



PHOSPHAGENICS

27 February 2004

The Manager
Companies Announcement Office
Australian Stock Exchange Limited

Dear Sir,

RE : Phosphagenics Limited

Enclosed for release to the market is the Company's Appendix 4E Report incorporating the Financial Statements of Performance, Position and Cash Flows for the year ended 31 December 2003.

Yours Faithfully,

Phosphagenics Limited

Mourice Garbutt
Company Secretary

Phosphagenics Limited
ACN 056 482 403 ABN 32 056 482 403

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PHOSPHAGENICS LIMITED

(A.B.N. 32 056 482 403)

APPENDIX 4E

PRELIMINARY REPORT FOR THE YEAR ENDED ON 31 DECEMBER 2003

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Appendix 4E

Preliminary final report Period ending on or after 30 June 2003

Introduced 1/1/2003. Origin: Appendix 4B

Name of entity

Phosphagenics Limited (Formerly Vital Capital Ltd)

The following information must be given to ASX under listing rule 4.3.

1.

ABN or equivalent company
reference

Year ended:
current period

previous corresponding period

32 056 482 403

31 December 2003

31 December 2002

Results for announcement to the market

\$A'000

2.1 Revenues from ordinary activities	down	5.9%	to	240
2.2 Profit (loss) from ordinary activities after tax attributable to members	down	38.8%	to	(2,662)
2.3 Net profit (loss) for the period attributable to members	down	38.8%	to	(2,662)
2.4 Dividends (distributions)				
		Amount per security		Franked amount per security
Final dividend		-		-
Interim dividend		-		-
Previous corresponding period:				
Final dividend		-		-
Interim dividend		-		-
2.5 Record date for determining entitlements to the dividend		N/A		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.				

Note: The information required by item 2 must be placed at the beginning of the report. The other information may be presented in whatever way is the most clear and helpful to users, eg combined with the body of the report, combined with notes to the accounts, or set out separately.

+ See chapter 19 for defined terms.

3. A statement of financial performance together with notes to the statement, prepared in compliance with AASB 1018 or the equivalent foreign accounting standard:

Attached statement of financial performance.

4. A statement of financial position together with notes to the statement. The statement may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals:

Attached statement of financial position.

5. A statement of cash flows together with notes to the statement. The statement of cash flows may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 1026 Statement of Cash Flows, or for foreign entities, the equivalent foreign accounting standard:

Attached statement of cash flows.

+ See chapter 19 for defined terms.

6. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable, and (if known) the amount per security of foreign sourced dividend or distribution:

Dividend or distribution payments:	Amount	Date on which each dividend or distribution is payable	Amount per security of foreign sourced dividend or distribution (if known)
N/A			
Total			

7. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan:

N/A

8. A statement of retained earnings showing movements:

	Current period \$A'000	Previous corresponding period \$A'000
Retained profits (accumulated losses) at the beginning of the financial period	(22,971,328)	(18,622,564)
Net profit (loss) attributable to members	(2,661,601)	(4,348,764)
Net transfers from (to) reserves	-	-
Net effect of changes in accounting policies	-	-
Dividends and other equity distributions paid or payable	-	-
Retained profits (accumulated losses) at end of financial period	(25,632,929)	(22,971,328)

+ See chapter 19 for defined terms.

9. Net tangible assets per security with the comparative figure for the previous corresponding period.

	Current period	Previous corresponding Period
Net tangible assets per security	19.45 cents	9.80 cents

10. Details of entities over which control has been gained or lost during the period:

10.1 Name of the entity. N/A

10.2 The date of the gain or loss of control.

10.3 Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.

Current period	Previous corresponding period
\$	\$

11. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.

Name of entity	% Holding	Aggregate Share of profit (losses)		Contribution to net profit	
		Current period \$'000	Previous corresponding Period \$'000	Current period \$'000	Previous corresponding Period \$'000
Petrecycle Ltd	32.83	N/A	N/A	(825)	(930)
Vital Health Sciences Ltd	36.70	N/A	N/A	(1,007)	(1,032)
Adoil Pty Ltf	-	N/A	N/A	(45)	(7)
Natraherbal Pty Ltd	-	N/A	N/A	-	(453)

+ See chapter 19 for defined terms.

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position:

N/A

13. For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).

N/A

14. A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following:

- 14.1 The earnings per security and the nature of any dilution aspects:

Basic earnings per share (1.74) cents

Diluted earnings per share (1.74) cents

- 14.2 Returns to shareholders including distributions and buy backs:

N/A

+ See chapter 19 for defined terms.

14.3 Significant features of operating performance:

During the year, a placement of 20,942,000 shares was made resulting in a capital raising of \$5,235,500. This enabled the Company to take up further options in two of its investments as well as providing the Company with additional working capital.

14.4 The results of segments that are significant to an understanding of the business as a whole:

N/A

14.5 A discussion of trends in performance:

N/A

14.6 Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified:

LIKELY DEVELOPMENTS AND FUTURE RESULTS

On 23 June 2003, Vital Health Sciences Limited, an investee company, signed an agreement with International Specialty Products Inc for exclusive distribution of its Vitamin E complex to the oral care industry.

On 31 October 2003, Vital Health Sciences Limited, an investee company, signed an agreement with Zila Inc. licensing the sale for its Vitamin E product to the dietary supplement market in North America.

Phosphagenics Ltd (formerly Vital Capital Limited) has also been advised by Petrecycle Ltd, an investee company, that it is in active discussion with global PET producers regarding the commercial licencing of Petrecycle's recycling technologies.

Subject to the success of these negotiations and the commercialisation of the technologies contained therein the investee companies expect to crystallize their inherent commercial worth which should then flow through to their shareholders in the form of capital growth and/or dividends.

+ See chapter 19 for defined terms.

SIGNIFICANT AFTER BALANCE DATE EVENTS

At a General Meeting of the members of Phosphagenics Limited (formerly Vital Capital Limited) held on 29 January 2004, the members approved the following resolutions:

- (i) The acquisition by the Company of all shares in Vital Health Sciences Limited not held by the Company; and the issue by the Company of 297,294,235 ordinary shares credited as fully paid in consideration for the acquisition of the 63.3% of the shares not currently owned by Phosphagenics Limited (formerly Vital Capital Limited) in Vital Health Sciences Limited in accordance with the terms of agreements between the vendors of

Shares in Vital Health Sciences Limited and the Company.

- (ii) That the Company change its name to "Phosphagenics Limited" as from 9 February 2004.
- (iii) That the company approve the placement of 20,942,000 fully paid ordinary shares issued on 7 November 2003 at 25 cents per share.
- (iv) That, in accordance with clause 59 of the Company's constitution, the maximum aggregate sum of non-executive directors' fees be set at \$300,000 per annum.

Discontinuing Operation

- (v) The investment in Petrecycle Limited is to be disposed of through the payment of an in specie dividend on the basis of one Petrecycle Limited share for each 10 Phosphagenics Limited shares held at 9 February 2004.

The financial effect of the above transactions have not been recognized in the financial report.

15. A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.

The accounts of the Company are in the process of being audited.

Note: If the accounts have been audited or subject to review, the audit report should be provided with the report.

16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:

N/A

+ See chapter 19 for defined terms.

17. For all entities, if the accounts are subject to audit dispute or qualification, a description of the dispute or qualification.

N/A

Signed by Company Secretary:



Name: Mourice Garbutt
Date: 27 February 2004

PHOSPHAGENICS LIMITED
(Formerly Vital Capital Ltd)
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 \$	2002 \$
Other revenue from ordinary activities	2	240,203	255,213
Employee and directors benefits expense		(158,129)	(136,355)
Occupancy and communication expenses		(221,949)	(191,275)
Consulting and professional services		(480,883)	(593,362)
Administrative expenses		(96,993)	(89,598)
Other expenses from ordinary activities		(88,054)	(127,035)
Share of net losses of associates accounted for by using the equity method	3	(1,877,518)	(2,422,030)
Diminution of investments in unlisted securities	8	(62,032)	(803,998)
Realised profit/(loss) on marketable securities		70,000	-
Unrealised profit/(loss) on marketable securities		13,754	(240,324)
Loss from ordinary activities before income tax expense		(2,661,601)	(4,348,764)
Income tax expense	5	-	-
Net loss		<u>(2,661,601)</u>	<u>(4,348,764)</u>
Net movement in asset revaluation reserve		12,285,472	-
Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity		<u>12,285,472</u>	-
Total changes in equity other than those resulting from transactions with owners as owners		<u>9,623,871</u>	<u>(4,348,764)</u>
Basic earnings per share (cents per share)	17	(1.74)	(2.95)
Diluted earnings per share (cents per share)	17	(1.74)	(2.95)

PHOSPHAGENICS LIMITED
(Formerly Vital Capital Ltd)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003

	Note	2003 \$	2002 \$
CURRENT ASSETS			
Cash assets		2,311,753	2,196,023
Receivables	9	65,708	31,459
Other financial assets	6	13,782	-
Other		32,277	22,045
TOTAL CURRENT ASSETS		<u>2,423,520</u>	<u>2,249,527</u>
NON-CURRENT ASSETS			
Investments accounted for by using the equity method	7	26,889,013	12,469,571
Property, plant and equipment	10	95,773	119,716
TOTAL NON-CURRENT ASSETS		<u>26,984,786</u>	<u>12,589,287</u>
TOTAL ASSETS		<u>29,408,306</u>	<u>14,838,814</u>
CURRENT LIABILITIES			
Payables	11	25,118	30,350
TOTAL CURRENT LIABILITIES		<u>25,118</u>	<u>30,350</u>
TOTAL LIABILITIES		<u>25,118</u>	<u>30,350</u>
NET ASSETS		<u>29,383,188</u>	<u>14,808,464</u>
EQUITY			
Contributed equity	12	39,700,813	34,749,960
Reserves	22	15,315,304	3,029,832
Accumulated losses	13	(25,632,929)	(22,971,328)
TOTAL EQUITY		<u>29,383,188</u>	<u>14,808,464</u>

PHOSPHAGENICS LIMITED
(Formerly Vital Capital Ltd)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003	2002
		\$	\$
Cash Flows from Operating Activities			
Interest received		96,075	127,715
Other receipts from non-operating activities		153,439	165,462
Payments to suppliers and employees		(1,151,351)	(1,266,440)
Net GST movement		70,234	74,699
		<u> </u>	<u> </u>
Net cash used in operating activities	20(2)	<u>(831,603)</u>	<u>(898,564)</u>
Cash Flows from Investing Activities			
Payments for other financial assets		(4,073,520)	(1,000,008)
Proceeds from sale of investments		70,000	-
Payments for plant and equipment		-	(5,248)
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(4,003,520)</u>	<u>(1,005,256)</u>
Cash Flows from Financing Activities			
Proceeds from share issues		4,948,749	814,745
Proceeds from exercise of options		2,104	1,500
		<u> </u>	<u> </u>
Net cash provided by financing activities		<u>4,950,853</u>	<u>816,245</u>
Net increase/(decrease) in cash held		115,730	(1,087,575)
Cash at Beginning of the Financial Year		<u>2,196,023</u>	<u>3,283,598</u>
Cash at End of Financial Year	20(1)	<u><u>2,311,753</u></u>	<u><u>2,196,023</u></u>