end of the financial period	31a	**337,086**	**(333,261)**	**338,106**	**179,506**

Non-cash financing and investing activities 31b

The statements of cash flows are to be read in conjunction with the accompanying notes.

Note 1. Statement of significant accounting policies

The significant policies which have been adopted in the preparation of these Financial Statements are:

(a) Basis of preparation

The Financial Statements are a general-purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. They have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non current assets.

These accounting policies have been consistently applied by each entity in the economic entity and, except where stated, are consistent with those of the previous year.

(b) Going concern

As at 31 December 2004, the Company's and economic entity's liabilities exceeded assets by $16,360,225 and $10,195,148 respectively and current liabilities exceeded current assets by $2,628,641 (company) and $2,184,690 (economic entity).

Subsequent to balance date, a further $500,000 cash funding has been obtained from the sale/assignment of the group's rights against insurers and the liquidator of Pan Pharmaceuticals and any future recovery from the auditor of Vita Corporation Pte Limited (refer note 37).

Additionally, Unsecured Convertible Notes amounting to $17,019,980 are due for redemption on 14 April 2006. The Directors are currently working towards a solution for the noteholders which could involve some or all the outstanding Unsecured Convertible Notes being repaid or converted into Ordinary Shares. In the absence of the Directors being able to complete a transaction that has the effect of satisfying the noteholders, the Company will be forced to approach the noteholders with an offer to extend the notes on terms and conditions that are yet to be determined.

The Directors believe they will have the continued support of the major noteholders and that the economic entity has adequate funding to continue operations until, at least, the convertible notes are due for repayment. The longer-term ability to continue as a going concern is dependent upon the return to profitable operations and ongoing positive cash flows from operations and/or sale of the underlying businesses. Consequent to the continuing financial support of the noteholders, the Directors believe it appropriate to prepare the financial statements on a going concern basis.

The Directors note that in the alternative, and in particular, any further deterioration in the operating performance or cash flows of the underlying businesses, circumstances may require the company and/or certain controlled entities be placed in external administration. If part or the whole of the economic entity is not able to continue as a going concern, it may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and/or to the amounts and classification of liabilities that might be necessary in that eventuality.

(c) Principles of consolidation

Controlled entities
The statements of controlled entities are included from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Joint venture entities
Unless consolidated due to the existence of effective control, and with the exception of the investment in the China joint venture entity (which is only partly completed), investments in joint ventures entities, including partnerships, are accounted for using the equity accounting principles. Investments in incorporated joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The consolidated entity's share of the joint venture entity's net profit or loss is recognised in the consolidated statement of financial performance from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

(d) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Sale of goods
Revenue from the sale of goods is recognised (net of returns, discounts and allowance) only when the following conditions are satisfied:

(i) the risks and rewards of ownership of the goods has transferred to the customer;
(ii) it is probable that the economic benefits associated with the transaction will flow to the Company;
(iii) the amount of revenue 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
Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets
The net profit from non-current asset sales is included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

Dividends
Revenue from dividends and distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

Revenue from dividends from associates is recognised by the parent entity when dividends are received.

Revenue from dividends from other investments are recognised when received.

Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

Research and development grants
Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as revenue. Where a grant is received relating to research and development costs that have been deferred, the grant is deducted from the carrying amount of the deferred research and development costs.

Contribution of assets
Contribution of assets and contributions to assist in the acquisition of assets, being non-reciprocal transfers, are recognised as revenue at fair value of the asset received when the consolidated entity gains control of the contribution.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Foreign Currency Transactions

Transactions
Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the profit and loss account in the financial year in which the exchange rates change, as exchange gains or losses.

Translation of controlled foreign entities
The balance sheets of the controlled entities incorporated overseas (being self sustaining foreign operations) are translated at the rates of exchange ruling at balance date. The profit and loss accounts are translated at an average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

(g) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

(h) Income Tax

For the 2003 and later tax years the group filed its tax returns with respect to wholly owned Australian entities on a consolidated basis.

Income tax expense is calculated on operating profit, adjusted for any permanent differences between taxable and accounting income.

The tax effect of timing differences which arise from items being brought to account in different accounting periods for income tax and accounting purposes is carried forward in the balance sheet as a future income tax benefit or a deferred income tax liability.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits, which relate to tax losses, are only brought to account when their realisation is virtually certain.

(i) Acquisition of assets

All assets acquired including property, plant and equipment and intangible assets are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated entity, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets.

Subsequent additional costs
Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

(j) Revisions of accounting estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

(k) Cash

For the purpose of the statements of cash flows, cash includes deposits at call, which are readily convertible to cash on hand and are subject to insignificant risk of changes in value, net of outstanding bank overdrafts.

(l) Receivables

The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of manufactured products include direct materials, direct labour, and an appropriate portion of variable and fixed overhead which is applied on the basis of normal operating capacity.

Net realisable value is determined on the basis of each entity's selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(n) Investments

Controlled entities
Investments in controlled entities are carried in the Company's financial statements at the lower of cost and net recoverable amount.

Joint ventures
In the Company's financial statements investments in joint venture entities other than partnerships are carried at the lower of cost and recoverable amounts. Joint venture partnerships are equity accounted as set out in Note 1(c).

Other entities
Investments in other listed entities are measured at fair value, being the lower of cost and current quoted market price. Investments in other unlisted entities are carried at the lower of cost or recoverable amount.

(o) Leased assets

Finance leases
Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases
Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(p) Goodwill

Goodwill, representing the excess of the purchase consideration over the fair value of the identifiable net assets acquired upon the acquisition of a business entity, is amortised on a straight line basis over a 20 year period being the period of time during which benefits are expected to arise.

The unamortised balance of goodwill is reviewed at least annually. Where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss account.

(q) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(r) Depreciation and amortisation

All assets including intangibles, have limited useful lives and are depreciated / amortised using the straight line method over their estimated useful lives. Finance lease assets are amortised over the term of the relevant lease or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

The depreciation rate used for each class of asset is as follows:

Plant and equipment	10% - 33%
Leasehold improvements	20% - 50%
Motor vehicles	20% - 25%

(s) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received.

Subject to specific arrangements, trade accounts are normally settled within 90 days.

(t) Bank loans

Bank loans are carried in the statement of financial position at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate and included in "Other creditors and accruals".

(u) Employee entitlements

Annual leave
The provisions for employee entitlements to annual leave represents the amount which the Economic Entity has a present obligation to pay resulting from employees' services provided up to balance date. The provisions have been calculated on current wage and salary rates.

Long service leave
The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to balance date. The provisions have been calculated at current wage and salary rates.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the Economic Entity's experience with staff departures. Related on-costs have also been included in the liability.

(v) Deferred expenditure

Costs incurred on material items of expenditure are deferred to future financial years to the extent that management consider it is probable that the future economic benefits embodied in the expenditure will eventuate and can be measured reliably, do not relate solely to revenue that has already been brought to account and will contribute to the future earning capacity of the entity.

Deferred expenditure is amortised over the period of realisation.

(w) Research and development

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred.

No research and development costs have been capitalised during the year.

(x) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect 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 the risks specific to the liability, except where noted below.

(y) Comparatives

Where applicable, comparative disclosures have been restated to comply with changes in reporting requirements.

(z) Impact of adopting AASB equivalents to IFR Standards

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity is required to comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

Vita Life Sciences Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources and engaged consultants to conduct assessments to isolate key areas that will be impacted by the transition to IFRS. As Vita Life Sciences Limited has a 31 December year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 January 2005. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Vita Life Sciences Limited prepares its first fully IFRS compliant financial report for the year ended 31 December 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of Australian Visual Communications Limited.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 January 2005 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables- measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value with fair value changes charged to net profit or loss, available for sale - measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Goodwill

Under the Australian equivalent to IFRS 3 Business Combinations goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy which amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Impairment of Assets

Under the Australian equivalent to IAS 36 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Under the Australian equivalent to IAS 38 Intangible Assets, costs incurred in the research phase of the development of an internally generated intangible must be expensed. This will result in a change in the group's current accounting policy which allows for the capitalisation of costs incurred in the research phase of an internally generated intangible asset where future benefits are expected beyond reasonable doubt. Under the new policy, all research costs will be written off as incurred.

Share based payments
Under AASB 2 Share based Payments, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Income taxes
Under the Australian equivalent to IAS12 Income Taxes, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The most significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not recognised. It is not expected that there will be any further material impact as a result of adoption of this standard.

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$

Note 2. Revenues from ordinary activities

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Revenue from operating activities				
Sale of goods	22,808,316	22,917,084	-	-
Management fees – controlled entities	-	-	-	835,000
	22,808,316	**22,917,084**	**-**	**835,000**
Revenue from outside the operating activities				
Gross proceeds from sale of non-current assets	-	157,400	-	184,400
Interest revenue	26,691	92,250	100,386	81,464
Gain or loss on disposal of non current assets	(50,741)	-	-	-
Gain on change in ownership interests in subsidiary	1,283,675	-	-	-
Insurance claim	786,002	-	-	-
Other	289,261	41,974	6,791	9,401
	2,334,888	**291,624**	**107,177**	**90,866**
	25,143,204	**23,208,708**	**107,177**	**925,866**

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Note 3. Profit from ordinary activities has been determined after the following:				
Individually significant expenses included in profit from ordinary activities before income tax expense:				
Product recall costs	-	4,820,017	-	18,227
Provision and write downs of:				
- Receivables intercompany	-	-	(4,254,841)	8,729,808
- Inventories	-	646,433	-	-
- Deferred FDA costs	-	3,516,841	-	-
- Research and development costs	-	3,031,686	-	-
	-	**(12,014,977)**	**(4,254,841)**	**(8,748,035)**
Ordinary Expenses:				
Depreciation of:				
- Plant and equipment	330,085	471,834	20,956	29,193
- Amortisation of leased plant and equipment	59,163		-	-
- Amortisation on Goodwill	459,624	476,827	-	-
Total depreciation and amortisation	**848,872**	**948,661**	**20,956**	**29,193**
Borrowing costs:				
Bank loans and overdraft	227,871	83,031	19,596	-
Loan interest	178,165	421,631	178,165	418,041
Interest – convertible notes	1,793,436	899,600	1,793,436	899,601
Convertible notes issue expense	18,000	377,542	18,000	377,542
Commercial bills	-	3,589	-	3,589
	2,217,472	**1,785,393**	**2,009,197**	**1,698,773**
Net bad and doubtful debts expense including movement in provision for doubtful debts	(84,920)	256,011	(13,082)	8,742,890
Net foreign exchange loss/(gain)	(83,422)	662,354	-	(1,166)
Research and development expenditure expensed as incurred	34,051	95,969	-	-
Write downs in:				
- Deferred FDA costs	-	3,516,841	-	-
- Research and development expenditure	-	3,031,686	-	-
- Inventories	-	646,433	-	-

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Note 4. Auditors remuneration				
Audit services				
Auditors of the company	112,816	116,978	112,816	116,978
Other auditors	74,318	66,767	-	-
	187,134	**183,745**	112,816	**116,978**
Other services				
Auditors of the company	42,468	61,888	42,468	61,888
Other auditors	11,689	27,168	-	-
	54,157	**89,056**	42,468	**61,888**

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Note 5. Taxation				
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit/(loss) from ordinary activities before income tax expense	**(2,025,447)**	**(17,226,017)**	**(7,283,021)**	**(13,415,229)**
(a) Income tax expense				
Income tax expense/(benefit) calculated at 30%				
Economic entity	(607,634)	(5,167,865)	-	-
Parent entity	-	-	(2,184,906)	(4,024,568)
Other members of the income tax consolidated group net of intercompany transactions	-	-	(65,290)	-
Increase in income tax due to:				
Amortisation and write-off of goodwill	-	476,827	-	-
Non-deductible expenses (including entertainment)	93,225	57,123	4,585	-
Non-deductible loss on disposal of assets	5,865	-	5,865	
Write down of assets	28,331	-	1,601,594	-
Effects of change in tax rate	340,099	-	-	-
Decrease in income tax expense due to:				
Effect of lower rates of tax on overseas income	(562,847)	-	-	-
Income tax expense/(benefit) on operating profit before individually significant income tax items	(702,961)	(4,633,855)	(638,151)	(4,024,568)
Individually significant income tax items:				
Tax expense on the intra-group transfer of technology not subject to rollover relief	-	-	-	-
Tax losses not recovered as future income tax benefit	1,268,731	4,925,696	638,151	4,024,568
	565,770	291,841	-	-
Add: Income tax under / (over) provided in prior year	(282,612)	-	(79,953)	-
Other items	20,373	-	-	-
Deferred tax assets not recognised during the financial period	(416,895)	-	-	-
Income tax expense/(benefit) attributable to operating profit	**(113,364)**	**291,841**	**(79,953)**	**-**

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
(b) Current tax liabilities				
Provision for current income tax				
Movements during the year:				
- Balance at beginning of year	316,826	641,523	116,677	221,040
- Income tax paid: operating activities	238,309	(629,033)	(5,572)	(48,898)
	555,135	12,490	111,105	172,142
Current year's income tax expense on operating profit	(33,410)	291,841	-	-
Foreign exchange translation difference	(1,608)	12,495	-	(55,465)
Under / (over) provision in prior year	(282,612)	-	(79,953)	-
	237,505	**316,826**	**31,152**	**116,677**
Future income tax benefit not taken to account				
The potential future income tax benefit in controlled entities, which are companies, arising from tax losses and timing differences have not been recognised as assets because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond reasonable doubt:				
Tax losses carried forward	**14,097,397**	**13,984,033**	**4,104,521**	**4,024,568**

The potential future income tax benefit will only be obtained if:

(i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the relevant company and / or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant company and / or the consolidated entity in realising the benefit.

Note 6. Earnings per share	2004 No.	2003 No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	52,869,007	51,869,007
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	52,869,007	51,869,007
	$	$
Adjusted net profit/(loss) used in the calculation of both basic and diluted earnings per share	(1,472,546)	(18,361,903)

Classification of securities as potential ordinary shares

The options issued in connection with the Share Option Plan, Unsecured Convertible Notes and the current financing arrangements are not considered dilutive and have not been included in either basic or diluted EPS calculations.

Note 7. Segment Reporting

Primary reporting – business segments

	Health		Medical		Other		Consolidated	
	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $
Revenue								
External sales	15,029,688	15,463,193	8,705,465	7,745,515	1,408,051	-	25,143,204	23,208,708
Inter-segment sales	-	-	-	-	-	-	-	-
Total segment revenue	15,029,688	15,463,193	8,705,465	7,745,515	1,408,051	-	25,143,204	23,208,708
Result								
Segment result	(2,053,419)	(5,899,831)	2,773,894	(2,935,158)	(2,745,922)	(8,391,025)	(2,025,447)	(17,226,017)
Profit from ordinary activities before income tax expense							(2,025,447)	(17,226,017)
Income tax (expense)/benefit							113,364	(291,841)
Profit from ordinary activities after income tax							**(1,912,083)**	**(17,517,858)**
Net profit							**(1,912,083)**	**(17,517,858)**
Segment assets	231,810	2,354,542	7,610,823	5,686,578	11,168,248	11,555,979	19,010,881	19,597,099
Segment liabilities	(5,932,332)	(18,946,031)	(1,792,786)	(3,210,449)	(21,480,911)	(6,767,823)	(29,206,029)	(28,924,303)
Individually significant items								
Product recall costs		4,801,790	-	-		18,227		4,820,017
Write down in inventories		646,433	-	-		-		646,433
Write down deferred FDA costs		-	-	3,516,841		-		3,516,841
Write down of research & development costs		-	-	-		3,031,686		3,031,686
Write off intercompany receivable					4,254,842			

Business Industry segments	**Product / services**
Health	OTC vitamins and supplements
Medical	Medical diagnostic equipment
Other	Unallocated corporate costs

Secondary reporting – geographic segments

	Australia		Asia		Europe		Other		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
		$	$	$	$	$	$	$	$	$
External Revenue	7,123,717	5,364,457	9,985,466	11,766,498	6,017,541	5,770,699	2,016,480	15,430	25,143,204	22,917,084
Segment assets	16,011,636	9,854,945	(1,489,142)	4,289,424	3,867,498	5,094,975	620,889	357,755	19,010,881	19,597,099
Acquisition of non current assets	-	6,299,060	-	(312,129)	-	(1,073,545)	-	-	-	4,913,386

Inter-segment pricing is determined on an arm's length basis.

The countries in Asia include Singapore, Malaysia, Taiwan, Hong Kong, Indonesia, Philippines, Vietnam, China, Japan, Cambodia and Laos. European distributors operated from France, Belgium, England, Germany and Sweden.

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Note. 8 Cash				
Cash	784,692	501,470	338,106	179,506
Short term deposits	182,171	178,226	-	-
	966,863	**679,696**	**338,106**	**179,506**

The deposits are bearing interest at rates between 4 % and 5% per annum.

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Note 9. Receivables				
Current				
Trade debtors	3,212,788	2,852,698	(10)	31,641
Less: Provision for doubtful debts	(497,065)	(568,903)	-	(13,082)
	2,715,723	2,283,795	(10)	18,559
Other debtors	3,283,521	3,542,478	250,000	-
Less: Provision for doubtful debts	(2,844,808)	(3,542,478)	-	-
	438,712	-	250,000	-
	3,154,435	**2,283,795**	**249,090**	**18,559**
Non-current				
Loans to controlled entities	**-**	**-**	**-**	**3,097,354**

Other debtor amounts generally arise from transactions outside the operating activities of the consolidated entity. Included in other debtors is a receivable which the company is owed by the former managing director, Mr Pang. As a result of the uncertainty surrounding the recovery of damages awarded, the current directors considered it appropriate to provide in full against this debt.

Note 10. Inventories

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Current				
Raw materials – at cost	341,052	2,918,036	-	-
Finished goods – at lower of cost or net realisable value	3,795,353	2,775,124	-	-
	4,136,405	**5,693,160**	**-**	**-**

Note 11. Other current assets

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Prepayments	103,631	233,280	2,534	28,528
Security deposits	497,503	176,328	-	-
Other	830,151	435,050	149,071	11,567
	1,431,285	**844,658**	**151,605**	**40,095**

Note 12. Other financial assets

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Non-current				
Investments in controlled entities	-	-	4,221,300	6,553,344
Investments in listed entities – at cost	-	2,000	-	-
	-	**2,000**	**4,221,300**	**6,553,344**

		Consolidated		Company	
		2004	2003	2004	2003
		$	$	$	$
Note 13.	**Property plant and equipment**				
	Leasehold improvements				
	At cost	282,389	287,332	-	-
	Accumulated depreciation	(218,217)	(186,839)	-	-
		64,172	100,493	-	-
	Plant and equipment				
	At cost	2,043,578	2,167,389	54,426	89,896
	Accumulated depreciation	(1,483,629)	(1,387,836)	(33,489)	(37,030)
		559,949	779,553	20,937	52,866
	Leased Plant and equipment				
	At capitalised cost	2,175,090	2,092,892	-	-
	Accumulated amortisation	(787,098)	(581,717)	-	-
		1,387,992	1,511,175	-	-
	Total carrying value	**2,012,113**	**2,391,221**	**20,937**	**52,866**
	Reconciliations				
	Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
	Leasehold improvements				
	Carrying amount at the beginning of the year	100,493	163,172	-	-
	Additions	-	3,464	-	-
	Disposals	(4,943)	(24,313)	-	-
	Amortisation	(31,378)	(41,830)	-	-
	Carrying amount at the end of the year	**64,172**	**100,493**	**-**	**-**
	Plant and Equipment				
	Carrying amount at the beginning of the year	779,553	1,894,662	52,866	65,362
	Additions	-	45,413	-	45,411
	Disposals	(123,812)	(452,865)	(31,929)	(28,715)
	Depreciation	(95,792)	(707,657)	-	(29,192)
	Net foreign currency differences on translation of self-sustaining operations	-	-	-	-
	Carrying amount at the end of the year	**559,949**	**779,553**	**20,937**	**52,866**
	Leased plant and equipment				
	Carrying amount at the beginning of the year	1,511,175	906,639	-	-
	Additions	82,199	1,133,221	-	-
	Disposals	-	-	-	-
	Amortisation	(205,382)	(528,685)		-
	Carrying amount at the end of the year	**1,387,992**	**1,511,175**	**-**	**-**

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Note 14. Intangibles				
Goodwill – at cost	9,429,310	9,429,310	-	-
Accumulated amortisation	(2,119,530)	(1,751,150)	-	-
	7,309,780	**7,678,160**	**-**	**-**

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Note 15. Other non-current assets				
Deferred USA FDA approval costs				
Expenditure brought forward	-	2,199,828	-	-
Written off	-	(2,199,828)	-	-
	-	-	-	-
Research and development costs				
Expenditure brought forward	-	2,359,737	-	-
Deferred in current period	-	-	-	-
Written off	-	(2,359,737)	-	-
	-	-	-	-
Capital work in progress	-	24,409	-	-
	-	**24,409**	**-**	**-**

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Note 16. Payables				
Trade creditors	3,225,315	4,529,665	213,453	381,202
Other creditors and accruals	5,166,950	4,517,245	2,372,837	1,281,926
	8,392,265	**9,046,910**	**2,586,290**	**1,663,128**

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Note 17. Interest bearing liabilities				
Current				
Bank overdraft – secured	629,777	1,012,957	-	-
Loans – secured	1,226,770	-	953,840	-
Lease liabilities	221,477	208,787	-	-
	2,078,024	**1,221,744**	**953,840**	**-**
Non-current				
Loans – unsecured	32,455	366,043	-	341,417
Lease liabilities	188,908	320,588	-	-
Convertible notes issued	17,019,980	16,367,306	17,019,980	16,367,306
Other	-	8,110	-	-
	17,241,343	**17,062,047**	**17,019,980**	**16,708,723**
Financing arrangements The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank overdrafts	629,777	1,012,957	-	-
Trade Finance	671,200	391,000	-	-
Other Finance	3,494,243	-	3,341,417	341,417-
	4,795,220	1,403,957	3,341,417	341,417-
Facilities utilised at balance date:				
Bank overdrafts	629,777	1,012,957	-	-
Trade Finance	671,200	-	-	-
Other Finance	1,106,667	-	953,841	341,417-
	2,407,644	1,012,957	953,841	341,417-
Facilities not utilised at balance date:				
Bank overdrafts	-	-	-	-
Trade Finance	-	391,000	-	-
Other Finance	2,387,585	-	2,387,585	-
	2,387,585	391,000	2,387,585	-

Bank overdrafts:
Interest on bank overdrafts is charged at prevailing market rates. The weighted average interest rate for all overdrafts as at as at 31 December 2004 is 5.87 % (2003: 5.75 %). The bank overdrafts of the controlled entities are secured by guarantees from the Company.

Bank trade finance loans:
VitaHealth Laboratories (Singapore) Pte Ltd has available to it a bank overdraft facility of AUD629,777 (SGD750,000) from DBS Bank Ltd secured by a fixed and floating charge and a corporate guarantee from the Company and a AUD119,266 (SGD145,505) Bank facility from OCBC Bank secured by a term deposit of AUD135,707 (SGD177,762). Swiss Bio Pharma Sdn Bhd (Malaysia) has available to it a bank facility of AUD33,560 (RM 100,000 Malaysia Ringgit) from Malayan Banking Bhd secured by a Deposit of a similar amount with the bank and a Trade Finance facility from Malayan Banking Bhd of AUD671,200 (RM 2,000,000 Malaysia Ringgit) secured by a corporate guarantee from the Company.

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

Convertible notes:
The convertible notes issued during the 2004 year are secured by the assets of certain operating subsidiaries of the group. The security ranks second behind senior debt and comprises Indemnities and Guarantees supported by Fixed and Floating Charges over the assets of certain controlled entities.

	2004 $	2003 $	2004 $	2003 $
The carrying amount of assets pledged as security are:				
Cash	966,862	679,695	338,105	179,506
Receivables	3,154,435	2,283,795	249,090	3,115,913
Inventory	4,136,405	5,693,159	-	-
Plant and equipment	2,012,113	2,391,221	20,937	52,588
Other Assets	1,431,287	871,070	4,372,906	6,593,717
Intangibles	7,309,779	7,678,159	-	-
	19,010,881	**19,597,099**	**4,981,038**	**9,941,724**

Note 18. Amounts payable / receivable in foreign currencies

The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates, are as follows:

	Consolidated		Company	
	2004 $	2003 $	2004 $	2003 $
United States dollars				
Amounts payable:				
Current	417,506	366,077	-	-
Amounts receivable:				
Current	3,1801	88,437	-	-
Singapore dollars				
Amounts payable:				
Current	1,407,870	662,302	-	-
Amounts receivable:				
Current	306,874	183,200	-	-
Euros				
Amounts payable:				
Current	2,426,495	1,353,075	-	-
Amounts receivable:				
Current	2,816,907	1,332,509	-	-
Hong Kong dollars				
Amounts payable:				
Current	687	9,245	-	-
Amounts receivable:				
Current	-	106,268	-	-
Malaysian Ringgits				
Amounts payable:				
Current	735,578	889,327	-	-
Amounts receivable:				
Current	665,305	439,851	-	-

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
New Taiwan dollars				
Amounts payable:				
Current	-	4,201	-	-
UK Pound				
Amounts payable:				
Current	-	3,880	-	-
Philippine Pesos				
Amounts payable:				
Current	83	80	-	-
Swiss Francs				
Amounts payable:				
Current	-	2,741	-	-

Note 19. Provisions

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Current:				
Employee entitlements	198,502	311,495	-	30,399
Warranties	7500	7,500	-	-
Deferred share issue	750,000	730,050	750,000	730,050
Other	209,882	116,336	-	
	1,165,884	**1,165,381**	**750,000**	**760,449**
Non-current:				
Employee entitlements	87,619	91,445	-	-
Other	3,389	19,950	-	19,950
	91,008	**111,395**	**-**	**19,950**

	Company		Company	
	2004	2003	2004	2003
	Number	Number	$	$
Note 20. Contributed equity				
Issued and paid-up share capital				
Ordinary shares, fully paid	**52,869,878**	**51,869,878**	**38,081,445**	**37,831,445**
(a) Ordinary shares				
Balance at the beginning of the year	51,869,878	51,869,878	37,831,445	37,831,445
Shares listed under the Vita Life "Long Term Incentive Plan" issued during the year	1,000,000	-	250,000	-
Balance at end of year	**52,869,878**	**51,869,878**	**38,081,445**	**37,831,445**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up the Company ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Subsequent to the year 5,103,047 shares were cancelled by the Board. As a result of the court decision in Singapore confirming the fraudulent activities of Mr Pang and pursuant to the order of the court, the Board deemed it appropriate to cancel 5,103,047 shares effective 7 January 2005.

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Note 21. Reserves				
Foreign currency translation	**188,896**	**(177,837)**	**-**	**-**
Movements during the year				
Foreign currency translation				
Balance at the beginning of the year	(177,837)	756,335	-	-
Net translation adjustment	366,733	(934,172)	-	-
Balance at end of year	**188,896**	**(177,837)**	**-**	**-**

Nature and purpose of reserves

Foreign currency reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation.

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$

Note 22. Retained Profit/(Accumulated losses)

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Retained profits/(accumulated losses) at beginning of year	(46,792,538)	(29,364,767)	(47,158,649)	(33,743,420)
Net profit/(loss) attributable to members of the parent entity	(1,839,279)	(17,427,771)	(7,283,021)	(13,415,229)
Retained profits/(accumulated losses) at the end of the year	**(48,631,817)**	**(46,792,538)**	**(54,441,670)**	**(47,158,649)**

Note 23. Dividends

The company did not declare any dividends during the year.

Note 24. Outside equity interests

Outside equity interests in controlled entities comprise:

	2004 $	2003 $
Opening balance of interest	(188,274)	(115,822)
Interest in operating profit/(loss) after income tax	(208,814)	(90,087)
Interest in share capital	576,874	9,316
Exchange rate difference and adjustments	(13,458)	8,319
Total outside equity interests	**166,328**	**(188,274)**

Note 25. Total equity reconciliation

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Total equity at the beginning of the year	(9,327,204)	9,116,507	(9,327,204)	4,088,025
Total changes in parent entity interest in equity recognised in statement of financial performance	(1,472,546)	(18,361,943)	(7,283,021)	(13,415,229)
Transactions with owners as owners				
- contributions of equity	250,000	-	250,000	-
Total changes in outside equity interest	354,602	(81,768)	-	-
Total equity at the end of the year	**(10,195,148)**	**(9,327,204)**	**(16,360,225)**	**(9,327,204)**

Note 26. Financial instruments

(a) Interest rate risk exposures

The consolidated entity's exposure to interest rate risks and the effective weighted average interest rate by maturity periods is set out in the following table:

	Note	Weighted average interest rate (%)	Floating interest rate	Fixed interest maturing in		Non-interest bearing	Total
				1 year or less	1 to 5 years		
2004							
Financial assets							
Cash assets	8	4.5	784,692	182,171	-	-	966,863
Receivables	9		-	-	-	3,154,435	3,154,435
			784,692	**182,171**	**-**	**3,154,435**	**4,121,298**
Financial liabilities							
Payables	16					8,392,265	8,392,265
Bank overdrafts and loans	17	5.75	629,777	-	-	-	629,777
Loans - Other	17	12.00	953,840	-	-	-	953,840
Loans – Other	17	5.75	-	-	32,455	-	32,455
Convertible notes	17	10.75	-	-	17,019,980	-	17,019,980
Lease liabilities	17	12.00	-	221,477	188,908	-	410,385
			1,583,617	**221,477**	**17,241,343**	**8,392,265**	**27,438,702**
2003							
Financial assets							
Cash assets	8	4.5	501,470	178,226	-	-	679,696
Receivables	9		-	-	-	2,283,795	2,283,795
Investments	12		-	-	-	2,000	2,000
			501,470	**178,226**	**-**	**2,285,795**	**2,965,491**
Payables	16		-	-	-	9,046,910	9,046,910
Bank overdrafts and loans	17	5.75	1,012,957	-	-	-	1,012,957
Loans unsecured	17	12.00	-	366,043	-	-	366,043
Loans – secured	17	10.75	-	-	16,367,306	-	16,367,306
Lease liabilities	17		-	208,787	320,588	-	529,375
Employee entitlements	19		-	311,495	91,445	-	402,940
			1,012,957	**886,325**	**16,779,339**	**9,046,910**	**27,725,531**

(b) Off balance sheet derivative instruments

The group does not enter into forward foreign exchange contracts, or other off balance sheet derivative instruments.

Foreign currency amounts are translated at rates current at the balance date. Unhedged amounts are as disclosed at Note 18.

(c) Credit risk exposures

Credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investment in shares is generally the carrying amount net of any provisions.

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted.

Significant counter parties include:	**2004**	**2003**
Zuellig Malaysia Snd Bhd, Malaysia	21%	21%
Cyclopharma Laboratories SA, France	8%	15%
Health Minders Ltd, Australia	21%	18%
Diethelm Singapore Pte Ltd, Singapore	7%	21%
Other	43%	25%
	100%	100%

(d) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Recognised financial instruments

The carrying amounts of bank term deposits, trade debtors, other debtors, bank overdrafts, accounts payable, bank loans, lease liabilities, dividends payable, and employee entitlements approximate fair value.

The net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

Net fair values

Recognised financial instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	Consolidated			
	2004		**2003**	
	Carrying amount $	**Net fair value $**	**Carrying amount $**	**Net fair value $**
Financial assets				
Cash assets	966,882	966,882	679,696	679,696
Receivables	3,154,435	3,154,435	2,283,795	2,283,795
Investments	-	-	2,000	2,000
Financial liabilities				
Payables	8,392,265	8,392,265	9,046,910	9,046,910
Bank overdrafts and loans	629,777	629,777	1,012,957	1,012,957
Lease liabilities	410,385	410,385	529,375	529,375
Loans - secured	953,840	953,840	366,043	366,043
Convertible notes	17,019,980	17,019,980	16,367,306	16,367,306
Employee entitlements	326,257	326,257	402,940	402,940

Listed shares in other corporations are readily traded in organised markets in a standardised form. All other financial assets and liabilities are not readily traded on an organised market in a standardised form.

Note 27. Commitments for expenditure

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Operating lease commitments				
Operating lease commitments are payable:				
Within one year	415,073	207,843	-	-
One year or later and not later than five years	470,385	172,029	-	-
	885,458	**379,872**	**-**	**-**
Finance lease commitments				
Finance lease commitments are payable:				
Within one year	247,559	247,867	-	-
One year or later and not later than five years	211,182	352,272	-	-
		600,139	-	-
Less: Future lease finance charges	(48,356)	(70,764)	-	-
	410,385	**529,375**	**-**	**-**
Lease liabilities provided for in the financial statements:				
Current	221,477	208,787	-	-
Non-current	188,908	320,588	-	-
Total lease liability	**410,355**	**529,375**	**-**	**-**

The consolidated entity leases production plant and equipment under finance leases expiring from 1 to 5 years. At the end of the lease terms the consolidated entity has the opportunity to purchase the equipment at deemed market rates.

Note 28. Contingent assets and liabilities

Details of contingent assets and liabilities where the probability of future receipts/payments is not considered remote are set out below, as well as details of contingent liabilities, which although considered remote, the directors consider should be disclosed.

The Directors are of the opinion that, unless separately disclosed, provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

(a) Contingent assets not considered remote

VitaHealth Laboratories Pte Ltd, VitaHealth Laboratories (Hong Kong) Ltd, Vita Corporation Pte Ltd and Vita Life Sciences Limited v Pang Seng Meng. Suit No. 640/2002/S. High Court of the Peoples Republic of Singapore

The matter was heard before Judicial Commissioner VK Rajah in the High Court of the Republic of Singapore between 8 March and 17 July 2004. On 23 August 2004 the Singaporean court delivered its final judgment in favour of the Company. Judicial Commissioner VK Rajah made orders granting judgment in favour of the Company against Mr Pang for the following amounts:

VHLS – S$745,611.65
VHLK – S$300,854.75
VLS – S$2,368,821.99

Further it was ordered that the bonus shares issued to Mr Pang pursuant to the terms of the SSA are to be cancelled. Interest is to run on the sums awarded at 3% per annum from the date of filing the statement of claim. The Company was awarded two thirds of its taxed costs.

On 25 August 2004 Mr Pang appealed the entire judgment of the court at first instance.

On 27 August 2004 the Company also lodged a Notice of Appeal. The grounds of appeal were against the parts of the judgement that:

- limit the damages payable by the defendant to VHLS and VHLK,
- does not grant damages to VLS for breaches of the warranties in the SSA or for misrepresentation,
- the limiting of the award for costs to two thirds of the taxed costs; and
- the Plaintiffs were not entitled to recover their accounting expert‘s costs as a disbursement.

On 8 September 2004 the court ordered that the execution of the judgment be stayed pending the withdrawal or disposal of Mr Pang’s appeal.

Ultimately Mr Pang’s appeal was deemed withdrawn and the Company’s appeal was dismissed on 25 January 2005. Accordingly the decision at first instance stands.

The Company is now pursuing enforcement of the judgement in Singapore and Australia.

On 23 March 2005 the Singaporean judgment was registered in Australia and the Company is now able to pursue enforcement of the judgment in Australia.

Vita Health Laboratories (Australia) Pty Ltd & Ors v Pharmatech Industries Sdn Bhd & Ors. Kuala Lumpur High Court Suit No. D1-22-1551-2002

The allegations by the Company are against the Company's contract packer and distributor in Malaysia, two senior managers formerly in charge of the Malaysian business, the former Managing Director and his brother. Damages are unspecified.

The Company has settled with the Malaysian distributor. The Malaysian contract packer has lodged a counter claim for RM 10 million alleging wrongful termination of the packaging agreement.

The trial is expected to be listed for hearing sometime in 2005.

Kate Helena Fraser and Global Herbs Pty Ltd v VitaHealth Laboratories (Australia) Pty Ltd and Vita Life Sciences Limited File No. 6343 of 2003. Supreme Court of New South Wales

The Plaintiffs seeks the sum of $750,000.00 or alternatively $665,039.09 for breach of the sale agreement for Herbs of Gold Pty Ltd.

The Company has filed a defence denying liability and have also filed a Cross Claim against the Plaintiffs. The Cross Claim alleges breaches of Warrantees under the sale agreement. The Company seeks damages for breaches of the Warranties in the sum of $667,273.00.

The matter is expected to be listed for hearing in late 2005.

Pan Pharmaceuticals Limited

On 28th April 2003, the Therapeutic Goods Administration informed Pan Pharmaceuticals Limited ("Pan") that:

- All products manufactured by Pan would be removed from the Australian Register of Therapeutic Goods, and that Pan was required to take immediate steps to recover all such goods manufactured and supplied by it since 1 May 2002. The recall to be conducted to consumer level; and

- The licence to manufacture therapeutic goods was suspended for a period of six months (collectively the "Pan Recall").

Pan was placed in Voluntary Administration on 22 May 2003. On 23 May 2003, the Voluntary Administrator was appointed Administrator of Pan's Australian subsidiaries. Subsequently the Voluntary Administrator was appointed as Liquidator of the Pan companies.

Pan manufactured products for the Vita Health Group for sale in Australia and Asia.

The Pan Recall has resulted in VitaHealth Laboratories (Aust.) Ltd and VitaHealth Laboratories Pte Ltd suffering loss and damage estimated to be in the vicinity of A$18,804,000.00. Formal Proofs of Debts have been filed with the Liquidator.

On 27 April 2004 the Liquidator announced a first interim dividend of 10 cents to unsecured creditors. However as the Liquidator is still adjudicating on the Companies claims they have to date only received a portion of the first interim dividend.

The Liquidator has been unable to confirm a date for the finalisation of the claims of the Company.

(b) Contingent liabilities

Kate Helena Fraser and Global Herbs Pty Ltd v VitaHealth Laboratories (Australia) Pty Ltd and Vita Life Sciences Limited File No. 6343 of 2003. Supreme Court of New South Wales

As noted above the Plaintiffs seek the sum of $750,000.00 or alternatively $665,039.09 for breach of the sale agreement for Herbs of Gold Pty Ltd.

MDS Nordion SA v Vita Medical Ltd & Ors No 50133 of 2002. Supreme Court of New South Wales and **MDS France v Vita Medical Ltd & Ors. Commercial Court to Evry, France**

VML has been joined as a defendant to two separate proceedings in Australia and France. The proceedings seek damages for alleged wrongful termination of a distribution agreement between the parties in the sum of approximately 14.6 million Euros. VML has filed a defence and counterclaim. The proceedings in Australia have proceeded to mediation but could not be settled. The matter has not been set down for trial.

The French proceeding is expected to be heard sometime later in 2005.

VitaHealth Laboratories (Australia) Pty Ltd & Ors v Pharmatech Industries Sdn Bhd & Ors. Kuala Lumpur High Court Suit No. D1-22-1551-2002

As noted above the Malaysian contract packer has lodged a counterclaim for RM10 million alleging wrongful termination of the packaging agreement.

Thomas Wayne Koziol v Vita Medical Limited No IRC 1797 of 2003. Industrial Relations Commission of New South Wales

The Plaintiff has filed an unfair contracts claim in the NSW Industrial Relations Commission. The claim is for between $183,000 to $239,000.

The Company is defending the matter and it is now expected that the matter will be set down for hearing in late 2005.

Bank Facilities of controlled entities

The Company has guaranteed the bank facilities of certain controlled entities.

Trade Payables of Controlled Entities

The Company has guaranteed the unspecified trade payables of various controlled entities in order to attain extended settlement terms

Note 29. Controlled entities

(a) Particulars in relation to controlled entities	Note	Place of incorporation	Ordinary Share Consolidated Entity Interest 2004 %	2003 %
Name				
Vita Life Sciences Limited	1,3	Australia		
Controlled entities				
Vimed BioSciences Pty Limited	3	Australia	100	100
Vimed BioSciences Inc		USA	Deregistered Dec04	100
Allrad No. 19 Pty Limited	3	Australia	100	100
Allrad No. 28 Pty Limited	3	Australia	100	100
Allrad No. 29 Pty Limited	3	Australia	100	100
Vita Medical Limited	3	Australia	100	100
Vitamedica Europe Limited	4	Ireland	100	100
Tetley Research Pty Limited	3	Australia	100	100
Tetley Treadmills Pty Limited	3	Australia	100	100
Lovin Pharma International Limited	4	Ireland	100	100
Power Herbs Pty Limited	3	Australia	100	100
Vita Corporation Pte Limited	5	Singapore	100	100
Swiss Bio Pharma Sdn Bhd	6	Malaysia	90	100
VitaHealth Laboratories Singapore Pte Limited	5	Singapore	100	100
VitaHealth Laboratories Hong Kong Limited	7	Hong Kong	100	100
Vitaron Jaya Sdn Bhd	6	Malaysia	90	100
VitaHealth Laboratories Australia Pty Limited	3	Australia	90	100
VitaHealth Laboratories Indochina Pte Limited	5	Singapore	90	100
Premier Foods Pty Limited	3	Australia	90	100
Herbs of Gold Pty Limited	3	Australia	90	100
Vita Healthcare Asia Pacific Sdn Bhd	6	Malaysia	90	
Vita Healthcare Asia Pacific Pte Limited	5	Singapore	90	
Cyclomedica Europe Limited	2,4	Ireland	50	50

Notes

1. Vita Life Sciences Limited is the ultimate parent entity in the wholly owned group.
2. Cyclomedica Europe Limited is a Joint Venture entity owned 50% by Vitamedica Europe Ltd and 50% by Cyclopharma Laboratoires SA (France). As a result of effective control by the VLS group, the company's results have been consolidated in full in the economic entity.
3. Audited by Gould Ralph & Company, Australia.
4. Audited by HLB Nathans, Republic of Ireland.
5. Audited by Chio Lim & Associates, Singapore.
6. Audited by Horwath Kuala Lumpur Office, Malaysia.
7. Audited by Horwath Hong Kong Group Limited, Hong Kong.

	2004 $	2003 $	2004 $	2003 $
(b) Disposal of controlled entities				
Cash acquired	-	184,400	-	-
Net consideration	**-**	**184,400**	**-**	**-**
Fair value of net assets of entity disposed:				
Property, plant and equipment	-	50,000	-	-
Other assets	**-**	**-**	**-**	**-**
	-	**50,000**	**-**	**-**
Gain on disposal	-	134,400	-	-
Consideration	-	**184,400**	**-**	**-**

(b) Disposal of controlled entities

During the 2004 year the company sold 10% of Vita Healthcare Asia Pacific Sdn Bhd to Vital BioTech Holdings Limited for SGD2.225 million (AUD1.78 million). The recorded gain on changing ownership interests is AUD1.28 million.

Note 30. Interest in joint venture operation

2004
During the financial year Vita Healthcare Asia Pacific Sdn Bhd invested SGD 500,000 into establishing a Chinese joint venture. There was no activity in the joint venture within the People's Republic of China during the year.

	Consolidated		Company	
	2004 $	2003 $	2004 $	2003 $

Note 31. Notes to the statement of cash flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year is shown in the statements of cash flows and is reconciled to the related items in the statements of financial position as follows:

	2004 $	2003 $	2004 $	2003 $
Cash assets	966,863	679,696	338,106	179,506
Bank overdraft	(629,777)	(1,012,957)	-	-
	337,086	**(333,261)**	**338,106**	**179,506**

	Note	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
(b) Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities					
Profit / (loss) from ordinary activities after income tax		(1,839,279)	(17,517,858)	(7,283,021)	(13,415,229)
Add / (less) non-cash items					
(Profit) / loss on sale of non-current assets		-	(134,400)	-	-
Amortisation / depreciation		(848,872)	948,661	(20,956)	29,193
Investment write off		-	6,548,527	4,254,841	8,729,808
Unrealised foreign exchange (gain) / loss		-	941,900	-	-
		(2,688,151)	**(9,213,215)**	**(3,049,136)**	**(4,656,228)**
Change in assets and liabilities:					
(Increase) / decrease in inventories		1,556,755	1,083,342		-
(Increase) / decrease in receivables		(870,640)	1,747,156	2,866,823	223,045
(Increase) / decrease in other loans		(174,950)	-	2,259,524	2,548,052
Increase / (decrease) in creditors		(654,645)	1,504,357	923,162	8,374
Increase / (decrease) in provisions		(19,884)	79,107	(30,399)	109,225
Increase / (decrease) in other liabilities		2,287,606	(5,551,448)	(3,933,755)	(1,252,549)
Net cash provided by / (used in) operating activities		**(563,909)**	**(10,350,701)**	**(963,781)**	**(3,020,081)**

Note 32. Employee entitlements

	Note	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Aggregate liability for employee entitlements, including on costs					
Current	19	198,502	311,495	-	30,399
Non-current	19	87,619	91,445	-	-
		286,121	**402,940**	**-**	**30,399**
Number of employees					
Number of employees at year end		150	168	-	4

Employee share option plan

The Company has an employee share option plan approved at the annual general meeting on 28 May 2001.

The plan provides for employees of the Company and its controlled entities to receive options over ordinary shares at the discretion of the Board. Each option is convertible to one ordinary share. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised. The exercise price of the options, determined in accordance with the Terms and Conditions of the plan, is based on the weighted average price of the Company's shares traded during the five business days preceding the date of granting the option.

All options expire on the earlier of their expiry date or termination of the employee's employment.

There are no unissued ordinary shares of the Company under option as at 31 December 2004.

The Company has undertaken to issue 333,333 free options in Vita Healthcare Asia Pacific Sdn Bhd to its current Managing Director, Mr Eddie Tie. The options have a term of 5 years, and an exercise price of RM 3.58.

Note 33. Directors remuneration

	2004	2003
Directors income The number of directors of the Company whose income from the Company or any related party falls with in the following bands:		
$0 - $9,999	1	-
$30,000 - $39,999	-	-
$40,000 - $49,999	-	1
$170,000 - $179,999	1	-
$180,000 - $189,999	2	-
$240,000 - $249,999	-	1
$340,000 - $349,999	-	1

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party	1,139,084	1,529,758	219,814	800,813

Directors' income includes amounts paid by the Company during the year to indemnify directors, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

The Company pays a monthly fee to CVC Venture Managers Pty Ltd for the services of Mr John Sharman. Mr Vanda Gould is a Director of CVC Venture Mangers but receives no remuneration from it.

Directors share option plan

The Company has a director share option plan as approved at the annual general meeting on 28 May 2001.

The plan provides for directors of the Company and its controlled entities to receive options over ordinary shares at the discretion of the Board. Each option is convertible to one ordinary share. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised. The exercise price of the options, determined in accordance with the Terms and Conditions of the plan, is based on the weighted average price of the Company's shares traded during the five business days preceding the date of granting the option.

All options expire on the earlier of their expiry date or termination of the director's employment.

There are no unissued ordinary shares of the Company under option.

At the 2004 AGM, Shareholders approved a Long Term Incentive Plan for Directors and Employee's. Pursuant to that plan Mr John Sharman was granted a limited recourse loan of $250,000 which was used to purchase 1 million Vita Life Shares at 25 cents. Recourse for the loan is strictly limited in all circumstances to the Vita Life shares purchased with the proceeds of this loan.

	Consolidated		Company	
	2004	2003	2004	2003

Note 34. Executives remuneration

The number of Australian based executive officers of the Company and of controlled entities, whose remuneration from the Company or related parties, and from entities in the consolidated entity, falls within the following bands:

	Consolidated 2004	Consolidated 2003	Company 2004	Company 2003
$100,000 - $109,999	2	1	-	1
$110,000 - $119,999	-	1	-	-
$130,000 - $139,999	-	-	-	-
$150,000 - $159,999	1	1	-	-
$160,000 - $169,999	-	1	-	-
$170,000 - $179,999	-	-	-	-
$240,000 - $249,999	-	1	-	-
$310,000 - $319,999	-	1	-	-
$340,000 - $349,999	-	1	-	1

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Total income in respect of the financial year received, or due and receivable, from the Company, entities in the consolidated entity or related parties by executive officers of the Company and of controlled entities whose income is $100,000 or more	361,653	987,349	-	573,915

Executive officers are those officers involved in the strategic direction, general management or control of a business at a company or operating division level.

Executives' remuneration includes amounts paid by the Company during the year to indemnify executives, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

Note 35. Related parties

Directors

The name of each person holding the position of director of Vita Life Sciences Limited during the year are Messrs V R Gould, G K Adams, J S Sharman and H G Townsing.

Remuneration and retirement benefits

Details of directors' remuneration are set out in Note 33.

Loans to/(from) directors and director related entities

The year end balances of loans to/(from) directors and director related entities are as follows:

	Consolidated		Company	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
V R Gould	(110,000)	(75,000)	(75,000)	(75,000)
J S Sharman	(8,750)	(15,000)	(8,750)	(15,000)
Normandy Finance and Investments Asia Limited	(341,417)	(341,417)	(341,417)	(341,417)
H G Townsing	(8,750)	-	(8,750)	-
SM Pang	-	3,542,478	-	-
	(468,917)	**(3,111,061)**	**(433,917)**	**(431,417)**

The loan (from) V R Gould, J S Sharman and H G Townsing represent accrued and unpaid Directors fees.

Directors' holdings of shares and share options

	2004	**2003**
The interests of directors of the reporting entity and their director related entities in shares and share options of entities within the consolidated entity at year end are set out below:		
Vita Life Sciences Limited		
Ordinary shares		
VR Gould	7,643,815	7,790,699
J S Sharman	1,030,000	30,000
H G Townsing	8,381,894	-
	17,055,709	**7,820,699**
Options over ordinary shares		
G K Adams	-	2,250,000
	-	**2,250,000**
Interest in convertible unsecured notes		
V R Gould	292,563	4,464,546
J S Sharman	50,000	50,000
H G Townsing	50,000	-

Directors' transactions with the Company or its controlled entities

Directors' of the Company, or their director related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

The aggregate amounts recognised during the year relating to directors and their director related entities were as follows:

		Consolidated		Company	
		2004	**2003**	**2004**	**2003**
Director	**Transaction**	**$**	**$**	**$**	**$**
V R Gould	Consultancy fees	181,064	205,771	181,064	205,771
J S Sharman	Consultancy fees	181,064	205,771	181,064	205,771
V R Gould	Finance charge	13,523	175,042	13,523	175,042
H G Townsing	Finance charge	41,082	60,862	41,082	60,862

The amounts disclosed for V R Gould and J S Sharman represent the same fees charged by CVC Venture Managers Pty Ltd. Mr Gould does not receive any remuneration from CVC Venture Mangers Pty Ltd.

Non-director related parties

The class of non-director related parties are:

i) Wholly owned controlled entities
ii) Joint venture entities
iii) Directors of related parties and their director related entities

Transactions

All transactions with non-director related parties are on normal terms and conditions.

The aggregate amounts included in the profit from ordinary activities before income tax expense that resulted from transactions from non-director related parties are:

	Consolidated		Company	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Management fee revenue				
Wholly owned controlled entities	-	-	-	880,000

The aggregate amounts of loans from entities in the wholly-owned group at balance date are:

	Consolidated		Company	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Non-current receivables	**2,844,808**	**-**	-	**3,097,354**
Non-current payables	**-**	**-**	-	**-**

During the year the company won its case against Mr Pang and was awarded damages plus costs. Due to the inherent uncertainty of collection the company has fully provided for this debt.

Ultimate parent entity

Vita Life Sciences Limited is the ultimate parent entity in the wholly owned group.

Zuellig Pharma Sdn Bhd is a company incorporated in Malaysia. Whilst acting as the VitaHealth Laboratories Pte Limited principal distributor in Malaysia, it accounts for approximately 21% (2003: 21%) of sales by the economic entity.

Health Minders Limited is a company incorporated in Australia. It acts as a distributor for Herbs of Gold Pty Limited in Australia. It accounts for approximately 20% (2003: 19%) of sales by the economic entity.

Cyclopharma Laboratoires SA is a company incorporated in France. It acts as a distributor for Cyclomedica Europe Limited in France only. It accounts for approximately 8% (2003: 8%) of sales by the economic entity.

Note 37. Events subsequent to balance date

Matters subsequent to the end of the financial year

a) New Drug Application ("NDA") for Technegas in the USA

The company has commenced negotiations with its advisors to re-start the NDA programme.

b) Additional drawdown of funds

Subsequent to balance date, a further $500,000 has been obtained from the sale/assignment of the group's rights against insurers and the liquidator of Pan Pharmaceuticals and any future recovery from the auditor of Vita Corporation Pte Limited.

c) Cancellation of Shares

In accordance with the judgment handed down by Justice Rajah in the High Court of the Republic of Singapore against Mr Pang the company cancelled 5,103,047 shares in Vita Life on 7 January 2005.

There are no other material matters subsequent to the end of the financial year.

Director's Declaration

In the opinion of the Directors of Vita Life Sciences Limited ("the Company"):

(a) The Financial Statements and notes of the company and the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 December 2004 and of their performance, as represented by the results of their operations and cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

Subject to the continuing support of noteholders and other matters set out in Note 1(b) to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 9th day of May 2005.

Signed in accordance with a resolution of Directors.

V.R. Gould
Chairman

Gould Ralph & Company Chartered Accountants

INDEPENDENT AUDIT REPORT

To the members of Vita Life Sciences Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration set out no pages 17 to 55 for Vita Life Sciences Limited (the company), for the year ended 31 December 2004. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake share registry and miscellaneous professional services. The provision of these services has not impaired our independence.

Audit Opinion

In our opinion, the financial report of Vita Life Sciences Limited is in accordance with:
the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 31 December 2004 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and other mandatory professional reporting requirements in Australia.

Emphasis of Matters

Without qualification to the opinion expressed above, attention is drawn to the following matters:

Inherent Uncertainty Regarding Litigations

As indicated in Note 28 to the financial statements, the Company and several controlled entities are parties, both as appellant and defendant, to various separate litigations which give rise to potentially material contingent assets and liabilities. Whilst the company believes it will be successful in each of these cases, as with most litigation, the outcomes cannot presently be determined with an acceptable degree of reliability and accordingly no asset has been recognised nor has provision for any liability that may result, other than legal costs, been made in the financial statements.

Inherent Uncertainty Regarding Continuation as a Going Concern

As a result of the matters described in Note 1(b), there is significant uncertainty whether the economic entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

GOULD RALPH & COMPANY
Chartered Accountants

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

Sydney, 9 May 2004

Member of Russell Bedford International – with affiliated offices worldwide
Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)