



# VITA GROUP

ANNUAL REPORT FY19

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*Love*  
WHAT DO  
**YOU** DO

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# Vita Group: built for success

**Vita Group has 24 years of experience in enhancing our customers' way of life and delivering value for all of our stakeholders.**

Starting from a single point of presence as Fone Zone - Australia's first mobile phone retailer in a shopping centre - today Vita operates across three categories with more than 120 points of presence, 1,700 team members and revenues of \$753.7 million (as at 30 June 2019).

Vita Group's success is cemented in our unwavering focus on delivering exceptional customer experiences

in all that we do. Our competency is in creating true value for our customers through expert consulting and providing tailored solutions which exceed expectations.

When it comes to differentiating from our competitors, it's not just consulting that gives Vita Group the advantage - it's the way that we work, it's our values, and it's our team of dynamic and dedicated people - all of which assist in delivering on our strategy. As we say in one of our values: *our people and customers are everything to us.*

## Our Brands



Our skin-health and wellness brand, empowering Australians to look and feel their confident best.

*Master the artistry of you®.*



Australia's leading telecommunications and technology company, offering a full range of communications products and services to consumers, small businesses, and enterprise customers.



Our in-house and industry leading technology accessories brand. Stocked in more than 400 retail outlets across Australia, Sprout has accessories for all your favourite gadgets.



Inspiring men to be fit for life, through a range of cutting-edge men's athletic wear.

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# FY19 Highlights

GROUP REVENUES

**\$753.7M**

EBITDA

**\$45.8M**

NPAT

**\$24.3M**

EBIT

**\$34.7M**

## Performance momentum in Information and Communication Technology (ICT)

- Solid increase in ICT result, led by Retail ICT
- Growth in plan value, hardware and related adjacencies
- Value created through high quality customer consultations, with a focus on delivering value
- Strategically aligned long-term partnership with Telstra
- Team members supported and enabled with:
  - Best in class proprietary tools and processes
  - Coaching

## Skin-health and Wellness (SHAW) established and primed for growth

- Platform for growth established
- Clinic network expansion to 13, as at 30 June 2019
- Medical board and clinical protocols in place
- Training organisation (Face Academy) and proprietary software solution (cosmedcloud™) acquired

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*We're*  
**PROUD TO  
BE  
PROFITABLE: AS  
PROFITABILITY  
EQUALS OPPORTUNITY**

# Year in Review Chairman and CEO

**Maxine Horne**  
Chief Executive Officer



**Dick Simpson**  
Chairman



**Vita Group enjoys a diverse and dynamic history. One constant is our ability to execute and adapt in an ever-changing market. FY19 was no exception, where Vita delivered record revenues, solid profit growth, and made significant progress towards our strategic commitments.**

Our teams delivered group revenues of \$753.7 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) were \$45.8 million, which was up 12 per cent on prior year, due to a strong performance from our Information and Communication Technology (ICT) channel. Net profit after tax was \$24.3 million, and the board declared a fully franked dividend of 9.2 cents per share.

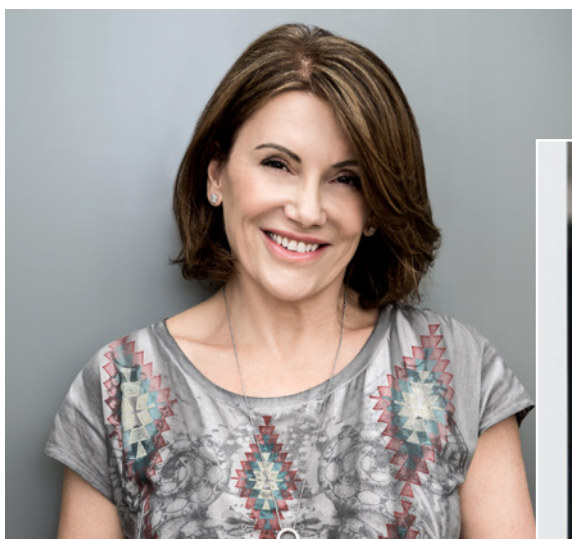
In total, ICT channel revenues were up nine per cent on last year, with our Retail ICT division growing an impressive 17 per cent. This was achieved by robust sales in hardware and adjacencies, our focus on creating value for our customers, as well as improvements in operational efficiency. Small-to-medium Business ICT revenues declined due to transformation within the channel, including the migration of small business customers to retail stores.

Vita's accessories brand, Sprout, delivered an excellent contribution, with strong sales in all distribution channels, underpinned by further product innovation, and a focus on quality and safety.

The group's diversification into the Skin-health and Wellness (SHAW) category accelerated, in line with our strategy. This channel shows significant promise for medium to long term value creation. In the last 12 months, we established the new Artisan brand and added capability to the teams by embedding the discipline, systems and structures that Vita has built its reputation on. Our network of clinics grew through five acquisitions and three greenfield locations. We also acquired a medical training organisation, Face Academy, and proprietary software solution, cosmedcloud™. To support our vision of providing the highest quality treatments and medical care for our clients, we established a medical board to oversee standards of medical care, compliance and operating practices and protocols.

Group operating expenditure increased by eight per cent as a result of additional investment in supporting our high-performing sales team to deliver strong results, plus some wage inflation and the cost of building infrastructure in our SHAW channel. Importantly, support costs remained flat and group productivity increased during the year.





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**We have a business that is agile, robust and flexible.”**

As we head into FY20, we have a clear vision of what we wish to achieve. In ICT, our longstanding partnership with Telstra remains strong and aligned, as we work to drive device and accessory sales, capitalising on the new casual, no lock-in plans recently launched. As disclosed to the market in June 2019, as part of negotiations with Telstra, the group agreed to forego some legacy remuneration components amounting to approximately \$12 to \$13 million per annum, in exchange for an extension of tenure (currently to 30 June 2024), an annual performance-based extension mechanism, and an increase in the number of stores Vita can own and operate, to 115. We will look to offset the removal of bespoke remuneration by increasing sales, targeting higher levels of productivity, and optimising our physical network.

We will focus on growth within the SHAW channel throughout FY20. Our balance sheet remains strong, with no net debt, giving us the flexibility needed to invest in the channel. We are confident that the foundations we have laid in this channel will lead to strong and sustained profitability in the future.

In all our businesses, we set ourselves apart from our competitors by consulting with our customers, educating them and creating value for them by

providing products and services that not only meet their needs but enhance their way of life. Our ability to consult is what we have become renowned for, and it is why our customers return and refer others. We support our team members with tools and processes, as well as coaching and development to help them to grow in their roles and to improve the organisation's consultative capabilities even further.

These results would not have been possible without the hard work, determination and energy of our Vita people who really are the heartbeat of our organisation. We would like to sincerely thank them for their dedication to the group and to our customers, and their endless positivity and drive, even when times are challenging. We would also like to thank our shareholders, our partners and of course our customers for their ongoing support. It means everything to us.

We have a business that is agile, robust and flexible. Our team is extremely capable and driven, with a proven ability to execute in line with strategy. We will continue to deliver a superior customer experience to drive great results and will not lose sight of our vision to make Vita Group a great place to be.

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**DARE** **TO BE**  
DIFFERENT AS  
*Creativity*  
**DRIVES INNOVATION**



# Our strategy

**Over the past 24 years, the Vita Group team has continuously adapted and evolved our strategic plan to ensure that Vita is always set up for success. This strategic plan is summarised in our 'strategy house' graphic, which outlines our vision, purpose, strategic priorities, and our foundation principles.**

Our vision is to make Vita Group a great place to be – even in times of change and challenge – for our team, our customers, our partners, and our shareholders. Our purpose is to enhance our customers' ways of life through expert consulting and creating value. We do this with each customer, across all the categories we operate in.

In our Information and Communication Technology channel, we're evolving our Retail ICT division and transforming our Business ICT division. This includes our accessory brand, Sprout.

In our Skin-health and Wellness channel, we're building and growing the Artisan Aesthetics business – and we have big plans for the future. To enable this to happen, we execute and out-perform through our CARE framework. It's the way we roll!

Underpinning our ability to execute well is our key ingredient: our people. We know success is only maintained through high-performing teams, so that's why we spend so much effort to create teams that are high performing, and then enable them with innovative systems, products, and processes. Our proprietary XLR8™ Journals tool is one of many parts of this process.

Our values underpin our strategy. Our values aren't just words on a wall; decisions are made through the values, and every team member and leader is measured on how they perform against the Vita values. We really live our values at Vita.

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# Our CARE Factor

Customers Are Really Everything

**59,022 coaching**  
sessions held

**Best practice employee**  
engagement score **79**

**\$1.6 million raised**  
by Vita Foundation

**When you interact with a Vita brand, there's one thing you can be certain of. We CARE.**

Our proprietary CARE (Customers Are Really Everything) program was created in 1996, after a poor customer experience was endured by founder and CEO, Maxine Horne, who immediately acted to ensure that every interaction in our stores was exceptional. Since that day, Vita Group's CARE framework has underpinned everything we do: planning for the future and coaching our team members; delivering an exceptional, personalised service to our customers; and engraining ourselves as part of our local communities. Put simply, CARE is 'the way we roll' at Vita.

## Planning and Coaching

Enabling our Vita peeps to perform at their best is the secret to our success - and that's why they're our key focus. We provide our team members with the very best systems, tools and processes to drive a disciplined approach to the way we operate. Regular coaching sessions and sharing best practice are core activities in all facets of the business, to ensuring that team members are continually finessing their approach to become masters at what they do.

## Personalised Service

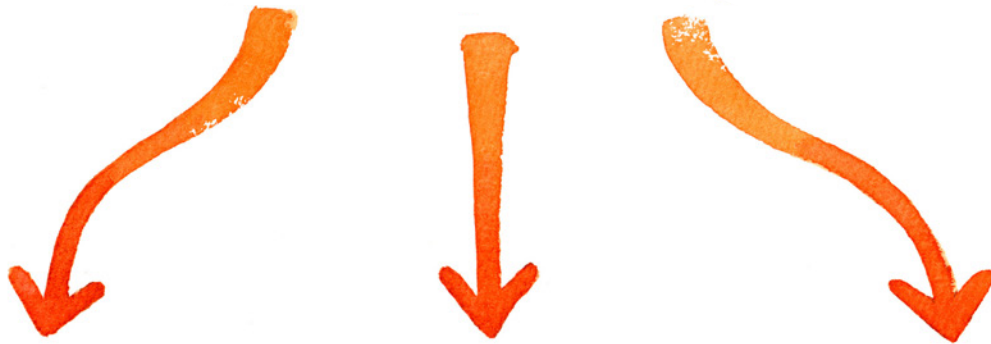
Our personalised service applies to all channels. We have mastered the customer experience in Information and Communication Technology, and are now applying these competencies to Skin-health and Wellness, with a focus on a tailored experience for each client, ensuring they leave our bespoke clinics feeling refreshed, rejuvenated and revitalised.

## Community Engagement

We know that building lasting relationships with our customers and the communities that we operate in helps our brands and more importantly; is the right thing to do. Be it a local fair in regional New South Wales, or a fundraising initiative run across several clusters of our retail stores, we look to support our local communities in whatever way we can. Another avenue we use to do this is the Vita Foundation, which as of FY19 had donated over \$1.6 million to charities and non-profit organisations across Australia, including our hero charity Act for Kids. Team members are encouraged to participate through initiatives such as payroll giving, peer to peer fundraising, the Vita grants program, our community prize pool, or utilising their volunteer day off.

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# care



**PLANNING & COACHING**



**PERSONALISED SERVICE**



**COMMUNITY ENGAGEMENT**

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*You* GET  
WHAT YOU  
**WORK**  
FOR





# ICT continues to execute, deliver and evolve

**7,708,542**  
customers  
through our doors

**1,108,436**  
sales transactions

**237 community**  
events and  
organisations  
supported

**202 in-store charity**  
and fundraising  
days held

**The Information and Communication Technology (ICT) channel continued to drive the group result, with revenues up nine per cent on prior year.**

The result reflects robust sales of higher value plans, hardware, and accessories, and was supported by the team's rigour in managing costs and driving a focus on expert consulting to create value for all.

Importantly, Vita's partnership with Telstra remains strong and aligned, with Vita stores playing a key role in driving Telstra initiatives brought to market. FY19 also saw the transition of small business customers into our retail stores, presenting a significant opportunity for the retail division.

When it comes to larger business customers and revenue opportunities, the Business Information and Communication Technology team continued to support the transformation of Telstra's business channel, with Vita opening Australia's

first Telstra Business Technology Centre (TBTC) in Townsville.

Looking ahead to next year, the ICT channel continues to be the group's core revenue and profitability driver, as we maintain focus on creating value for our customers, for Vita, and for Telstra, by providing an unparalleled in-store experience as our key point of differentiation in an increasingly competitive market place.

## **Continuing to evolve in FY20**

### **Business Planning**

Our ability to execute is second to none, as is our ability to monitor, measure and reward high performance. We do this through regular business planning, clear target setting, and reward structures that drives performance and values-based selling behaviour. Business planning is key to ensuring that our focus on strategy is evident right through to an individual store level.

“  
**Our ability to execute is second to none, as is our ability to monitor, measure and reward high performance.**”

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#### **Transform with Telstra**

We will continue to work with our strategic partner, Telstra, to deliver best-in-class products and services to our customers. The introduction of no lock-in contracts, the 5G network and advancements in hardware all present significant opportunities to deliver exceptional customer solutions.

#### **Consulting to create value**

A relentless focus on consulting will ensure we deliver continued success. We know that nothing beats a face-to-face consultative experience, where the customer feels assisted throughout the purchase journey and truly understands how their latest purchase is going to add value to their way of life.

# Home-grown success with Sprout

**400+ retailers**  
selling Sprout  
accessories

**6,000,000+**  
units sold  
since inception

**280+**  
products in range

Since its establishment in 2011, Sprout accessories has continued to flourish, quickly becoming one of the widest and highest quality ranges of technology accessories in Australia. Sprout is a clear example of the group's ability to identify a strategically aligned opportunity and grow a brand from the ground up. FY19 saw the home-grown brand reach yet another milestone, now having sold more than six million units since inception.

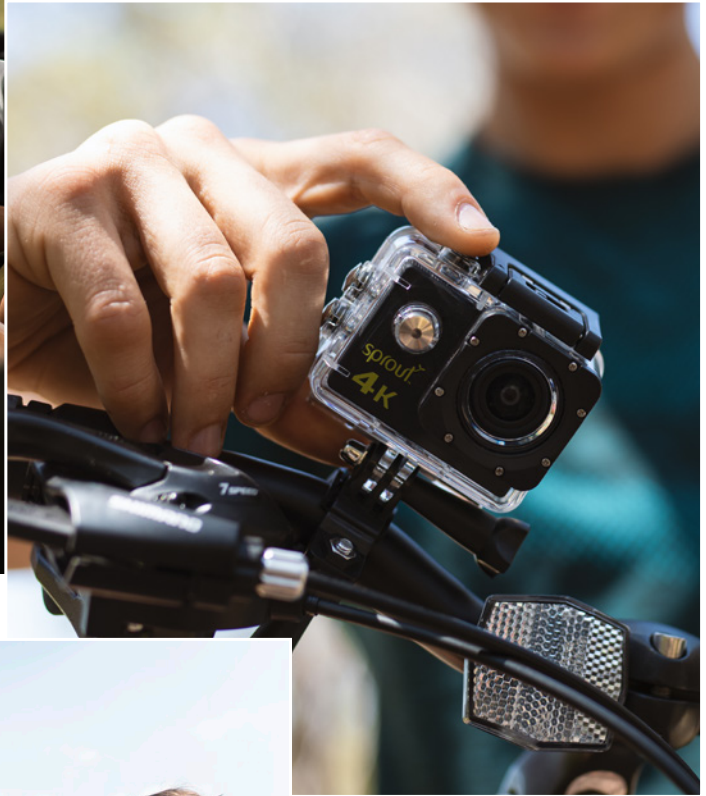
Sprout's success can be largely attributed to the agile nature of the business – being first to market to support new device releases, as well as a continued focus on innovation and design of products that provide greater value for the customer.

Sprout products are now stocked in more than 400 retailers nationally, with the brand maintaining momentum in establishing a wide-reaching network of third party distributors. In FY19 the team also leveraged Sprout's adjacency to our Information and Communication Technology channel, with the products providing our consultants with more add-on opportunities to complement the Telstra offering and ultimately create more value for our customers.

FY20 will be another growth period for Sprout, with even further product innovation and a strategy to increase brand awareness, broadening our customer base.

“  
**A clear example of the group's ability to identify a strategically aligned opportunity and grow a brand from the ground up.”**

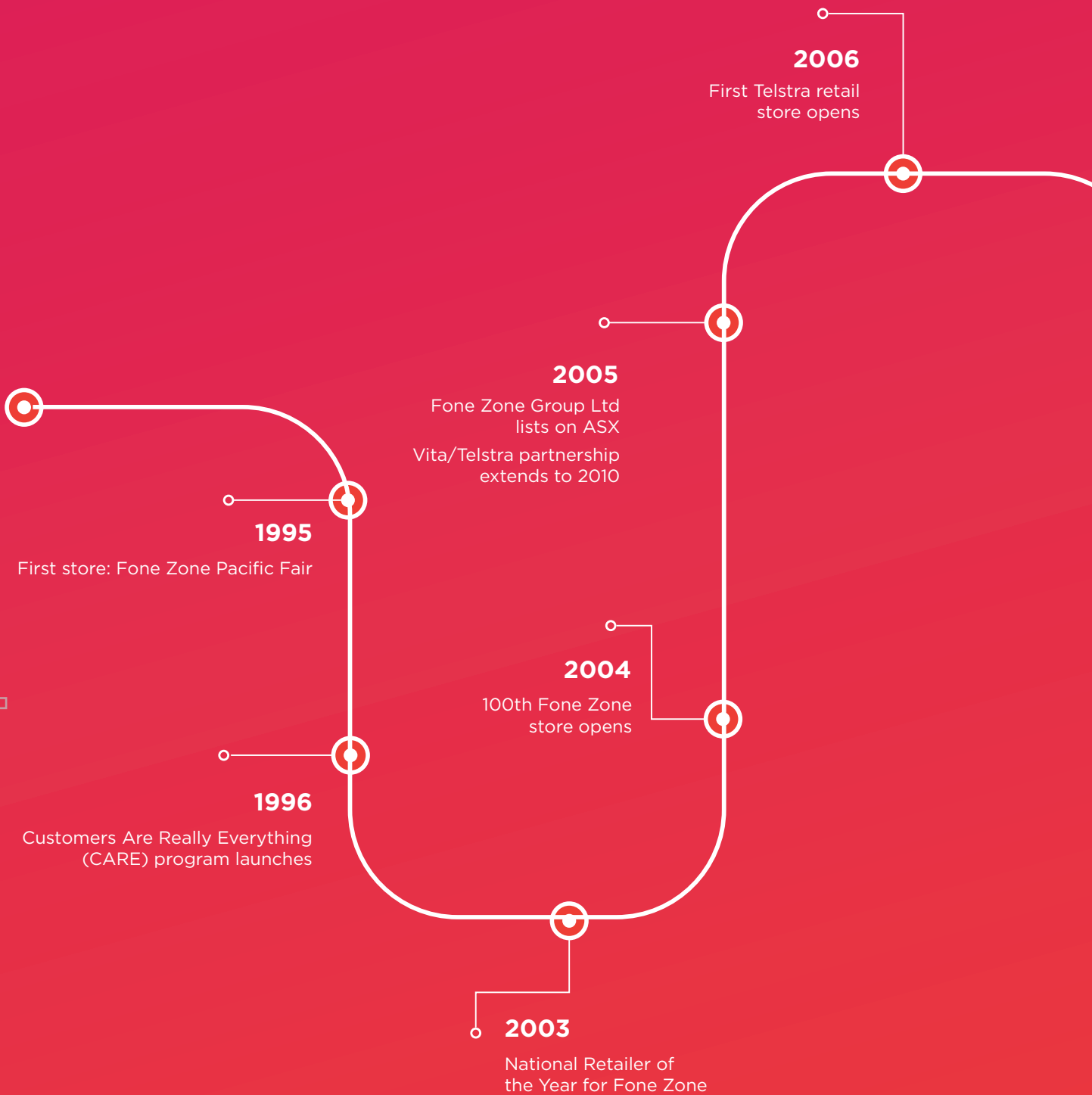
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# Vita Group Timeline

Enhancing our customers' ways of life for more than 24 years.

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**2009**

Master License Agreement with Telstra extends to 2018  
Consolidation of Fone Zone begins

**2011**

Launch of technology accessories brand, Sprout

**2014**

Vita's 100th Telstra retail store opens

**2016**

Vita/Telstra partnership extends to 2020  
Launch of men's athletic wear brand, SQDAthletica

**2017**

Extension of Vita / Telstra partnership to 2023 and beyond  
Launch into skin-health and wellness category

**2018**

Launch national brand, Artisan Aesthetic Clinics

**2019**

Further expansion and investment in SHAW channel

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*The collective*  
**WISDOM & EFFORT**  
**OF THE TEAM**  
**ALWAYS**  
**OUTPERFORMS**  
**THE INDIVIDUAL**





# Leading the way in Skin-health and Wellness

**FY19 was an exciting year of growth in Vita's Skin-health and Wellness (SHAW) channel, as we further implemented the foundation for sustainable profitability and strong returns.**

Going into the financial year, we were well positioned to focus on growth, with our new Artisan Aesthetics brand, and foundation clinics from which to scale. The team's proven capabilities in portfolio management facilitated the expansion of the clinic network to 13 points of presence across the east coast of Australia over the 12 months, driving revenue and gross profit gains.

We closed out the financial year with eight branded clinics and five non-branded clinics, with our branded clinics operating under the premium and luxurious Artisan Aesthetics Clinics brand, while our non-branded clinics are acquisitions with an existing and loyal database of clientele, each of which will be refitted and rebranded as an Artisan Aesthetics Clinic.

In FY19 our investments in the SHAW channel's organisational capability were focused on driving further growth and long-term profitability, including:

- Embedding our premium Artisan Aesthetics Clinics brand, which extends from our premium clinic locations and design, through to the details that set us apart from

our competitors: our signature comforts, meticulously designed clinics, and our core competency of consulting expertise.

- Embedding the Artisan medical board, which oversees the clinical practices of our network of clinics to deliver quality, safety and best practice. Led by Doctor Linda Williams, our medical board ensures our clients can feel confident they are in the very best hands in every clinic they visit.
- Further enhancing, refining and embedding our structure and operating rhythms, to ensure the channel operates with the same expertise we have implemented in our successful Information and Communication Technology channel.
- The acquisition of Face Academy; the channel's own training organisation, ensuring our team are highly skilled.
- The acquisition and implementation of cosmedcloud™; best-in class proprietary software, designed to enhance the client experience throughout their journey, and standardise the way each clinic operates its administrative functions. The software platform is being embedded in all clinics, providing the ability to capture and standardise important client and medical information - including before and after imagery - all supporting our provision of medical expertise.

“

**The channel is primed for incremental return on investment. ”**

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At the heart of all Vita brands is our focus on our clients, their needs, and how we can add value to them. The SHAW channel is no different from any other at Vita, in that we apply our proven consulting skills, operating disciplines and proprietary tools, which enable us to measure, monitor and reward performance.

This performance focus, coupled with our exceptional client experience and our stunning brand, places us

in a unique position to disrupt and consolidate at the premium end of this fragmented category, as we bring the Artisan brand to life at a national level.

With plans underway to further expand the clinic network in FY20 and a healthy pipeline of opportunities, the channel is primed for incremental return on investment.

# Bringing the Artisan Aesthetics brand to life

## Our Artisan Aesthetics Clinics

- Artisan Gasworks
- Artisan Rosalie
- Artisan Racecourse Road
- Artisan Balmain
- Artisan Mosman
- Artisan Woden
- Artisan Bruce
- Artisan Fortitude Valley

## Non-branded

- Emetheni
- Bradford Clinic
- Face Today Mediclinic
- Pamper Medical Skin Clinic
- Clear Complexions Gungahlin (re-fit as an Artisan clinic 3 July 2019)

## Training facility

- Face Academy

Points of presence as of 30 June 2019

At Artisan Aesthetic Clinics, we believe real beauty is a form of artistry, achieved by feeling truly confident in who you are. Guided by expert hands in a bespoke and caring environment, we empower you to look and feel your confident best.

This culminates in premium treatments delivered by a network of dermal therapists, nurses and doctors who are experts in their fields, state-of-the-art-clinics, paying tribute to the buildings they inhabit and are a part of, and a medically led approach delivering the highest levels of client care and safety.

An area of significant growth in FY19 has been the expansion of our clinic network, which included roll out of our customer-facing brand. This resulted in the establishment of three greenfield clinics and the re-branding of five existing clinics. At our bespoke locations, we want clients to step inside and instantly feel at home and confident about the journey they are about to embark on, something we have achieved in all our stunning locations to date.

At Artisan, we *Master the artistry of you*®.



Artisan Gasworks



Artisan Balmain



Artisan Rosalie Village

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# Building our SQR

**34,000+**  
social media  
followers

**140,000+** visitors  
to our retail and  
online stores

**20,000+**  
units sold

**Saved 60,000+**  
plastic bottles  
with 100%  
recycled polyester,  
Orion T-shirt range

**SQRathletica remains a niche value creation opportunity within Vita Group's house of brands, with FY19 seeing us take great strides towards building value within the men's athletic wear category.**

SQR launched three new ranges over the financial year and continued to gain momentum across retail, online and wholesale channels. The team opened two additional points of presence in Bondi, New South Wales and in Newstead's Gasworks precinct in Brisbane, Queensland, increasing the physical store footprint to three and expanding the brand into a second state.

The brand is building a network of high-profile ambassadors, adding Bondi Rescue lifeguard and all-round champion Anthony 'Harries' Carroll, Sydney Swan powerhouse, Isaac Heeney, and cricket legend, Mitchell Johnson.

Thanks to the signing of these ambassadors and various marketing initiatives, more than 30,000 people are now engaging with SQR on social media, and the brand is gaining a strong cult following within the local communities its stores are based.

Moving into FY20, SQRathletica maintains its position within the business, representing a niche, medium-term value creation opportunity. The SQR team will continue to work with fabric houses and partners such as Polygiene® to create ranges that appeal to a wide variety of tastes, and customers who are looking for high-quality, technical apparel.

The customer experience will remain highly important, as with all Vita brands, as the dedicated team continues to provide an exceptional consultative experience to their customers in all routes to market.

“  
**SQR continued to gain momentum across retail, online and wholesale channels.**”

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*Our*  
**PEOPLE &**  
CUSTOMERS  
**ARE EVERYTHING**  
**TO US**



# Our driving force: Vita's people, culture and competencies

**The driving force behind Vita Group's continued success can be attributed to the Vita people (or Vita peeps as we call them) and the unique, vibrant and innovate culture we foster. Our culture ensures that we have the best people delivering on those core competencies that set us apart from our competitors - allowing us to flourish in an age where face-to-face retail service now has to compete with digital channels.**

## **Our Vita peeps**

A Vita peep is hardworking, determined and driven by a desire to out-perform. They live and breathe the Vita values and do so with an enviable energy and zest. They are always looking for ways to develop, both personally and professionally, and aren't afraid to be challenged, particularly if there is an opportunity for growth. They don't settle for good enough; they dare to think outside the box and challenge the way that things have always been done. They empower each other to perform by sharing best practice, and they don't mind a bit of friendly competition either. Most importantly they are experts in their fields and understand the needs of their customers, because they love what they do.

## **The Vita culture**

The Vita culture, or Vita VIBE as we call it, is like no other. Powered by our Vita peeps and driven by leaders who know the positive impact of an energised and empowered workforce, it puts an end to 'just another day in the office.' Our culture is designed to inspire high-performance, encourage adherence to the Vita values, and promote the growth and development that our people look for. It's a culture that dares to be different, but is guided by always doing the right thing.

The Vita culture is supported by initiatives like our Reward and Recognition program, which our people focus on year round, with the goal of earning a ticket to Club Success - a once in a lifetime overseas holiday, our internal career development website, Flourish, designed to encourage our team members to do just that, or our Annual Leadership conference, which brings together leaders from across the business, inspiring and motivating them to improve.

## **Vita peeps + Vita culture = Delivering on our core competencies**

There is a reason why our customers return to Vita time and time again. They know that when they walk through our doors, they'll receive a premium, consultative experience. Our team are highly skilled at expert consulting, and we're able to apply this skill-set across all of Vita's categories by uncovering needs and adding real value with each product and service purchased.

While consulting may be the most frequently communicated competency at Vita, it is supported by several other competencies that differentiate us. These include our ability to identify, develop and nurture talent, effectively manage relationships with our key partners, and expertly manage our portfolio - rolling out networks at speed, and managing and optimising our diverse portfolio of brands.

These competencies can't be matched by any of our competitors, as they will always be missing our Vita peeps and the Vita culture.

“

**A Vita peep is hardworking, determined and driven by a desire to out-perform. ”**



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Gala dinner at Vita Group's leaders' conference



Club Success, Singapore



Vita peeps participating in a Vita values refresh

# Vita Foundation, giving back

Since its inception in 2015, the Vita Foundation has inspired significant generosity from Vita peeps and their family and friends. FY19 was another year of giving through the Vita Foundation, with the group's commitment to give 1% of net profit after tax to the foundation and various other fundraising initiatives leading to a total of \$423,000 being raised, and contributing to the group's philanthropic arm, reaching a milestone \$1.6 million in donations.

#### Key achievements for the year include:

- More than \$60,000 raised at the Vita Foundation annual Golf Day, contributing to the total \$220,000 given to our hero charity, Act for Kids.  
  
This has funded the national delivery of their child protective behaviours program, Learn to Be Safe with Emmy and Friends, helping young children to identify when they don't feel safe, and know safe adults they can ask for help.
- \$12,000 raised for the Headspace National Youth Mental Health Foundation through a nation-wide 'Amazing Race,' which saw more than 100 Vita peeps run, cycle, and swim a combination of 14,500km over four weeks.
- Prizes given to more than 50 non-profit organisations to be used in their own fundraising initiatives.

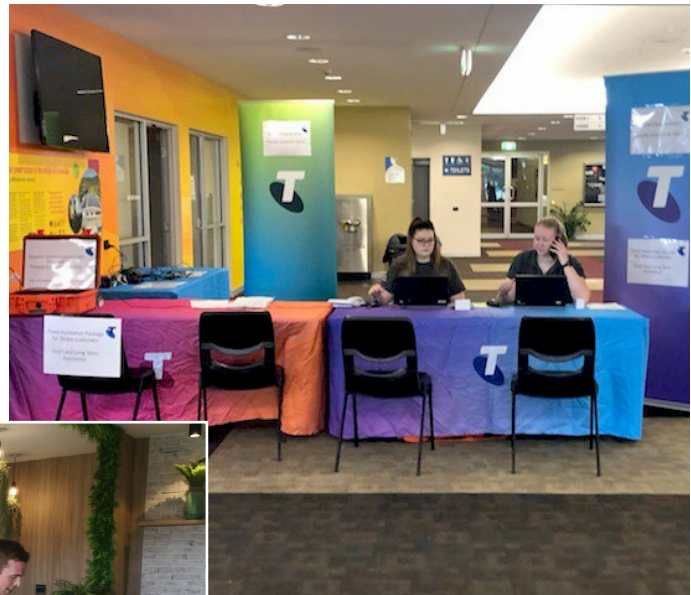
- Provided grants to charities, including:
  - Ronald McDonald House
  - Australian Literacy and Numeracy
  - Grace Homestead
  - The Trudy Crowley Foundation
  - Karinya House
  - Smart Pups Assistance Dogs

#### We provide our team with five ways to give through the Vita Foundation:

- **Payroll Giving**, where team members donate a portion of their salaries through either one-off or regular pre-tax donations on a voluntary basis.
- **Volunteer Day Off**, where team members take a paid day off to lend a hand to those in need.
- **Peer-to-peer Fundraising**, where team members raise funds from their friends and families.
- **Vita Grants Program**, where team members nominate organisations who are meeting an important community need to receive a \$10,000 grant to fund initiatives.
- **Community Prize Pool**, where team members apply for prizes to be donated to community groups for fundraising events and auctions.

“  
FY19 was another year of giving  
through the Vita Foundation.”

Volunteer Day Off at the Animal Welfare League



Supporting the Townsville community



Vita peeps participating in the 'Amazing Race'

## Vita Foundation in action

### Townsville Floods

At Vita Group, our people and our customers are everything to us, and when the February 2019 Townsville floods had such a wide-reaching impact on the community, we felt a strong sense of responsibility to support our Townsville team and their community.

#### Our Townsville Telstra stores:

- Initiated a stall at the Disaster Relief Centre for a week to support locals with telecommunications issues.
- Arranged free phones and pre-paid SIM cards for community members needing assistance.

- Handed out complimentary water bottles and first aid kits.
- Cleaned up stores after flooding occurred.

#### Our Townsville leadership team

- Our Regional General Manager, Area Manager and Business Managers in affected areas supported team members in need throughout the entire period.

#### The Vita Foundation

- Contributed funds to support team members who were personally impacted by the disaster.

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*Every*  
ACTION IS TAKEN  
WITH  
THE  
BENEFIT OF THE  
**WHOLE**  
**TEAM** IN MIND



# Group leadership team

## **Kendra Hammond** Chief People Officer

Kendra leads the People and Performance division, which includes human resources, people operations, and learning and organisational effectiveness. The division is integral in driving Vita's strategy to create and enable high-performing teams, which underpins the group's strategy.

Kendra joined Vita Group in 2007 and has undertaken roles including human resources management, organisational development and project management for the group. She was appointed to the role of Chief People Officer in 2011. Prior to joining Vita Group, Kendra worked in various senior corporate roles in human resources as well as retail sales leadership. Previous roles include Human Resources Strategy Advisor at Suncorp and Area Manager at National Australia Bank.

## **Pete Connors** Chief Operating Officer

Pete leads the Vita Group's Information and Communication Technology (ICT) channels, which includes Telstra Retail Stores, Telstra Business Technology Centres, Vita Enterprise Solutions and Sprout Accessories. Pete is responsible for leading these teams to deliver the very best customer experience.

Prior to joining Vita Group in 2008, Pete held various general management roles in global manufacturing and product development organisations. His previous roles include General Manager Residential at ASSA ABLOY Australia, General Manager Industrial Division at EGR, General Manager Domestic and International Marketing and Product Development at GWA Caroma.

## **Andrew Leyden** Chief Financial Officer

Andrew leads the finance, property, legal services and information technology functions and is responsible for internal and external reporting, financial accounting and tax, property, business planning, M&A activity, information technology, servicing the information needs of investors, commercial finance, internal assurance and treasury operations. He also oversees Vita's SQDAthletica brand.

Before joining Vita Group in 2011, Andrew held a number of leadership positions in general management, finance and IT. Previous roles include Chief Information Officer for Foster's Group, Global Finance Director for Foster's Wine Estates, Managing Director - Asia for Beringer Blass Wine Estates and Regional Financial Director, Asia for Reckitt Benckiser.



Kendra Hammond



Andrew Leyden



Pete Connors

### Mark Anning

Mark was Company Secretary and Legal Counsel from 10 November 2009 to July 2019. Mark was admitted as a solicitor of the Supreme Court of Queensland, Victoria and High Court in 1993, and spent 16 years in private practice, specialising in corporate and commercial law, dispute resolution and commercial risk management. Mark holds a Bachelor of Commerce and Bachelor of

Law (Hons) degrees from the University of Queensland and also holds a Graduate Diploma in Applied Corporate Governance. He is a Fellow of Chartered Secretaries Australia and former Deputy Chairman of Queensland state Council.

*Mark left Vita Group in July 2019.*

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*Always*  
**DO** **RIGHT**  
**THE** **RIGHT**  
**THING**





# Board of Directors

## **DICK SIMPSON**

### **CHAIRMAN**

Dick brings considerable experience to the board and has held roles as Chief Executive Officer in both the telecommunications and computing industries.

Dick started his career in the information technology sector, spending 20 years with IBM and then Unisys, in both Australia and the USA. He then joined Optus, was Chief Operating Officer at NRMA and subsequently joined Telstra, where he was Group Managing Director, Mobiles. He moved to Hong Kong as President of Telstra International where he was also Chairman of CSL (Hong Kong's biggest mobile carrier), Telstra Clear and REACH (Asia's largest international operator).

Dick became a Director of Vita Group in September 2005, and has served on the Remuneration & Nomination Committee, and the Audit, Compliance & Risk Committee. He is a Director of Chevalier College in Bowral, NSW, is the Chairman of the Chevalier Foundation and is an advisor to several private and public companies, including Tibra Capital, where he is an advisor to the board.

## **MAXINE HORNE**

### **CHIEF EXECUTIVE OFFICER**

Since founding the company with one store in 1995, Maxine has guided the growth and evolution of the group. She leads the group leadership team and is responsible for the strategic and operational direction of the business, including the leadership of new revenue streams such as the group's Skin-health and Wellness (SHAW) channel.

Prior to forming Vita Group in 1995, Maxine gained significant global telecommunications experience in sales, customer service, leadership and operational roles in the UK and Australia.

Maxine was named QBR Business Woman of the Year, Retail in 2006 and received the 2014 EY Entrepreneur of the Year award for the industry category, Northern region. In 2016, Maxine was inducted into the Businesswoman's Hall of Fame, and released her biography, Think Smart, Run Hard.



Maxine Horne



Dick Simpson



Neil Osborne

### NEIL OSBORNE

#### INDEPENDENT NON-EXECUTIVE DIRECTOR

Neil was formerly a partner with one of the world's largest consulting and technology services firms, Accenture.

He has more than 35 years of experience in the retail industry and has held a variety of senior executive positions with Myer and Coles Myer Ltd (CML) in corporate and operating roles across finance, supply chain, strategic planning and merchandising, including the positions of Myer Chief Operating Executive (Chief Financial Officer and Supply Chain) and CML Group General Manager, Retail Services (Marketing, Strategy and Property).

Neil is Chairman of Foodworks (independent supermarkets) and a Non-Executive Director of Beacon Lighting Group Limited. Neil is a Certified Practising Accountant and a Fellow of the Australian Institute of Company Directors.

Neil became a Director of Vita Group in June 2007, and is Chairman of the Audit, Compliance & Risk Committee, and a member of the Remuneration & Nomination Committee.

# Board of Directors

## ROBYN WATTS

### INDEPENDENT NON-EXECUTIVE DIRECTOR

Robyn Watts is an experienced Non-Executive Director and Chair of ASX, private and not for profit company boards. In addition to Vita Group Ltd Robyn is currently serving on Forty Winks Pty Ltd (private franchised group) and chairing the Remuneration and Nomination Committee; is chair of the Australian School of Performing Arts Pty Ltd (private company) and the Australian National University's (ANU) Foundation Board. She is also on the Sydney Metro Retail Advisory Board and the board of the fund manager for iTrust Investment Fund.

Robyn has recently served on the boards of FHL (ASX:FHL) and chaired Remuneration and Nomination Committee; chaired Geyer Corporation Pty Ltd (private partnership) and served on the board of Camp Quality Ltd (NFP). In Robyn's executive career in the media she had CEO roles at Film Australia, Southern Star Enterprises (ASX listed) and Australian Broadcasting Corporation (ABC). At the ABC Robyn led all commercial activities including ABC Shops and Centres, ABC Consumer Products and the global distribution of video, audio and digital content.

Robyn is a Fellow of the Australian Institute of Company Directors and completed the AICD's Chairman's Mentoring Program in 2011 and 2012. Robyn became a Director of Vita Group in November 2011 and is a member of the Audit, Compliance and Risk Committee, and Chair of the Remuneration and Nomination Committee.

## PAUL WILSON

### INDEPENDENT NON-EXECUTIVE DIRECTOR

Paul is a co-founder and Director of ASX-listed Bailador Technology Investments Ltd, which focuses on expansion capital opportunities in the information technology sector. This role provides Paul with exposure to the most up to date approaches and business models to take advantage of the rapidly changing technology landscape. Paul's business background includes senior positions with leading private equity house, CHAMP; the media focused investment house, Illyria; and with MetLife Investments in London.

Paul's other current board positions are: Chairman of Stackla (user generated content platform); Director of SiteMinder (cloud based hotel inventory distribution); Director of Straker Translations; and Director of the Rajasthan Royals Indian Premier League cricket franchise.

Paul is a fellow of the Financial Services Institute of Australia, a qualified Chartered Accountant, and a member of the Australian Institute of Company Directors. Paul became a Director of Vita Group in May 2014, and is a member of the Audit, Compliance & Risk Committee, and the Remuneration & Nomination Committee.



Robyn Watts



Paul Wilson



Paul Mirabelle

### PAUL MIRABELLE

#### INDEPENDENT NON-EXECUTIVE DIRECTOR

Paul brings more than 30 years' experience as an advisor, company director and CEO to the Vita Board, with a proven track record in leading complex businesses, particularly within the medical sector, both within Australia and internationally.

Previously, Paul was a barrister and solicitor in Canada, and partner at the Boston Consulting Group (BCG) in Sydney. Since leaving BCG in 2000, Paul has held various executive roles at Telus Corporation in Canada, and was CEO of (then) listed diagnostic imaging group MIA Group Pty Ltd (ASX:MIA) and audiology group,

National Hearing Care Pty Ltd. He has served on several boards including acting as Executive Chairman of the National Home Doctor Service.

In addition to his role at Vita Group, Paul will continue his roles as Executive Chairman of Greencross Limited, Non-Executive Director of Healthshare Pty Ltd and Non-Executive Director of Revasum Pty Ltd (ASX: RVS).

Paul became a Director of Vita Group in January 2019, and is a member of the Audit, Compliance and Risk Committee, and the Remuneration and Nomination Committee.



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**Vita Group Limited**

**ABN 62 113 178 519**

**Financial Report**

**for the year ended 30 June 2019**





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## CORPORATE GOVERNANCE AND INFORMATION

ABN 62 113 178 519

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The annual report for Vita Group Limited and its controlled entities (referred to hereafter as the Group) is presented in Australian dollars, being the Group's functional and presentation currency.

Vita Group's corporate governance policies and practices are publicly available in the corporate governance charter on the Group's website at <https://www.vitagroup.com.au/script/cus/corporate-governance.asp>. All policies and practices were in place for the year. Refer to the Group's website for further information on policies that have been approved and adopted by the Board.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors Report on page 5 to 7.

### Directors

Dick Simpson (Independent Non-Executive Chairman)  
Maxine Horne (Chief Executive Officer)  
Neil Osborne (Independent Non-Executive Director)  
Robyn Watts (Independent Non-Executive Director)  
Paul Wilson (Independent Non-Executive Director)  
Paul Mirabelle (Independent Non-Executive Director) (appointed 23 January 2019)

### Company Secretary

George Southgate

### Registered Office and Principal Place of Business

Vita Place  
Ground Floor, 77 Hudson Road  
Albion QLD 4010  
Australia  
Telephone: +61 7 3624 6666  
Facsimile: +61 7 3624 6999  
Website: [www.vitagroup.com.au](http://www.vitagroup.com.au)

### Share Registry

Computershare Investor Services Pty Limited  
117 Victoria Street  
West End QLD 4101  
Australia  
Telephone: 1300 552 270 (Toll-free within Australia)  
Telephone: +61 7 3237 2100  
Facsimile: +61 7 3237 2152  
Website: [www.computershare.com.au](http://www.computershare.com.au)

### Australian Securities Exchange (ASX) Listing

Vita Group Limited shares are listed on the Australian Securities Exchange.  
ASX Code: VTG

### Solicitors

Minter Ellison Lawyers  
Brisbane, Australia

### Bankers

ANZ Bank Limited  
Brisbane, Australia

### Auditors

Grant Thornton Audit Pty Ltd  
Brisbane, Australia

## DIRECTORS' REPORT

30 JUNE 2019

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Your Directors submit their report for the year ended 30 June 2019.

### DIRECTORS

The following persons held office as Directors of Vita Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dick Simpson, Independent Non-Executive Chairman  
Maxine Horne, Chief Executive Officer  
Neil Osborne, Independent Non-Executive Director  
Robyn Watts, Independent Non-Executive Director  
Paul Wilson, Independent Non-Executive Director  
Paul Mirabelle, Independent Non-Executive Director (appointed 23 January 2019)

The qualifications, experience, special responsibilities and directorships of listed companies of Directors are as follows:

#### **Dick Simpson** **Independent Non-Executive Chairman**

Dick brings considerable experience to the board and has held Chief Executive Officer roles in both the Telecommunications and Computing industries. Dick started his career in the information technology sector, spending 20 years with IBM and then Unisys, in both Australia and the USA. He then joined Optus, was Chief Operating Officer at NRMA and subsequently Telstra, where he was Group Managing Director, Mobiles. He moved to Hong Kong as President, Telstra International where he was also Chairman of CSL (Hong Kong's biggest mobile carrier), Telstra Clear and REACH (Asia's largest international operator).

Dick became a Director of Vita Group in September 2005, and has served on the Remuneration and Nomination Committee, and the Audit, Compliance and Risk Committee. He is an advisor to the board of Tibra Capital (a private company), is a Director of Chevalier College in Bowral, NSW, Chairman of the Chevalier Foundation and an advisor to several private and public companies.

#### **Maxine Horne** **Chief Executive Officer**

Since founding the company with one store in 1995, Maxine has guided the transformation of the Group. She is responsible for the strategic and operational direction of the business and leads the executive team. Her focus is on achieving results through the development of Vita's people and culture.

Prior to forming the Group in 1995, Maxine gained significant global telecommunications experience in sales, customer service, leadership and operational roles in the UK and Australia.

#### **Neil Osborne** **Non-Executive Director**

Neil was formerly a partner with one of the world's largest consulting and technology services firms, Accenture. He has over 35 years' experience in the retail industry and has held a variety of senior executive positions with Myer and Coles Myer Ltd (CML) in corporate and operating roles across finance, supply chain, strategic planning and merchandising, including the positions of Myer Chief Operating Executive (Chief Financial Officer and Supply Chain) and CML Group General Manager, Retail Services (Marketing, Strategy and Property).

Neil is Chairman of Foodworks Ltd (independent supermarkets) and a Non-Executive Director of Beacon Lighting Group Limited (ASX:BLX).

Neil is a Certified Practising Accountant (CPA) and a Fellow of the Australian Institute of Company Directors (FAICD).

Neil became a Director of Vita Group in June 2007, and is Chairman of the Audit, Compliance and Risk Committee, and a member of the Remuneration and Nomination Committee.

## DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

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### DIRECTORS (CONTINUED)

#### **Robyn Watts**

##### **Non-Executive Director**

Robyn Watts is an experienced Non-Executive Director and Chair of ASX, private and not for profit company boards. In addition to the Group, Robyn is currently serving on the board of Forty Winks Pty Ltd (private franchised group) and chairing the Remuneration and Nomination Committee; is chair of the board of the Australian School of Performing Arts Pty Ltd (private company) and the Australian National University's (ANU) Foundation Board. She is also on the Sydney Metro Retail Advisory Board and board of Stapleton Asset Management Pty Ltd (fund manager for iTrust Investment Fund).

Robyn has also recently served on the board of FHL (ASX:FHL) and chaired the Remuneration and Nomination Committee; chaired the board of Geyer Corporation Pty Ltd (private partnership) and served on the board of Camp Quality Ltd (NFP).

In her executive career in the media Robyn had CEO roles at Film Australia, Southern Star Group (ASX listed) and Australian Broadcasting Corporation (ABC). At the ABC, Robyn led all the commercial activities including ABC Shops and Centres, ABC Consumer Products and the global distribution of video, audio and digital content.

Robyn is a Fellow of the Australian Institute of Company Directors (FAICD) and completed the AICD's Chairman's Mentoring Program in 2011 and 2012.

Robyn became a Director of the Group in November 2011 and is a member of the Audit, Compliance and Risk Committee, and Chair of the Remuneration and Nomination Committee.

#### **Paul Wilson**

##### **Non-Executive Director**

Paul is a co-founder and Director of ASX listed Bailador Technology Investments Ltd (ASX:BTI), which focuses on expansion capital opportunities in the information technology sector. This role provides Paul with exposure to the most up to date approaches and business models to take advantage of the rapidly changing technology landscape.

Paul's business background includes senior positions with leading private equity house, CHAMP, the media focused investment house, Illyria, and MetLife Investments in London.

Paul's other current board positions are: Director of SiteMinder, (cloud based hotel inventory distribution); Chairman of Stackla, (user generated content platform); Director of Straker Translations (machine and crowd sourced language translation) and Director of the Rajasthan Royals Indian Premier League cricket franchise.

Paul is a fellow of the Financial Services Institute of Australia, a qualified Chartered Accountant, and a member of the Australian Institute of Company Directors. Paul became a Director of the Group in May 2014, and is a member of the Audit, Compliance and Risk Committee, and the Remuneration and Nomination Committee.

#### **Paul Mirabelle**

##### **Non-Executive Director**

Paul brings more than 30 years' experience as an advisor, company director and CEO to the Vita Board, with a proven track record in leading complex businesses, particularly within the medical sector, both within Australia and internationally.

Previously, Paul was a barrister and solicitor in Canada, and partner at the Boston Consulting Group (BCG) in Sydney. Since leaving BCG in 2000, Paul has held various executive roles at Telus Corporation in Canada, and was CEO of (then) listed diagnostic imaging group MIA Group Pty Ltd (ASX:MIA) and audiology group, National Hearing Care Pty Ltd. He has served on several boards including acting as Executive Chairman of the National Home Doctor Service.

In addition to his role with the Group, Paul will continue his roles as Executive Chairman of Greencross Limited, Non-Executive Director of Healthshare Pty Ltd and Non-Executive Director of Revasum Pty Ltd (ASX: RVS).

Paul became a Director of the Group in January 2019, and is a member of the Audit, Compliance and Risk Committee, and the Remuneration and Nomination Committee.

## DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

### DIRECTORS MEETINGS

As at the date of this report, the Company has two committees of the board, an Audit Compliance and Risk Committee, and a Remuneration and Nomination Committee.

The members of each committee during the year were:

<b>Audit, Compliance &amp; Risk Committee</b>	<b>Remuneration &amp; Nomination Committee</b>
Neil Osborne (c)	Robyn Watts (c)
Dick Simpson	Dick Simpson
Robyn Watts	Neil Osborne
Paul Wilson	Paul Wilson
Paul Mirabelle	Paul Mirabelle

**Note** (c) Designates the Chairperson of the Committee

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the numbers of meetings attended by each Director are shown in the table below:

<b>Name</b>	<b>Vita Group Board</b>		<b>Audit, Compliance &amp; Risk Committee</b>		<b>Remuneration &amp; Nomination Committee</b>	
	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>
Dick Simpson	13	13	4	4	3	3
Maxine Horne	13	13	*	*	*	*
Neil Osborne	13	13	4	4	3	3
Robyn Watts	13	13	4	4	3	3
Paul Wilson	13	13	4	4	3	3
Paul Mirabelle	8	8	2	2	2	2

A = Number of meetings held during the time the Director held office or was a member of the committee during the year

B = Number of meetings attended

\* = Not a member of the relevant committee

### COMPANY SECRETARY

#### **Mark Anning FCIS FGIA**

#### **Group Company Secretary and General Counsel**

Mark was appointed Company Secretary of Vita Group Limited and its subsidiaries on 10 November 2009 and resigned from this position on 19 July 2019.

Mark was admitted as a Solicitor of the Supreme Court of Queensland, Victoria and High Court in 1993. He spent 16 years in private practice with national law firms including almost 10 years with Allens, specialising in corporate and commercial law, dispute resolution and commercial risk management. Following this Mark became a Chartered Company Secretary and has worked in-house with various corporates for the last 11 years.

Mark holds a Bachelor of Commerce and Bachelor of Law (Hons) degrees from the University of Queensland and also holds a Graduate Diploma in Applied Corporate Governance.

He is a fellow of the Governance Institute of Australia, and ICSA: The Governance Institute. Mark has served as a former Deputy Chairman of the Queensland State Council of the Governance Institute of Australia.

Mark's prior role was as Group Company Secretary of Queensland Gas Company Limited (ASX: QGC).

#### **George Southgate AGIA**

#### **Group Company Secretary**

George joined Vita on 10 September 2018 as General Manager Legal Counsel and was appointed to Company Secretary of Vita Group Limited and its subsidiaries on 19 July 2019.

He was admitted to practice as a Solicitor of the Supreme Court of Queensland in 2011, and the High Court of Australia in 2012. Prior to joining Vita, George worked in private practice acting for various clients in the government and private sector.

He holds a Bachelor of Laws (Hons), a Master of Laws (Health), a Graduate Diploma in Legal Practice and a Bachelor of Nursing. George is an Associate Member of the Australian Governance Institute of Australia.

## DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

### DIVIDENDS

	Cents	\$'000
Final dividend for the year ended 30 June 2018		
- on ordinary shares	4.4	7,057
Interim dividend for the year ended 30 June 2019		
- on ordinary shares	5.2	8,397
		<b>15,454</b>

Since the end of the financial year, the Directors approved the payment of a final fully franked ordinary dividend of \$6,517,709 (4.0 cents per fully paid share) to be paid in September 2019 (FY18: \$7,057,206). Record date for the final dividend will be 13 September 2019 with payment date being 27 September 2019.

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the sales and marketing of products and services through its networks and brands. Its businesses include the Telstra ICT retail store network, Telstra Business ICT channel, the Artisan Aesthetics, Clear Complexions, Emetheni, Bradford Clinic, Face Today, Pamper Medical Skin Clinic and Face Academy brands in the Skin-health and Wellness category, Sprout accessories and SQDAthletica in the men's athleisure category.

### OPERATING AND FINANCIAL REVIEW

#### Highlights

The Group reported record revenues of \$753.7 million for the twelve months to 30 June 2019, a 10 per cent increase on the prior year. Earnings before interest, tax, depreciation and amortisation (EBITDA) were \$45.8 million, 12 per cent up on FY18 and in line with the guidance provided in early June 2019. Net profit after tax (NPAT) was \$24.3 million, a 10 per cent increase on FY18.

The result reflects continued momentum in the Group's Information Communication and Technology (ICT) division, which delivered growth through improvements in plan mix, hardware and adjacent categories. This was partially offset by a net investment in the Group's Skin-health and Wellness (SHAW) division, including the establishment of the Artisan Aesthetic Clinics brand, the acquisition of industry-leading training and software capabilities, and the further embedding of structures, systems and processes.

The Board declared a fully franked final dividend of 4.0 cents per share (cps), resulting in a full-year dividend of 9.2 cps. The final dividend will be paid on 27 September 2019 to shareholders on record as at 13 September 2019.

#### Group Results

Group revenues from continuing operations grew 10 per cent to \$753.7 million during the year. EBITDA, a measure used by the Group as a proxy for cash profitability, increased 12 per cent to \$45.8 million in the year.

A reconciliation of EBITDA to the reported profit before tax in the consolidated statement of comprehensive income is tabled below:

	FY19 \$M	FY18 \$M
Profit before tax from operations	34.1	30.0
Add: net finance costs	0.7	1.0
Add: depreciation and amortisation	11.0	10.0
<b>EBITDA</b>	<b>45.8</b>	<b>41.0</b>

#### Year in review

The ICT division delivered record revenues of \$739.3 million, a nine per cent increase on FY18, as a result of robust performance in connectivity, hardware and adjacent categories. Revenues grew 17 per cent in the Retail ICT channel, whilst Business ICT revenues reduced 42 per cent following structural changes in the channel including the transition of small business customers into Retail ICT, the introduction of larger geographical territories and a greater focus on higher value customers over time. EBITDA in the ICT division was \$79.3 million, up 13 per cent on the prior year as a result of revenue growth and a continued focus on optimisation and productivity. The Group's accessories brand, Sprout, continued to grow, extending its range in premium categories.

# DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Group Results (continued)

#### Year in review (continued)

Revenues in the Group's SHAW division grew 111 per cent to \$13.7 million, with the portfolio growing to 13 clinics at period end, through a combination of acquisitions and greenfield additions. EBITDA was a loss of \$3.7 million, largely as a result of the significant investments made in establishing and extending the Artisan Aesthetic Clinics brand and creating the leadership, operating and medical infrastructure to support future growth. In addition, the Group acquired training organisation, Face Academy, and industry-leading proprietary software, cosmedcloud™. These investments in capability, coupled with the tools and disciplines which have successfully driven performance in the ICT division will be key to creating scale and driving profitable growth in the division.

The Group's men's athleisure brand, SQDAthletica continued to grow and gain momentum across retail, online and wholesale channels.

As at 30 June 2019, Vita's physical points of presence included 102 Telstra Licensed Stores, four Telstra Business Technology Centres, one Fone Zone store, 13 SHAW clinics (Artisan branded and non-branded) and three SQDAthletica stores.

#### Balance Sheet

As a result of efficient profit to cash conversion, operating cash flows after tax were \$38.7 million. Capital expenditure of \$23.7 million was directed towards clinic additions and conversions to the Artisan brand in the SHAW division, store refits in the ICT division and investments in IT. Net financing cash flows were \$19.9 million, primarily reflecting \$15.5 million in dividends paid and repayment of borrowings of \$8.7 million, partially offset by \$2.1 million raised through the Group's dividend reinvestment plan and debt drawdowns of \$2.1 million.

The net cash balance at the end of period was \$18.1 million, with cash balances at \$26.7 million partially offset by \$8.6 million in drawn debt. The Group successfully extended its funding arrangements in the period, providing flexibility for future investment.

#### Dividends

The Board approved a total ordinary dividend for the year of 9.2cps, fully franked (FY18: 9.1cps). The interim dividend paid in the year was 5.2cps (FY18: 4.7cps).

The Dividend Reinvestment Plan was re-established in FY15, allowing eligible shareholders the flexibility to re-invest ordinary dividends in the Group's shares.

The record date for the ordinary dividend is 13 September 2019 with payment to be made on 27 September 2019.

#### Outlook

The Group will continue to create value for its customers by offering personalised service, expertise and products which enhance their way of life.

Performance in the ICT division, particularly in Retail ICT, will continue to be underpinned by the long-standing, successful and strategically aligned partnership with Telstra. The division will continue to be a core driver of value, focusing on optimising returns by providing holistic ICT solutions to consumers and small businesses, whilst further improving productivity. In June 2019, Vita detailed changes in its remuneration construct with Telstra. Under the new remuneration arrangements, Vita expects to enjoy higher remuneration attached to the sale of hardware and non-transactional performance metrics. Conversely, it expects to see lower remuneration from sales of connections to the Telstra network. The Group also reiterated its agreement to forego some legacy remuneration components, amounting to approximately \$12 million to \$13 million per annum. These reductions were agreed in exchange for an extension of its master licence tenure (currently to 30 June 2024), the introduction of an annual performance-based extension mechanism and an increase in the number of allowable Vita owned stores in the Telstra retail network to 115. The Group plans to offset this impact by improving sales of hardware, accessories and other add-ons, increasing productivity and delivering continued innovation within its accessory brand, Sprout.

Vita's SHAW division is a significant opportunity for value creation in the future. The Group plans to expand the clinic network to at least 25 clinics by the end of FY20, through acquisitions and greenfield development. With the investment in organisational capability already made, including the establishment of the Artisan brand, the formation of the medical board and the investments in operating and medical structures and systems, Vita will continue to apply its proven operating disciplines and consulting capabilities to drive performance and improve profitability.

## DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Shareholder Returns

Earnings per share and other financial measures of the return to shareholders are included in the table below:

	FY19	FY18
Basic earnings per share (cents)	15.04	14.13
Net debt / (Net debt plus equity)*	(19.8%)	(20.2%)

\* Includes term deposits.

The share price at 30 June 2019 was \$1.31 (FY18: \$0.98).

#### Review of Financial Condition

The consolidated statement of cash flows shows an operating cash flow of \$38.7 million, compared to the previous year of \$36.6 million. Cash and cash equivalents (including term deposits) at 30 June 2019 were \$26.7 million, compared to \$31.6 million at the end of the previous year.

#### Profile of debts

	FY19 \$'000	FY18 \$'000
<b>Current</b>		
Obligations under chattel mortgage	406	387
Term debt	5,290	8,246
<b>Total current debt</b>	<b>5,696</b>	<b>8,633</b>
<b>Non-current</b>		
Obligations under chattel mortgage	191	597
Term debt	2,761	5,960
<b>Total non-current debt</b>	<b>2,952</b>	<b>6,557</b>
<b>Total debt</b>	<b>8,648</b>	<b>15,190</b>

The Group sources the majority of its funds from operations and facilities provided by ANZ Bank. The Board considers the current level of net debt including term deposits/(net debt, including term deposits plus equity) in the Group of (19.8%) to be within acceptable limits.

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group during the financial year not otherwise disclosed in this report or the consolidated financial statements.

#### SIGNIFICANT EVENTS AFTER BALANCE DATE

Contracts have been entered to acquire the business assets and certain liabilities of a number of Skin-health and Wellness clinics. In addition, contracts have been entered to acquire one and divest two Telstra Licensed Stores. Refer to Note 20 to the financial statements for further details.

There have been no other significant matters or circumstances not otherwise dealt with in this report between the reporting date and the date the financial statements were approved for issue affecting the operation of the Group or its results.

#### 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.

#### ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors Report) Instrument 2016/191, issued by ASIC, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with this Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.



# DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

## REMUNERATION REPORT (AUDITED)

### Introduction

This Remuneration Report outlines the Board's approach to executive remuneration in general, and specifically the link between the performance of the company and remuneration outcomes for the Group's Key Management Personnel (KMP) for the year ended 30 June 2019.

### Key Management Personnel

For the purposes of this report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group. In this report "Executives" refers to the KMP excluding the Non-Executive Directors.

The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

The KMP of the Group for the year ended 30 June 2019 were:

Key Management Personnel	Position
<b>Directors</b>	
Dick Simpson	Chairman (Independent Non-Executive Chairman)
Maxine Horne	Chief Executive Officer and Executive Director
Neil Osborne	Director (Independent Non-Executive)
Paul Wilson	Director (Independent Non-Executive)
Robyn Watts	Director (Independent Non-Executive)
Paul Mirabelle (appointed 23 January 2019)	Director (Independent Non-Executive)
<b>Executives</b>	
Andrew Leyden	Chief Financial Officer
Kendra Hammond	Chief People Officer
Mark Anning	Group Company Secretary and Legal Counsel
Peter Connors	Chief Operating Officer

Mark Anning's appointment ceased from the position of Group Company Secretary and Chief Legal Counsel on 19 July 2019. George Southgate was appointed as Group Company Secretary on 19 July 2019. Mr Southgate will not form part of KMP going forward.

### Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for ensuring the Group has remuneration strategies and frameworks in place that enhance corporate and individual performance, whilst having regard for legal compliance and corporate governance requirements.

Further detail on the Committee's responsibilities is set out in the charter available at:

<https://www.vitagroup.com.au/script/cus/corporate-governance.asp>

The Remuneration and Nomination Committee comprises five Non-Executive Directors including the Committee Chairman. The Chairman of the Board and/or any other Director are entitled to be present at all meetings of the committee, whether they are a member of the committee or not. Attendance at meetings of the committee are by invitation. Standing invitations are in place for the Chief Executive Officer and the Chief People Officer, while other Executives have attended as appropriate from time to time.

### Protection Arrangements

The Group's Share Trading Policy provides that the entering into of all types of "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Group's listed securities that are held directly or indirectly by Directors or employees is prohibited at any time, irrespective of whether such protection arrangements are entered into during trading windows or otherwise. This prohibition extends to vested and unvested shares.

Further details on the Group's share trading policy are available at:

<https://vitagroup.com.au/script/cus/corporate-governance.asp>

### Remuneration Consultants

The Committee has protocols in place to ensure that any advice is provided in an appropriate manner and is free from undue influence of management.

During the year the Committee did not engage any external consultants in regard to remuneration recommendations for purposes of the Corporations Act.

## DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### AGM Results

The Group received more than 80.67% of “yes” votes on its 2018 Remuneration Report. The Group did not receive any other feedback at the AGM or throughout the year on its remuneration practices.

#### Group Performance

Revenue and profit and loss figures for the current year, and the four prior years are as follows:

	FY19 \$M	FY18 \$M	FY17 \$M	FY16 \$M	FY15 \$M
Revenue	753.7	684.5	667.3	670.3	601.4
Profit for the year attributable to owners	24.3	22.0	39.4	35.4	25.4
Dividends declared	<b>cents</b>	<b>cents</b>	<b>cents</b>	<b>cents</b>	<b>cents</b>
Ordinary (cps)	9.2	9.1	16.6	13.9	7.9
Special (cps)	-	-	-	-	8.0
<b>Total dividends declared</b>	<b>9.2</b>	<b>9.1</b>	<b>16.6</b>	<b>13.9</b>	<b>15.9</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Basic earnings per share (cents)	15.04	14.13	25.91	23.37	17.40
Underlying earnings per share from continuing operations*	15.04	14.13	25.62	23.29	13.14
<b>Total shareholder return</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Share price beginning of year	0.98	1.11	4.11	1.70	0.74
Share price end of year	1.31	0.98	1.11	4.11	1.70
Dividends paid per share	0.09	0.09	0.17	0.12	0.13
Total shareholder return %	42%	(4%)	(69%)	149%	147%

The discontinued operation (Next Byte) is included in the above table.

\* Underlying earnings per share excludes amortisation of proprietary products (FY15-FY16).

# DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Remuneration Framework

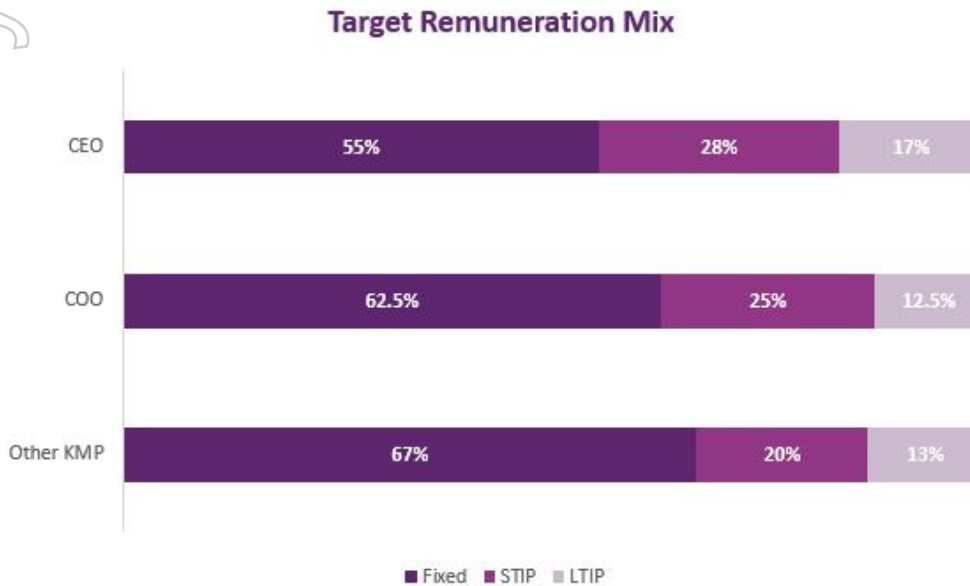
Integral to delivering on our strategic growth is the attraction and retention of key talent, and as such our remuneration practices are central to this strategy. The purpose of the Remuneration Framework is to ensure remuneration outcomes are linked to the Group's performance and aligned with shareholder interests. The Executive remuneration framework is set out below:

REMUNERATION FRAMEWORK	
COMPONENT	LINK TO STRATEGIC OBJECTIVES
Fixed Pay	<p>Remuneration is set competitively to attract, motivate and retain the right people to deliver optimal performance outcomes for the Group across its businesses and support services. Consideration is given to the employee's experience and skills in determining fixed pay.</p> <p>Regular market reviews are undertaken to ensure the Group is competitive in its remuneration for senior and critical roles, and a systematic methodology is utilised to ensure consistent and equitable pay arrangements are in place for all roles within the Group.</p>
Short Term Incentive Plan (STIP)	<p>The STIP is designed to align remuneration with the achievement of the Group's business objectives over the short term. KMP and a number of select team members are eligible to participate in the STIP.</p> <p>Both financial and non-financial KPIs determine the STIP outcomes:</p> <ul style="list-style-type: none"> <li>NPAT is the chosen financial measure to ensure participants are focused on increasing revenue and cash profits through both organic growth and acquisitions, thus driving increased shareholder value. To encourage outperformance, stretch STI payments are available for the achievement of exceptional financial results, up to 120% of budgeted NPAT.</li> <li>Individual KPIs are appropriately chosen for the individual's role responsibilities based on specific performance goals. The individual performance measures ensure our team are rewarded for demonstrating behaviours consistent with our Group's values to achieve short and long-term strategic objectives.</li> </ul> <p>Further details are presented on page 12 of this report.</p>
Long Term Incentive Plan (LTIP)	<p>The LTIP ensures a strong link with increasing shareholder value over the long-term.</p> <p><b>FY16 Plan:</b> The final payment of the FY16 plan was made in August 2018. This concludes the cash-based LTIP</p> <p><b>FY17 Plan:</b> LTIP was assessed across a 3-year performance period (FY17-FY19) based on achievement against two performance measures:</p> <ul style="list-style-type: none"> <li>Earnings Per Share (EPS);</li> <li>Relative Total Shareholder Return (TSR).</li> <li>The FY17 LTIP outcome has been presented on page 13 of this report.</li> </ul> <p><b>FY18 Plan:</b> In FY18 shareholders voted on the opportunity to grant LTIP performance rights based on EPS and TSR measures. There was an incorrect table in the Notice of Meeting associated with the CEO grant. In light of this, the Board resolved not to offer the grant associated with the previously outlined LTIP and instead, in FY19, the Board has resolved that offers will be made to KMP and CEO shown below;</p> <p><b>FY19 Plan:</b></p> <p>Plan A (vesting 2020) - An offer with a measurement and performance period of 2 years from 1 July 2018 based 100% on total shareholder return (TSR) measure, replacing the cancelled FY18 plan;</p> <p>Plan B (vesting 2021) - An offer with a measurement and performance period of 3 years from 1 July 2018 based 100% on TSR measure.</p> <p><b>FY20 Plan:</b> An offer with a measurement and performance period of 3 years from 1 July 2019 based on 100% on TSR measure.</p> <p>The Board considers TSR as the most common measure used for such plans and one which investors and shareholders would understand correlates with the creation and maintenance of long-term shareholder value. Further details are presented on page 13 of this report.</p>
Total Remuneration	<p>The remuneration mix is structured to reward executives, both for Group performance and for individual personal performance. The stretch element of the STI is designed to encourage executives to strive for exceptional financial performance and ensure emphasis on 'at-risk' reward.</p>

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Remuneration Mix**

The Group's target mix of fixed and "at risk" components for Executives, expressed as a percentage of total reward, is as follows:



**Fixed Remuneration**

Total Fixed remuneration ("TFR") is comprised of cash salary, salary sacrifice items, superannuation and non-cash benefits where provided. In order to attract, motivate and retain high calibre employees, fixed pay is targeted at the 50th to 75th percentile of a peer group deemed comparable by the Remuneration and Nomination Committee and upon which it seeks independent advice.

Each KMP's TFR is reviewed annually by the Remuneration & Nomination Committee, taking into account Group and individual performances as well as external remuneration market data. In FY17 the Committee engaged KPMG to undertake an independent benchmarking exercise relating to KMP fixed and variable remuneration the results of which continue to be utilised going forward.

## DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Short Term Incentive Plan (STIP)

The STI component of remuneration consists of a cash bonus. The amount of bonus paid is determined based on a balanced scorecard of financial and non-financial measures to ensure delivery of the Group's critical business objectives.

STI COMPONENT - FY20	
<b>Objective</b>	Support the Group's strategic objectives by rewarding executives for driving and exceeding Vita's annual financial performance plan.
<b>Eligibility</b>	Executives and selected senior leaders
<b>Instrument</b>	Cash
<b>Opportunity</b>	CEO: 50% of FAR* COO: 40% of FAR* Other KMP: 30% of FAR*
<b>Performance Period</b>	1 July 2019 - 30 June 2020
<b>Performance Measures</b>	Group NPAT and individual performance rating for the period determine the amount, if any, of STI that is paid to each participant.
<b>Gateway</b>	Threshold Group NPAT is 95% of the target.  The Board retains discretion to permit some or all the STI to vest where threshold performance has not been achieved. This discretion is only exercised in exceptional circumstances as the Board deems appropriate.

\* Fixed Annual Reward ("FAR") includes base salary and superannuation only.

#### 2019 STIP Outcomes

For the 2019 financial year, the Board set both Group and individual performance measures for the CEO, which were substantially cascaded by the CEO to senior executives. STI payments relating to FY19 performance will be paid in FY20.

In FY19, the Board has reviewed both Group and individual performance for FY18, and is satisfied that STI payments made in FY19 reflect the Group's results and appropriately rewards executives for their performance.

The table below outlines the 2019 STI payments for each KMP relating to FY18 performance.

KMP Name	Target STIP Opportunity \$	Actual Achievement \$	STIP Forfeited %
Maxine Horne	425,000	212,500	50%
Andrew Leyden	178,350	95,700	46%
Kendra Hammond	107,625	57,306	47%
Mark Anning	101,475	39,578	61%
Peter Connors	237,800	127,600	46%

## DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Long Term Incentive Plan (LTIP)

Details of the FY20 LTIP are outlined below. The Board believes this plan, which includes equity-based instruments, an extended performance period and new performance measures, enables the Group to retain talented Executives, while aligning executive pay more closely with Group performance and shareholder value.

LTIP Component - FY20 Plan		
Eligibility	KMP only	
Instrument	Performance rights to acquire ordinary Vita Group shares	
Quantum	The number of performance rights granted to each executive is determined by dividing a fixed dollar amount by the face value of a VTG share. The fixed dollar amount is determined as a percentage of FAR, as follows: <ul style="list-style-type: none"><li>• CEO: 30% of FAR</li><li>• Other KMP: 20% of FAR</li></ul>	
Frequency	Performance rights granted annually	
Performance Period	1 July 2019 - 30 June 2022	
Performance Conditions	The Board has selected the following measure being: <ul style="list-style-type: none"><li>• 100% weighting on Relative TSR compared to the S&amp;P ASX 300 Index</li></ul> This performance measure was selected to ensure executive remuneration is aligned with the creation of shareholder value.	
Vesting Schedule	Performance is assessed according to a scale of performance. The vesting schedule is designed to ensure no LTI is paid for performance outcomes below threshold, which has been set at a challenging level.	
	To encourage outperformance, stretch LTI is available where exceptional results are achieved.	
	Relative TSR	
	Vesting %	TSR percentile rank against comparator group
	Nil	<50th percentile
	50%	50th percentile
	50-100% on a straight line	50th-75th percentile
100-125%	75th-100th percentile	
125%	100th percentile	
	The LTIP will vest following completion of the performance period, evaluation against performance targets and release of annual results.	
Dividends	No dividends or dividend equivalents are paid or accrued on unvested performance rights.	
Clawbacks	The Board retains discretion to clawback or adjust any LTIP which has vested or remains unvested because of a material misstatement in, or omission from, the financial statements or otherwise as a result of fraud, dishonesty or breach of obligations.	

#### 2019 LTIP Outcomes

With regards to the 2017 LTIP, the first of the redesigned equity-based plans, the performance period concluded 30 June 2019. No performance rights have vested under this share based payment plan, as neither of the performance requirements were met.

No performance rights have vested under the two active 2019 share-based payment plans, as the performance period is not yet complete.

# DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Statutory Disclosures

Name	Short-Term Employee Benefits			Post Employment Benefits	Long Term Benefits		Share Based Payments (e)	Total
	Cash Salary and Fees	Non-monetary Benefits (a)	Cash Bonus (b)	Superannuation	Cash Bonus (c)	Long Service Leave	Performance Rights	
	\$	\$	\$		\$	\$	\$	
<b>Executive Director</b>								
<b>Maxine Horne</b>								
2019	859,544	-	212,500	25,000	52,461	11,414	213,689	1,374,608
2018	861,207	-	420,193	25,000	101,292	7,296	9,149	1,424,137
<b>Other Group KMP</b>								
<b>Andrew Leyden (d)</b>								
2019	592,086	-	95,700	-	38,000	-	100,264	826,050
2018	579,995	-	190,849	-	72,000	-	4,418	847,262
<b>Kendra Hammond</b>								
2019	333,390	-	57,306	25,303	22,000	7,621	60,064	505,684
2018	338,372	-	113,850	25,000	22,000	4,245	2,558	506,025
<b>Mark Anning (f)</b>								
2019	321,021	-	39,578	20,531	20,756	6,326	56,645	464,857
2018	305,116	-	97,846	19,616	39,576	4,161	2,415	468,730
<b>Peter Connors</b>								
2019	580,196	-	127,600	25,000	34,701	12,229	98,708	878,434
2018	546,470	-	250,969	25,000	65,804	6,488	4,035	898,766
<b>Total Compensation</b>								
2019	2,686,237	-	532,684	95,834	167,918	37,590	529,370	4,049,633
2018	2,631,160	-	1,073,707	94,616	300,672	22,190	22,575	4,144,920

- (a) Non-monetary benefits include motor vehicles, private and spouse travel, and corporate hospitality.
- (b) This report reflects STI bonuses paid in FY19 relating to FY18 entitlements. The annual bonus in FY18 reflects bonus paid in FY18 relating to FY17 entitlements.
- (c) 2019 - This reflects bonuses paid in FY19 relating to FY16 entitlements. This is the last cash LTIP bonus to be paid.  
2018 - This reflects bonus payments paid in FY18 relating to FY15 and FY16 entitlements.
- (d) The remuneration and other terms of employment for Andrew Leyden (Chief Financial Officer) are formalised in a service agreement commencing 1 June 2018 and is due for renewal on 1 June 2020. Mr Leyden is responsible for his own superannuation arrangements. Leave provisions have been made for Mr Leyden on a non-accruing entitlement basis.
- (e) Share based payments represent estimated entitlements accrued but not yet vested.
- (f) Mark Anning's appointment ceased from position of Group Company Secretary and General Counsel on 19 July 2019.

### Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration above:

	Fixed remuneration		At risk	
	2019 %	2018 %	2019 %	2018 %
<b>Executive Director</b>				
Maxine Horne	65%	63%	35%	37%
<b>Other Key Management Personnel</b>				
Andrew Leyden	72%	69%	28%	31%
Kendra Hammond	72%	73%	28%	27%
Mark Anning	75%	70%	25%	30%
Peter Connors	70%	64%	30%	36%

## DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Key Management Personnel Transactions

##### Ordinary shares

The movement during the reporting period in the number of ordinary shares in Vita Group Limited, held directly, indirectly or beneficially, by each KMP including their related parties, is as follows:

Name	At 30 June 2018	Granted as remuneration	Net purchased/ (sold)	Dividends reinvested	At 30 June 2019
Maxine Horne	29,497,716	-	-	-	29,497,716
Andrew Leyden	83,000	-	30,000	7,413	120,413
Kendra Hammond	-	-	-	-	-
Mark Anning	-	-	-	-	-
Peter Connors	109,919	-	-	-	109,919

##### Executive performance rights

The movement during the reporting period in the number of performance rights over ordinary shares, held directly, indirectly or beneficially, by each KMP including their related parties, is as per the table below. These rights were granted on 1 July 2018 at a nil exercise price.

Name	At 30 June 2018	Granted as remuneration	Vested and exercised	Lapsed (a)	At 30 June 2019
Maxine Horne	72,327	624,740	-	-	697,067
Andrew Leyden	34,926	290,000	-	-	324,926
Kendra Hammond	20,221	175,000	-	-	195,221
Mark Anning (b)	19,088	165,000	-	-	184,088
Peter Connors	31,895	290,000	-	-	321,895
<b>Total</b>	<b>178,457</b>	<b>1,544,740</b>	<b>-</b>	<b>-</b>	<b>1,723,197</b>

- (a) The number of performance rights lapsed represents those rights which lapsed due to performance hurdles not being met and/or upon cessation of employment.
- (b) Mark Anning's appointment ceased on 19 July 2019. In accordance with the LTI Plan rules, performance rights remain available for vesting on the pre-existing vesting dates subject to the achievement of performance hurdles.

##### Vested and outstanding performance rights

Details of vested and outstanding performance rights over ordinary shares in the Company that were granted as remuneration to each KMP under the LTI Plan are presented in the table below:

Name	Grant date	Number of rights granted	Fair value per right at grant date	Issue price	Vesting date	Number of rights vested & exercised	Number of rights lapsed	% of rights lapsed
Maxine Horne	01-Jul-16	72,327	\$3.08	\$4.71	30-Jun-19	-	-	-
	01-Jul-18	305,990	\$0.69	\$1.04	30-Jun-20	-	-	-
	01-Jul-18	318,750	\$0.66	\$1.04	30-Jun-21	-	-	-
Andrew Leyden	01-Jul-16	34,926	\$3.08	\$4.71	30-Jun-19	-	-	-
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-20	-	-	-
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-21	-	-	-
Kendra Hammond	01-Jul-16	20,221	\$3.08	\$4.71	30-Jun-19	-	-	-
	01-Jul-18	87,500	\$0.69	\$1.00	30-Jun-20	-	-	-
	01-Jul-18	87,500	\$0.69	\$1.00	30-Jun-21	-	-	-
Mark Anning	01-Jul-16	19,088	\$3.08	\$4.71	30-Jun-19	-	-	-
	01-Jul-18	82,500	\$0.69	\$1.00	30-Jun-20	-	-	-
	01-Jul-18	82,500	\$0.69	\$1.00	30-Jun-21	-	-	-
Peter Connors	01-Jul-16	31,895	\$3.08	\$4.71	30-Jun-19	-	-	-
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-20	-	-	-
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-21	-	-	-



## DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Executive Contractual Terms

Name	Agreement Commence	Agreement Expiry	Notice of Termination by Company	Employee Notice	Other
Maxine Horne	1 November 2015	No expiry, continuous agreement	6 months (or payment in lieu of notice)	6 months	The Group may terminate the Contract any time without notice if serious misconduct has occurred.
Andrew Leyden*	1 June 2018	Agreement terminates 31 May 2020	16 weeks	16 weeks	The Group may terminate the Contract any time without notice if serious misconduct has occurred.
Other KMP	Standard Contract updated June 2009	No expiry, continuous agreement	13 weeks' (or 14 weeks') if the employee has more than 2 years of service and is over 45 years old), or by providing payment in lieu of the notice period.	13 weeks	The Group may terminate the Contract any time without notice if serious misconduct has occurred.

\* Andrew Leyden is engaged via AJL Consulting Pty Ltd, a company of which he is a Director, to provide his services as CFO of Vita Group.

## DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Non-Executive Director Remuneration

The Board sets Non-Executive Director remuneration at a level that enables the Group to attract and retain directors of the highest calibre, while incurring a cost that has regard for the size and complexity of the Group and is acceptable to shareholders. The remuneration of the Non-Executive Directors is determined by the Board on recommendation from the Remuneration and Nomination Committee within a maximum fee pool.

Non-Executive Directors receive a base fee and statutory superannuation contributions. Non-Executive Directors do not receive any performance based pay.

In determining the appropriate level of fees, the Board has regard for market practice and survey data. There has been no change to the Board fees from the prior year.

	Chair Fee \$	Member Fee \$
Board	210,000	105,000
Audit & Risk Committee	Nil	Nil
Remuneration & Nomination Committee	Nil	Nil

#### Non-Executive Director - Statutory Remuneration Disclosures

Name	Short-Term Employee Benefits			Post Employment Benefits	Long Term Benefits		Total
	Cash Salary and Fees	Non- monetary Benefits	Cash Bonus	Superannuation	Cash Bonus	Long Service Leave	
	\$	\$	\$	\$	\$	\$	
<b>Dick Simpson</b>							
2019	191,781	-	-	18,219	-	-	210,000
2018	192,377	-	-	17,623	-	-	210,000
<b>Neil Osborne</b>							
2019	95,890	-	-	9,110	-	-	105,000
2018	95,890	-	-	9,110	-	-	105,000
<b>Paul Wilson (a)</b>							
2019	105,000	-	-	-	-	-	105,000
2018	105,000	-	-	-	-	-	105,000
<b>Robyn Watts</b>							
2019	95,890	-	-	9,110	-	-	105,000
2018	95,890	-	-	9,110	-	-	105,000
<b>Paul Mirabelle (b)</b>							
2019	52,500	-	-	-	-	-	52,500
2018	-	-	-	-	-	-	-
<b>Total Compensation</b>							
2019	541,061	-	-	36,439	-	-	577,500
2018	489,157	-	-	35,843	-	-	525,000

- (a) Paul Wilson's services as a Director is provided by Peandel Pty Ltd, which invoices Vita Group for his Director fees. As such, Mr Wilson is responsible for his own superannuation arrangements.
- (b) Paul Mirabelle was appointed to the position of Independent Non-Executive Director on 23 January 2019. Mr Mirabelle is responsible for his own superannuation arrangements.

## DIRECTORS' REPORT

30 JUNE 2019 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Non-Executive Director Remuneration (continued)

#### Interests in the shares and options of the Company

As at the reporting date, the relevant interests of the Directors in the shares and performance rights of Vita Group Limited were as set out in the tables below.

##### Ordinary shares

Name	At 30 June 2018	Granted as remuneration	Net purchased/(sold)	Dividends reinvested	At 30 June 2019
Dick Simpson	120,543	-	-	-	120,543
Neil Osborne	267,039	-	-	-	267,039
Robyn Watts	41,459	-	-	-	41,459
Paul Wilson	253,657	-	(180,282)	-	73,375
Paul Mirabelle	-	-	-	-	-

##### Non-executive performance rights

Name	At 30 June 2018	Granted as remuneration	Vested and exercised	Lapsed (a)	Number held at 30 June 2019
Dick Simpson	-	-	-	-	-
Neil Osborne	-	-	-	-	-
Robyn Watts	-	-	-	-	-
Paul Wilson	-	-	-	-	-
Paul Mirabelle	-	-	-	-	-

- (a) The number of performance rights lapsed represents those rights which lapsed due to performance hurdles not being met and/or upon cessation of employment.

(End of Audited Remuneration Report)

### ENVIRONMENTAL REGULATION

### INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

#### Indemnification

Under clause 102 of Vita Group's Constitution, the Group has agreed to indemnify to the extent permitted by law and the Corporations Act 2001:

- every person who is or has been an officer of the Group against any liability (other than for legal costs) incurred by that person as an officer of the Group (including liabilities incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment).
- every person who is or has been an officer of the Group against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by that person as an officer of the Group (including such legal costs incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment).

**INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS (CONTINUED)**

**Insurance Premiums**

During the financial year the Group paid insurance premiums in respect of Directors' and Officers' liability and legal expense insurance contracts, for current and former Directors and senior executives, including senior executives of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

It is a condition of the policies that premiums paid and terms and conditions of the policies are not to be disclosed.

During or since the end of the financial year the Group has not indemnified or made a relevant agreement to indemnify an auditor of the company or of any related body corporate against a liability incurred by such an auditor. In addition the company has not paid, or agreed to pay a premium in respect of a contract insuring against a liability incurred by an auditor.

**AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES**

**Independence**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

**Non-Audit Services**

The following non-audit services were provided by the company's auditor, Grant Thornton Audit Pty Ltd and its related entities. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Grant Thornton Audit Pty Ltd and its related entities received or are due to receive the following amounts for the provision of non-audit services:

	FY19 \$	FY18 \$
Grant Thornton Audit Pty Ltd and its related entities:		
Tax compliance and consulting services	55,850	119,000
<b>Total non-audit services</b>	<b>55,850</b>	<b>119,000</b>

Signed in accordance with a resolution of Directors.



Dick Simpson  
Chairman



Maxine Horne  
Director and Chief Executive Officer

Brisbane  
23 August 2019

## Auditor's Independence Declaration

To the Directors of Vita Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Vita Group Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



CDJ Smith  
Partner – Audit & Assurance

Brisbane, 23 August 2019

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	FY19 \$'000	FY18 \$'000
Revenue	2	753,712	684,547
Changes in inventories		(524,040)	(473,234)
<b>Gross profit</b>		<b>229,672</b>	<b>211,313</b>
Other income	2	8,251	11,790
Employee benefits expense	3	(137,336)	(124,792)
Marketing expense		(10,168)	(9,930)
Rental expense relating to operating leases	3	(23,322)	(24,907)
Other expenses		(21,343)	(22,499)
		<b>45,754</b>	<b>40,975</b>
Depreciation and amortisation expense	3	(11,012)	(10,043)
		<b>34,742</b>	<b>30,932</b>
Finance income		470	280
Finance expenses		(1,129)	(1,273)
<b>Net finance costs</b>	<b>3</b>	<b>(659)</b>	<b>(993)</b>
<b>Profit before income tax</b>		<b>34,083</b>	<b>29,939</b>
Income tax expense	24	(9,801)	(7,988)
<b>Profit for the year</b>		<b>24,282</b>	<b>21,951</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year, attributable to the ordinary equity holders of Vita Group Limited</b>		<b>24,282</b>	<b>21,951</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company</b>	<b>21</b>		
- basic (cents per share)		15.04	14.13
- diluted (cents per share)		14.88	14.11

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	FY19 \$'000	FY18 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	12	26,672	31,613
Trade and other receivables	4	25,720	23,077
Inventories	5	24,162	19,063
Contract asset		453	354
<b>Total current assets</b>		<b>77,007</b>	<b>74,107</b>
<b>Non-current assets</b>			
Plant and equipment	6	24,085	14,802
Intangible assets and goodwill	7	106,682	100,542
Deferred tax assets	11	8,757	6,935
<b>Total non-current assets</b>		<b>139,524</b>	<b>122,279</b>
<b>TOTAL ASSETS</b>		<b>216,531</b>	<b>196,386</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	83,947	69,504
Interest bearing loans and borrowings	13	5,696	8,633
Current tax liabilities		1,318	2,492
Provisions	10	5,422	4,665
<b>Total current liabilities</b>		<b>96,383</b>	<b>85,294</b>
<b>Non-current liabilities</b>			
Trade and other payables	9	2,407	1,518
Interest bearing loans and borrowings	13	2,952	6,557
Provisions	10	5,563	5,280
<b>Total non-current liabilities</b>		<b>10,922</b>	<b>13,355</b>
<b>TOTAL LIABILITIES</b>		<b>107,305</b>	<b>98,649</b>
<b>NET ASSETS</b>		<b>109,226</b>	<b>97,737</b>
<b>EQUITY</b>			
Contributed equity	22	41,056	38,925
Other reserves	22	713	183
Retained earnings	22	67,457	58,629
<b>TOTAL EQUITY</b>		<b>109,226</b>	<b>97,737</b>

The consolidated balance sheet should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Attributable to owners of the parent			Total equity \$'000
		Contributed equity \$'000	Other reserves \$'000	Retained earnings \$'000	
<b>Balance at 1 July 2017</b>		<b>29,421</b>	<b>161</b>	<b>55,222</b>	<b>84,804</b>
Profit for the year		-	-	21,951	21,951
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>21,951</b>	<b>21,951</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	14	-	-	(18,544)	(18,544)
Dividend reinvestment plan net of costs	22	8,504	-	-	8,504
Employee share schemes - value of employee services	22	-	22	-	22
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax		1,000	-	-	1,000
<b>Total transactions with owners in their capacity as owners</b>		<b>9,504</b>	<b>22</b>	<b>(18,544)</b>	<b>(9,018)</b>
<b>Balance at 30 June 2018</b>		<b>38,925</b>	<b>183</b>	<b>58,629</b>	<b>97,737</b>
<b>Balance at 1 July 2018</b>		<b>38,925</b>	<b>183</b>	<b>58,629</b>	<b>97,737</b>
Profit for the year		-	-	24,282	24,282
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>24,282</b>	<b>24,282</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid	14	-	-	(15,454)	(15,454)
Dividend reinvestment plan net of costs	22	2,131	-	-	2,131
Employee share schemes - value of employee services	22	-	530	-	530
<b>Total transactions with owners in their capacity as owners</b>		<b>2,131</b>	<b>530</b>	<b>(15,454)</b>	<b>(12,793)</b>
<b>Balance at 30 June 2019</b>		<b>41,056</b>	<b>713</b>	<b>67,457</b>	<b>109,226</b>

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED ENDED 30 JUNE 2019

	Notes	FY19 \$'000	FY18 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		831,691	768,079
Payments to suppliers and employees (inclusive of GST)		(779,318)	(718,597)
Interest received		470	280
Finance expenses		(1,126)	(1,164)
Income taxes paid		(13,056)	(12,027)
<b>Net cash inflow from operating activities</b>	<b>12</b>	<b>38,661</b>	<b>36,571</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(16,363)	(4,924)
Purchase of intangible assets		(599)	(639)
Acquisition of businesses and subsidiaries, net of cash acquired	8	(7,324)	(22,920)
Proceeds from sale of stores		550	1,677
<b>Net cash (outflow) from investing activities</b>		<b>(23,736)</b>	<b>(26,806)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities	22	2,131	8,504
Proceeds from borrowings		2,146	13,051
Repayment of borrowings		(8,688)	(10,839)
Dividends paid	14	(15,454)	(18,544)
<b>Net cash (outflow) from financing activities</b>		<b>(19,865)</b>	<b>(7,828)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(4,940)</b>	<b>1,937</b>
Cash and cash equivalents at the beginning of the year		31,612	29,675
<b>Cash and cash equivalents at end of year</b>	<b>12</b>	<b>26,672</b>	<b>31,612</b>

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

## 1 SEGMENT REPORTING

### Description of segments and principal activities

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer and the Board, who are responsible for allocating resources and assessing performance of the operating segments. There are two reportable segments for financial statement purposes, being Information and Communication Technology (ICT) and Skin-health and Wellness.

The operating segments sell different products and services and as a result have different risk profiles.

#### ICT

Products sold comprise mobile phones and connections to plans, accessories and other technology products.

#### Skin-health and Wellness

Products sold comprise skin care treatments and products.

The Group operates in Australia.

### Segment information provided to the Chief Executive Officer and the Board

The Chief Executive Officer and Board primarily use a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the operating segments, as this is viewed as a proxy for cash profitability. Information is also provided regarding segment revenue and earnings before interest and tax (EBIT).

The segment information provided to the Chief Executive Officer and the Board on reportable segments for the year ended 30 June 2019 is as follows:

	ICT \$'000	Skin-health and Wellness \$'000	Total \$'000
<b>FY19</b>			
<b>Revenue from external customers</b>			
Sale of goods	578,056	13,653	591,709
Contract revenue	4,853	-	4,853
Commission revenue	156,411	-	156,411
<b>Total segment revenue</b>	<b>739,320</b>	<b>13,653</b>	<b>752,973</b>
Other revenue not allocated	-	-	739
Intersegment eliminations	-	-	-
<b>Group revenue</b>	<b>739,320</b>	<b>13,653</b>	<b>753,712</b>
<b>Segment EBITDA</b>	<b>79,281</b>	<b>(3,736)</b>	<b>75,545</b>
Depreciation and amortisation	(4,278)	(2,931)	(7,209)
Segment EBIT	75,003	(6,667)	68,336
<b>FY18</b>			
<b>Revenue from external customers</b>			
Sale of goods	510,762	6,498	517,260
Contract revenue	5,186	-	5,186
Commission revenue	161,594	-	161,594
<b>Total segment revenue</b>	<b>677,542</b>	<b>6,498</b>	<b>684,040</b>
Other revenue not allocated	-	-	507
Intersegment eliminations	-	-	-
<b>Group revenue</b>	<b>677,542</b>	<b>6,498</b>	<b>684,547</b>
<b>Segment EBITDA</b>	<b>70,072</b>	<b>(130)</b>	<b>69,942</b>
Depreciation and amortisation	(5,484)	(572)	(6,056)
Segment EBIT	64,588	(702)	63,886

Revenues from external customers are derived from the sale of ICT and Skin-health and Wellness products and services as defined above. The revenue from external parties is reported to the Chief Executive Officer and the Board and is measured in a manner consistent with that in the statement of comprehensive income.

## 1 SEGMENT REPORTING (CONTINUED)

### Segment information provided to the Chief Executive Officer and the Board (continued)

Revenues of approximately \$156,463,347 (FY18: \$161,593,658) were derived from a single external customer, attributable to the ICT segment.

No reporting is currently provided to the Chief Executive Officer and the Board with respect to segment assets and liabilities as these items are managed at a consolidated Group level only. As such, no disclosure has been provided on segment assets and liabilities.

#### Other segment information

##### EBIT

A reconciliation of EBIT to Group operating profit before income tax is provided as follows:

	FY19 \$'000	FY18 \$'000
Total reportable segment EBIT	68,336	63,886
Other revenue not allocated	739	507
Other expenses not allocated	(30,530)	(29,474)
Depreciation and amortisation not allocated	(3,803)	(3,987)
<b>Group EBIT</b>	<b>34,742</b>	<b>30,932</b>
Interest revenue	(470)	(280)
Finance costs	1,129	1,273
<b>Group profit before income tax</b>	<b>34,083</b>	<b>29,939</b>

## 2 REVENUE AND OTHER INCOME

The Group derives revenue from the transfer of goods and services in the following major categories:

	FY19 \$'000	FY18 \$'000
<b>Revenue</b>		
Sale of goods <sup>a</sup>	592,448	517,767
Contract revenue <sup>a,b</sup>	4,853	5,186
Commission revenue <sup>a</sup>	156,411	161,594
<b>Total revenue</b>	<b>753,712</b>	<b>684,547</b>
<b>Other income</b>		
Cooperative advertising income <sup>a</sup>	7,068	7,822
Other miscellaneous income <sup>a</sup>	1,183	3,968
<b>Total other income</b>	<b>8,251</b>	<b>11,790</b>

<sup>a</sup> Recognised by goods transferred at a point in time

<sup>b</sup> Recognised by services transferred over time

#### Recognition and measurement

Revenue arises primarily from the sale of technology hardware and accessories, contracting customers to data plans when acting as an agent for the telecommunications provider, provision of other technology products and solutions, and the sale of skin care products and treatments.

Revenue is recognised by reference to the following framework:

- identifying customer contracts
- identifying contractual performance obligations
- determining the transaction price
- allocation of the transaction price to the contractual performance obligations
- recognising revenue as the Group satisfies a performance obligation

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

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### 2 REVENUE AND OTHER INCOME (CONTINUED)

#### Recognition and measurement (continued)

Revenue is measured at the fair value of the consideration received or receivable net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group recognises revenue when the amount can be reliably measured, and it is probable that future economic benefits will flow to the Group and is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

#### *ICT products and services*

The Group has a Master Licence Agreement with Telstra Corporation Limited, the telecommunications provider, which authorises the Group to sell agreed products and services on its behalf. The agreement outlines the nature and amount of remuneration Vita receives, based on the type of product and/or service sold.

Revenue from the sale of technology hardware and accessories is recognised at the point in time the Group transfers control of the assets to the customer.

Revenue from contracting customers to Telstra plans is recognised in the form of commission received, when the Group has satisfied its performance obligation to connect the customer to the telecommunication provider.

The Group provides professional services including set-up and installation and/or deployment of other technology products and solutions. The Group recognises contract revenue on completion of the service.

The Group also enters into managed service contracts with customers relating to mobile device management, data storage, application services, IT services, security and protection. Contract revenue is recognised in the accounting period in which the service is provided.

Where products and services are sold as part of multiple-component transactions, the consideration received, or receivable is allocated to the separately identifiable performance obligations on a relative stand-alone selling price basis.

The Group recognises unearned revenue where amounts are received in advance of the Group satisfying its performance obligation and may be refundable where performance obligations are not satisfied. These amounts are reported as part of trade and other payables in the consolidated balance sheet (see Note 9). If the Group satisfies a performance obligation before it receives the associated consideration, the Group recognises a contract asset in the consolidated balance sheet.

#### *Skin care products and treatments*

The Group operates several skin-health and wellness clinics selling skin care products and treatments.

Revenue from the sale of skin care products is recognised at the point in time the Group transfers control of the assets to the customer. Where acting as principal, the Group records the full amount of sales proceeds as revenue, however where acting as an agent, revenue is recorded on a net basis and reported as commission revenue.

Revenue from the sale of skin care treatments is recognised once the treatment has been performed. Skin care treatments comprise services that can be performed with a single clinic visit or ones that require multiple visits. For single visit treatments, revenue is recognised at the point in time that the service has been provided. For treatments requiring multiple visits, each visit is determined to be a distinct performance obligation under the contract and revenue is recognised over time as these performance obligations are satisfied.

For transactions that comprise multiple performance obligations, such as a bundled sale of goods and treatments, the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

Where consideration has been received in advance of the treatment, the Group recognises unearned revenue to the extent of unsatisfied performance obligations. These amounts are reported in trade and other payables in the consolidated balance sheet (see Note 9). Revenue is recognised when the Group satisfies these performance obligations.

The Group operates a loyalty program where customers accumulate points for purchases made which they can redeem as discounts on future purchases. Loyalty points are considered to be a separate performance obligation as they provide customers with a material right they would not otherwise have received. The transaction price is allocated between the skin care products, treatments and points on a relative stand-alone selling price basis. Unearned revenue is recorded for points earned at the time of sale, revenue is recognised when the points are redeemed.

#### *Cooperative advertising income*

The Group has contractual arrangements with suppliers whereby the Group is reimbursed for qualifying advertising expenditure. Income is recognised on completion of the advertising activity. The transaction price is determined as a set percentage of qualifying advertising expenditure in accordance with contracted trading terms or as negotiated for specific advertising activity, adjusted for the assessed likelihood of a successful claim.

#### *Dividend income*

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

**3 EXPENSES**

	FY19 \$'000	FY18 \$'000
<b>Net finance expenses</b>		
Finance charges under chattel mortgages	40	51
Provisions: unwinding of discount	3	109
Line facility fee	731	745
Interest on term debt	284	352
Other interest expense	71	16
<b>Total finance expenses</b>	<b>1,129</b>	<b>1,273</b>
Interest revenue on bank deposits	(470)	(280)
<b>Net finance expenses</b>	<b>659</b>	<b>993</b>
<b>Depreciation and amortisation</b>		
Plant and equipment	8,413	7,863
Brands	678	172
Customer lists	228	51
Software	1,693	1,957
<b>Total depreciation and amortisation</b>	<b>11,012</b>	<b>10,043</b>
<b>Employee benefits expenses</b>		
Wages and salaries	121,112	110,058
Defined contribution superannuation expense	10,182	9,770
Employee entitlements	6,042	4,964
<b>Total employee benefits expenses</b>	<b>137,336</b>	<b>124,792</b>
<b>Rental expense relating to operating leases</b>		
Rental expense relating to operating leases	23,322	24,907
<b>Total rental expense relating to operating leases</b>	<b>23,322</b>	<b>24,907</b>

**Recognition and measurement**

*Finance costs*

Expense is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial liability and allocating the interest expense over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the financial liability.

*Retirement benefit obligations*

Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

*Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

*Interest income*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Depreciation and amortisation*

The depreciation and amortisation methods used by the Group are disclosed in Note 6 and Note 7 respectively.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

**4 TRADE AND OTHER RECEIVABLES**

	FY19 \$'000	FY18 \$'000
Trade receivables	19,907	15,080
Allowance for credit losses	(192)	(867)
<b>Net trade receivables</b>	<b>19,715</b>	<b>14,213</b>
Other receivables	2,562	5,638
Prepayments	3,443	3,226
<b>Net trade and other receivables</b>	<b>25,720</b>	<b>23,077</b>

**Allowance for credit losses**

As at 30 June 2019, provisions were made against current trade receivables to the value of \$192,115 (FY18: \$866,801). AASB 9 Financial Instruments came into effect on 1 July 2019 and replaced AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 requires impairments to be based on a forward looking model. This new model is an expected credit loss model that is expected to result in earlier recognition of credit losses than the incurred loss impairment model under AASB 139. This analysis excludes amounts relating to revenue adjustments made to the Telstra specific receivable as these amounts represent an estimate of adjustments to revenue rather than uncollected receivables.

The aging of these receivables is as follows:

0 to 91 days	11	4
91+ days	181	863
<b>Balance at 30 June</b>	<b>192</b>	<b>867</b>

Movements in allowance for credit losses were as follows:

At 1 July	867	1,235
Charge/(release) for the year	(325)	(263)
Amounts written off	(350)	(105)
<b>Balance at 30 June</b>	<b>192</b>	<b>867</b>

As of 30 June 2019, trade receivables of \$117,516 (FY18: \$1,543,487) were past due by more than 61 days but not impaired. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full. There is not considered to be any additional credit risk relating to the Telstra specific debtors. Aged Telstra specific receivables relate to potential revenue adjustments rather than an inability to collect outstanding monies and are therefore excluded from the ageing analysis below.

61-90 days	79	328
91+ days	39	1,215
<b>Balance at 30 June</b>	<b>118</b>	<b>1,543</b>

**Recognition and measurement**

Trade receivables are non-interest bearing. They include an assessment of amounts owing by Telstra as well as regular debtors. Trade receivables, which generally have 30-90 day terms, are recognised initially at the value of the original invoice amount to customers and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Telstra claims can take up to 12 months to finalise.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. An impairment allowance is recognised in compliance with the simplified approach permitted by AASB 9, by recognising lifetime expected credit losses using a provision matrix. The matrix was developed to reflect historic default rates, with higher default rates applied to older balances. The approach is followed for all receivables unless there are specific circumstances which would render the receivable irrecoverable and therefore require a specific provision. A provision is made against trade receivables until such time as the Group believes the amount to be irrecoverable, after which the trade receivable balance is written off.

The amount of the impairment loss is recognised in the consolidated statement of comprehensive income. When a trade receivable for which an allowance for credit loss had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statement of comprehensive income.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

#### 4 TRADE AND OTHER RECEIVABLES (CONTINUED)

##### Recognition and measurement (continued)

###### *Fair value and credit risk*

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of the receivable. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purposes entities.

#### 5 INVENTORIES

	FY19 \$'000	FY18 \$'000
Finished goods	26,135	20,834
Provision for diminution in value	(1,973)	(1,771)
<b>Total inventories at the lower of cost or net realisable value</b>	<b>24,162</b>	<b>19,063</b>

Inventories recognised as expense during the year ended 30 June 2019 amounted to \$524,040,301 (FY18: \$473,234,301). This is disclosed as changes in inventories in the statement of comprehensive income.

Inventory write-downs included in the above totalled \$893,112 (FY18: \$945,344).

##### *Recognition and measurement*

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for on a first in, first out (FIFO) basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

#### 6 PLANT AND EQUIPMENT

	Plant and equipment \$'000
<b>At 1 July 2017</b>	
Cost	63,514
Accumulated depreciation	(48,441)
<b>Opening net book amount</b>	<b>15,073</b>
Opening net book amount	15,073
Additions	5,074
Acquisition through business combination	2,570
Disposals	(52)
Depreciation charge	(7,863)
<b>Closing net book amount</b>	<b>14,802</b>
<b>At 1 July 2018</b>	
Cost	65,242
Accumulated depreciation	(50,440)
<b>Opening net book amount</b>	<b>14,802</b>
Opening net book amount	14,802
Additions	16,732
Acquisition through business combination	1,238
Disposals	(266)
Transfers	(8)
Depreciation charge	(8,413)
<b>Closing net book amount</b>	<b>24,085</b>
<b>At 30 June 2019</b>	
Cost	74,665
Accumulated depreciation	(50,580)
<b>Closing net book amount</b>	<b>24,085</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 6 PLANT AND EQUIPMENT (CONTINUED)

The net book value of assets held under chattel mortgage agreements amount to \$679,337 (FY18: \$889,440) and are pledged as security for the related chattel mortgage liabilities.

Additions to the lease make good asset recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* during FY19 were \$1,326,347 (FY18: \$265,033). Provisions were raised to represent the future make good liability in Note 10 Provisions.

#### **Recognition and measurement**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated over the estimated useful life of the assets as follows:

Plant and equipment	Straight line over 3 to 8 years
---------------------	---------------------------------

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

#### **Make good requirements in relation to tenancy lease agreements**

Make good costs arising from contractual obligations in tenancy lease agreements are recognised as provisions at the inception of the agreement. A corresponding asset is taken up in plant and equipment. Expected future payments are discounted using appropriate market yields at reporting date.

#### **Impairment**

The carrying values of plant and equipment are reviewed for impairment at each reporting date, and when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Resulting adjustments are applied via an impairment adjustment in the appropriate period and result in a positive (increase) to the depreciation charge in that same period.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or CGU's are then written down to their recoverable amount. The impairment loss is recognised in profit and loss.

#### **Derecognition**

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

**7 INTANGIBLE ASSETS AND GOODWILL**

	Notes	Brands \$'000	Customer lists \$'000	Software \$'000	Goodwill \$'000	Total \$'000
<b>At 1 July 2017</b>						
Cost		-	-	9,763	99,126	108,889
Accumulated amortisation and impairment		-	-	(6,487)	(21,816)	(28,303)
<b>Opening net book amount</b>		-	-	<b>3,276</b>	<b>77,310</b>	<b>80,586</b>
Opening net book amount		-	-	3,276	77,310	80,586
Additions		-	-	639	-	639
Acquisition through business combination	8	981	355	-	22,745	24,081
Disposals		-	-	-	(2,584)	(2,584)
Amortisation charge		(172)	(51)	(1,957)	-	(2,180)
<b>Closing net book amount</b>		<b>809</b>	<b>304</b>	<b>1,958</b>	<b>97,471</b>	<b>100,542</b>
<b>At 1 July 2018</b>						
Cost		981	355	10,315	119,287	130,938
Accumulated amortisation and impairment		(172)	(51)	(8,357)	(21,816)	(30,396)
<b>Opening net book amount</b>		<b>809</b>	<b>304</b>	<b>1,958</b>	<b>97,471</b>	<b>100,542</b>
Opening net book amount		809	304	1,958	97,471	100,542
Additions		-	-	599	-	599
Acquisition through business combination	8	24	1,190	-	7,082	8,296
Transfers		-	-	8	-	8
Disposals		-	-	-	(164)	(164)
Amortisation charge		(678)	(228)	(1,693)	-	(2,599)
<b>Closing net book amount</b>		<b>155</b>	<b>1,266</b>	<b>872</b>	<b>104,389</b>	<b>106,682</b>
<b>At 30 June 2019</b>						
Cost		1,005	1,545	10,463	126,205	139,218
Accumulated amortisation		(850)	(279)	(9,591)	(21,816)	(32,536)
<b>Closing net book amount</b>		<b>155</b>	<b>1,266</b>	<b>872</b>	<b>104,389</b>	<b>106,682</b>

**Recognition and measurement**

*Goodwill*

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill acquired on a business combination is initially measured at cost being the excess of the fair value of consideration transferred over the Group's interest in the acquisition-date net fair value of the acquirees' identifiable assets and liabilities.

Following initial recognition, goodwill is not amortised but measured at cost less any accumulated impairment losses.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units (CGU's) or groups of CGU's that are expected to benefit from the combination's synergies.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU or groups of CGU's to which the goodwill relates.

Where goodwill forms part of a CGU or groups of CGU's and part of the operation within that unit or group of units are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative EBITDA contribution of the CGU disposed of to the total group of CGU's.

Where the recoverable amount of individual CGU's or groups of CGU's are less than the carrying amount, an impairment loss is recognised separately as an expense in the statement of comprehensive income.

For impairment testing of goodwill refer to Note 16.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 7 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

#### Recognition and measurement (continued)

##### *Brand names and customer lists*

Brand names and customer lists acquired in a business combination are recognised separately from goodwill at their fair value on acquisition date less impairment losses. Fair values have been determined using the relief-from-royalty and multi-period excess earnings methods for Brands and Customer Lists respectively.

##### *Software*

Expenditure on the research phase of projects to develop new customised software is expensed as incurred. Costs arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following initial recognition of the development expenditure, the cost model is applied.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the consolidated statement of comprehensive income in the expense category 'depreciation and amortisation'.

Intangible assets with a finite life are tested for impairment where an indicator of impairment exists and in the case of indefinite life intangibles annually, either individually at the CGU level or groups of CGU's. This requires an estimation of the recoverable amount of the CGU's to which the intangible with finite life is allocated. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss.

A summary of the policies applied to the Group's intangible assets are as follows:

Brands	Straight line over 3 years
Customer lists	Straight line over 3 - 5 years
Software	Straight line over 2.5 - 3 years

## 8 BUSINESS COMBINATIONS

### a) Acquisition of skin-health and wellness clinics

During the financial year, VTG Artisan Pty Ltd (a subsidiary of Vita Group Limited) acquired the business assets and certain liabilities of the following clinics operating in the skin-health and wellness industry.

Location	Settlement date
The Face Academy	1 November 2018
Emetheni Cosmetic Medicine	30 November 2018
Shine Woman's Health & Cosmetic Medicine Clinic	18 February 2019
The Bradford Clinic	29 March 2019
Face Today Mediclinic	3 May 2019
Pamper Medical Skin Clinic	11 June 2019

All acquisitions were individually immaterial and have been aggregated for disclosure purposes.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$'000
<b>Purchase consideration</b>	
Cash paid	5,605
Deferred consideration	33
Contingent consideration	1,811
<b>Total purchase consideration</b>	<b>7,449</b>

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$'000
Inventories	415
Plant and equipment	1,036
Intangible assets: brand	24
Intangible assets: customer list	1,068
Deferred tax asset	169
Provisions	(395)
Unearned revenue	(102)
Employee benefit liabilities	(45)
Deferred tax liability	(387)
<b>Net identifiable assets acquired</b>	<b>1,783</b>
Add: goodwill	5,666
<b>Net assets acquired</b>	<b>7,449</b>

#### Goodwill

Goodwill is primarily related to the expected future profitability of the acquired business. Goodwill has been allocated to cash generating units at 30 June 2019. It is not expected to be deductible for tax purposes except on subsequent disposal.

#### Acquisition related costs

Acquisition-related costs of \$271,103 representing stamp duty on the transfer of the business are included in other expenses in the consolidated statement of comprehensive income.

#### Deferred consideration

In respect of The Bradford Clinic, deferred consideration of \$32,500 is payable six months after the completion date. No amounts are outstanding as at the end of the financial year.

#### Contingent consideration

#### Earn-Outs

In the event that certain predetermined EBITDA or revenue targets are achieved within specified timeframes, additional consideration of up to \$2,643,000 may be payable over a period from 31 December 2019 to 31 August 2021.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 8 BUSINESS COMBINATIONS (CONTINUED)

#### a) Acquisition of skin-health and wellness clinics (continued)

##### Contingent consideration (continued)

###### *Earn-Outs (continued)*

The potential undiscounted amount of all future payments that the Group could be required to make under these arrangements is between \$0 and \$2,643,000. The fair value of the contingent consideration arrangement of \$1,810,792 is based on a discounted assumed probability of achievement to the EBITDA or revenue targets.

##### Acquired receivables

The fair value of trade and other receivables is nil and includes no interest in future trailing income related to pre-acquisition activity by these clinics with a fair value of nil. The gross contractual amount for the interest in future income is estimated at nil.

##### Revenue and profit contribution\*

The acquired businesses contributed revenues of \$1,739,866 and EBITDA of \$301,189 to the Group for the period from acquisition date to 30 June 2019.

On the basis of trading results from the date of acquisition to the end of the reporting period, had the businesses been acquired on 1 July 2018, the contribution to the Group for revenue and EBITDA is estimated at \$6,094,990 and \$1,257,126 respectively.

The acquisition of Face Academy was a strategic addition of capability which will help build revenue and profit streams throughout the Skin-health and Wellness network. External revenue and EBITDA contributions specific to that business are not material and have therefore not been included.

\*EBITDA has been stated in place of NPAT for business combinations revenue and profit contribution as depreciation, finance costs and income tax are attributable only to the Consolidated/Parent entity and are not calculated at an individual clinic level.

	FY19 \$'000	FY18 \$'000
<b>Outflow of cash to acquire business, net of cash acquired</b>		
Cash consideration	5,605	16,642
Acquisition related costs	263	358
	<b>5,868</b>	<b>17,000</b>
<b>Total outflow of cash to acquire business, net of cash acquired</b>	<b>5,868</b>	<b>17,000</b>

#### b) Acquisition of equity interests

On 15 January 2019, Vita Group Limited acquired 100% of the issued shares in Cosmedcloud Pty Ltd, an unlisted company based in Australia, providing cloud-based software solutions for cosmetic doctors and nurses, plastic surgeons and dermatologists.

Details of the purchase consideration, net assets acquired and goodwill are as follows:

	\$'000
<b>Purchase consideration</b>	
Cash paid	1,459
<b>Total purchase consideration</b>	<b>1,459</b>

## 8 BUSINESS COMBINATIONS (CONTINUED)

### b) Acquisition of equity interests (continued)

The provisional assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$'000
Cash	3
Prepayments	1
Plant and equipment	3
Intangible assets: customer list	122
Deferred tax asset	1
Payables	(21)
Other liabilities	(12)
Unearned revenue	(15)
Employee benefit liabilities	(2)
Deferred tax liability	(37)
<b>Net identifiable assets acquired</b>	<b>43</b>
Add: goodwill	1,416
<b>Net assets acquired</b>	<b>1,459</b>

#### Goodwill

Cosmedcloud was a strategic acquisition of capability and will deliver future benefits through the provision of software services to the Skin-health and Wellness segment and to third parties. Goodwill has been allocated to cash generating units at 30 June 2019. It is not expected to be deductible for tax purposes except on subsequent disposal.

#### Acquisition related costs

No acquisition related costs have been incurred on the transfer of the business as at the end of the financial year.

#### Acquired receivables

The fair value of trade and other receivables is nil and includes no interest in future trailing income related to pre-acquisition activity by this business with a fair value of nil. The gross contractual amount for the interest in future income is estimated at nil.

#### Revenue and profit contribution\*

The acquisition of cosmedcloud was a strategic addition of capability which will help build revenue and profit streams throughout the Skin-health and Wellness network. External revenue and EBITDA contributions specific to that business are not material and have therefore not been included.

\*EBITDA has been stated in place of NPAT for business combinations revenue and profit contribution as depreciation, finance costs and income tax are attributable only to the Consolidated/Parent entity and are not calculated at an individual business level.

	FY19 \$'000	FY18 \$'000
<b>Cash flow information</b>		
<b>Outflow of cash to acquire business, net of cash acquired</b>		
Cash consideration	1,459	10,642
Acquisition related costs	-	34
	<b>1,459</b>	<b>10,676</b>
<b>Less: Balances acquired</b>		
Cash	3	4,757
<b>Total outflow of cash to acquire business, net of cash acquired</b>	<b>1,456</b>	<b>5,919</b>

During the previous financial year, the Group acquired 100% of the issued shares of TCB Comms Pty Ltd, Kan Tel Pty Ltd and Sales Comms Pty Ltd, unlisted companies based in Australia conducting business as independent operators in the Telstra Licensee network. Total cash consideration amounted to \$10,642,000.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 9 TRADE AND OTHER PAYABLES

	FY19 \$'000	FY18 \$'000
<b>Current</b>		
Trade payables	39,169	35,304
Other payables and accruals	33,767	22,683
Unearned revenue	4,225	5,177
Annual leave accrual	6,786	6,340
<b>Total current trade and other payables</b>	<b>83,947</b>	<b>69,504</b>
<b>Non-current</b>		
Straight-line rent accrual	2,407	1,518
<b>Total non-current trade and other payables</b>	<b>2,407</b>	<b>1,518</b>
<b>Total trade and other payables</b>	<b>86,354</b>	<b>71,022</b>

#### Recognition and measurement

Trade and other payables are carried at original invoice amount and represent liabilities for goods and services provided to the Group to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured, non-interest bearing and are paid within terms ranging from 14 to 90 days from recognition.

#### Fair value

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

#### Wages, salaries, annual leave and bonuses

Liabilities for wages and salaries including non-monetary benefits, expected to be settled within 12 months of the reporting period are recognised in other payables and accruals in respect of employees' services up to the reporting date. Liabilities in relation to bonuses are recognised in other payables and accruals where contractually obliged or where there is a past practice that has created a constructive obligation.

Liabilities for annual leave are recognised in annual leave accrued in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulated sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The Group recognises unearned revenue where amounts are received in advance of the Group satisfying its performance obligation and may be refundable where performance obligations are not satisfied.

### 10 PROVISIONS

	FY19			FY18		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee benefits	1,281	2,089	3,370	1,053	1,737	2,790
Make good provision	2,305	2,026	4,331	1,849	2,123	3,972
Contingent consideration	1,206	1,166	2,372	984	764	1,748
Onerous lease provision	630	282	912	779	656	1,435
<b>Total provisions</b>	<b>5,422</b>	<b>5,563</b>	<b>10,985</b>	<b>4,665</b>	<b>5,280</b>	<b>9,945</b>

**10 PROVISIONS (CONTINUED)**

	Make good provision \$'000	Contingent consideration \$'000	Onerous lease provision \$'000	Total \$'000
<b>Movement in provisions:</b>				
Carrying amount at start of year	3,972	1,748	1,435	7,155
Acquired through business combination	237	1,811	-	2,048
Additional provisions recognised	1,099	250	281	1,630
Unused amounts reversed	(290)	(254)	-	(544)
Amounts used during the year	(626)	(1,218)	(833)	(2,677)
Unwinding of discount	(61)	35	29	3
<b>Carrying amount at end of year</b>	<b>4,331</b>	<b>2,372</b>	<b>912</b>	<b>7,615</b>

**Recognition and measurement**

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

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, except for employee entitlements, the increase in the provision due to the passage of time is recognised as a finance cost.

**Employee benefits**

The current employee benefits provision represents the unconditional entitlements to long service leave where the employee has completed their required service period. The non-current provision for employee benefits represents conditional long service leave entitlements and employee entitlements expected to be settled outside 12 months. Liabilities for long service leave are measured at the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**Make good provision**

The Group is required to restore the leased premises of its retail stores, technology business centres, clinics and head office to their original condition at the end of the respective lease terms. The Group estimates its liability to provide for the restoration by reference to historical data and by specific estimates on a premise-by-premise basis. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of the asset and are amortised over the shorter of the term of the lease or the useful life of the assets. Assumptions used to calculate the provision were based on current assessments of the timing of the restoration liability crystallising and on current restoration costs.

**Onerous lease provision**

The Group has made an estimate of residual lease commitments for underperforming sites where a decision has been made to close the site or where the site has been exited prior to the end of the lease. A provision has been recognised for the present value of the estimated commitment.

**Contingent consideration**

The Group has agreed contingent consideration arrangements with acquired clinics in the Skin-health and Wellness segment; being earn-outs payable in the event that certain pre-determined EBITDA and revenue targets are achieved within specified timeframes, and in relation to Clear Complexions, an option to obtain a five per cent interest in Artisan Aesthetics Group Pty Ltd for nominal consideration. Due to the variable nature of the option, this has been classified as a financial liability.

Fair values have been determined based on a discounted assumed probability of achievement to the EBITDA and revenue targets for the earn-outs, and using an option pricing model for the option. The inputs used for both models have been classified as level 3 fair values due to the use of non-observable inputs.

These fair values are reviewed at each reporting period with any changes recognised in profit and loss.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 11 DEFERRED TAX ASSET

	FY19 \$'000	FY18 \$'000
<b>Deferred income tax in the consolidated balance sheet relates to the following:</b>		
Provisions	2,112	1,355
Inventory	665	584
Provision for employee benefits	3,047	2,739
Onerous lease provision	1,573	1,622
Unearned revenue	233	336
Share issue costs	35	67
Plant and equipment	774	566
Intangible assets	318	(334)
<b>Net deferred tax assets</b>	<b>8,757</b>	<b>6,935</b>

	FY19 \$'000	FY18 \$'000
<b>Movement in deferred tax assets</b>		
Opening balance	6,935	6,352
<b>Debited/(credited):</b>		
- to profit or loss	2,076	560
- directly to equity	-	54
- acquisitions	(254)	(31)
<b>Balance at 30 June</b>	<b>8,757</b>	<b>6,935</b>

#### Recognition and measurement

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

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

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

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

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

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

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

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.



**12 CASH AND CASH EQUIVALENTS**

	FY19 \$'000	FY18 \$'000
<b>Cash at bank and on hand</b>	<b>26,672</b>	<b>31,613</b>
<b>Reconciliation of net profit after tax to net cash flows from operations</b>		
Profit for the year	24,282	21,951
<i>Adjustments for</i>		
Depreciation	8,413	7,863
Amortisation	2,599	2,180
Share-based payments expense	530	22
Write down of goodwill on store divestment	(387)	1,020
Net (profit)/loss on disposal of plant and equipment	(8)	19
Make good provision: unwinding of discount	(61)	70
Onerous lease provision: unwinding of discount	29	2
Contingent consideration provision: unwinding of discount	35	37
Doubtful debt provision	(675)	(368)
Inventory obsolescence provision	179	173
Make good provision	(626)	(438)
Onerous lease provision	(833)	(279)
Contingent consideration provision	(4)	97
<i>Change in operating assets and liabilities:</i>		
(Increase)/ Decrease in trade and other receivables	(1,752)	6,810
(Increase) in inventory	(4,866)	(1,627)
(Increase) /Decrease in other current assets	(99)	69
(Increase) in prepayments	(217)	(431)
(Increase) in deferred tax assets	(2,076)	(1,015)
(Decrease) in current tax liability	(1,180)	(3,024)
Increase in trade, other payables and accruals	14,490	3,907
(Decrease) in unearned revenue	(1,075)	(1,857)
Increase in provisions	1,963	1,390
<b>Net cash inflow from operating activities</b>	<b>38,661</b>	<b>36,571</b>

During the year, the Group acquired a number of Skin-health and Wellness clinics (refer to Note 8). The purchase consideration included contingent payment arrangements amounting to \$1,810,792 (FY18: \$1,613,518) and deferred consideration of \$32,500 (FY18: \$50,000), as at acquisition date. The initial recognition of these liabilities and the subsequent unwinding of the discount of \$34,538 (FY18: \$37,089) are non-cash transactions excluded from the statement of cash flows.

**Recognition and measurement**

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts that are repayable on demand and form an integral part of the cash management of the Group. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the consolidated balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 13 INTEREST BEARING LOANS AND BORROWINGS

	FY19 \$'000	FY18 \$'000
<b>Current</b>		
Obligations under chattel mortgage	406	387
Term debt	5,290	8,246
<b>Total current borrowings</b>	<b>5,696</b>	<b>8,633</b>
<b>Non-current</b>		
Obligations under chattel mortgage	191	597
Term debt	2,761	5,960
<b>Total non-current borrowings</b>	<b>2,952</b>	<b>6,557</b>
<b>Total borrowings</b>	<b>8,648</b>	<b>15,190</b>

Current interest bearing loans and borrowings mature during 2020, non-current interest bearing loans and borrowings mature during 2021. All loans and borrowings are denominated in Australian Dollars.

#### Chattel mortgages

The chattel mortgages are secured by a charge over the specific assets being financed. The value of assets under chattel mortgage is \$679,337 (FY18: \$889,440).

#### Term debt

The interest rate and facility fee charged on the term debt at 30 June 2019 was between 2.56% and 2.67% (FY18: 3.07% and 3.60%).

The Group's loan and lease facilities are secured under the Group's Deed of Cross Guarantee, detailed in Note 18.

#### Fair values

The fair values have been calculated by discounting the expected future cash flows at prevailing risk adjusted market interest rates at 2.56% (FY18: 3.07%).

	2019		2018	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Obligations under chattel mortgage	597	582	984	955
Term debt	8,051	7,783	14,206	13,558
<b>Balance at 30 June</b>	<b>8,648</b>	<b>8,365</b>	<b>15,190</b>	<b>14,513</b>

Fair value of debt has been estimated by reference to interest rates in active markets and are categorised within Level 1 of the fair value hierarchy.

#### Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in Note 15.

#### Financial facilities

The Group has re-established facilities with the Australia and New Zealand Banking Group Limited that are secured by a first registered mortgage debenture over Vita Group Limited and its subsidiaries and an interlocking guarantee and indemnity given by Vita Group Limited and its subsidiaries. In addition the facilities are subject to financial and reporting covenants.

During the financial year, the Group also established an asset finance facility with the Bank of Queensland for the acquisition of equipment in the Skin-health and Wellness segment. No equipment has been acquired under this facility as at 30 June 2019.

At balance date, the Group has available approximately \$23.4 million (FY18: \$14.1 million) of unused master asset finance facilities available for its immediate use. The Group also has access to an unused overdraft facility of \$3.0 million (FY18: \$3.0 million).

### **13 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)**

#### ***Recognition and measurement***

##### ***Loans and borrowings***

All loans and borrowings are initially recognised at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

##### ***Borrowing costs***

Borrowing costs are recognised as an expense when incurred. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with these assets would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

##### ***Leases***

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are amortised over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments, which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Incentives for entering into operating leases are recognised evenly over the term of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 14 DIVIDENDS PAID AND PROPOSED

#### *Declared and paid during the year*

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance dates.

	FY19 \$'000	FY18 \$'000
Final dividend for FY18 4.4 cents per share (FY17: 7.4)	7,057	11,292
Interim dividend for FY19 of 5.2 cents per share (FY18: 4.7)	8,397	7,252
<b>Total dividends provided and paid</b>	<b>15,454</b>	<b>18,544</b>

#### *Dividends not recognised at the end of the reporting period*

In addition to the above dividends, since year-end the directors have approved the payment of a final dividend of 4.0 cents per share (FY18: 4.4), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividends expected to be paid in September 2019 out of retained earnings at 30 June 2019 but not recognised as a liability at year end, is \$6,517,709.

	FY19 \$'000	FY18 \$'000
<b>Total dividends not recognised as a liability at year end</b>	<b>6,518</b>	<b>7,057</b>

#### *Franking dividends*

The franked portions of the final dividends approved after 30 June 2019 will be fully franked out of existing franking credits, or franking credits arising from the payment of income tax in the year ending 30 June 2020.

Franking credits available for subsequent financial years based on a tax rate of 30% (FY18: 30%):

	FY19 \$'000	FY18 \$'000
<b>Franking credits remaining at balance sheet date</b>	<b>62,043</b>	<b>57,079</b>

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- Franking credits that will arise from the payment of the provision for income tax
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

The impact on the franking account of the dividend approved by the Directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of \$2,793,304 (FY18: \$3,024,517).

## 15 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise operating leases, term debt, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. It is, and has been throughout the year, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group is not exposed to commodity and equity price risks.

### Market risk

The Group's exposure to market risk is concentrated in changes of market interest rates, primarily on the Group's debt obligations that have floating interest rates.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate and the Group's policy is to manage its interest cost using a mix of fixed and variable borrowings. The level of debt is disclosed in Note 13.

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

	FY19 \$'000	FY18 \$'000
<b>Financial assets</b>		
Cash	26,672	31,613
<b>Total financial assets</b>	<b>26,672</b>	<b>31,613</b>
<b>Financial liabilities</b>		
Term debt	7,387	12,496
<b>Total financial liabilities</b>	<b>7,387</b>	<b>12,496</b>
<b>Net asset/(exposure)</b>	<b>19,285</b>	<b>19,117</b>

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2019, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	FY19 \$'000	FY18 \$'000
+ 1% (100 basis points)	135	134
- 1% (100 basis points)	(135)	(134)

These movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

### Credit risk

The Group trades only with recognised, creditworthy third parties and it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and risk limits are set for each individual customer in accordance with the Group's policies.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses using a provision matrix, as these items do not have a significant financing component (refer to Note 4).

The accounts receivable of the Group is predominantly represented by amounts owed by the Dealership Principal, namely Telstra Corporation Limited, and the level of credit risk on the account is considered to be low. There are no other significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 15 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's treasury management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayment and interest resulting from recognised financial assets and liabilities as at 30 June 2019. No derivative financial instruments are held and for other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2019.

The remaining contractual maturities of the Group's financial assets and liabilities are:

	1 year or less \$'000	1 - 5 years \$'000	Over 5 years \$'000	Total contractual flows \$'000	Carrying Amount \$'000
<b>Financial assets</b>					
At 30 June 2019					
Trade and other receivables	19,907	250	-	20,157	22,277
<b>Total financial assets</b>	<b>19,907</b>	<b>250</b>	<b>-</b>	<b>20,157</b>	<b>22,277</b>
At 30 June 2018					
Trade and other receivables	15,080	250	-	15,330	19,581
<b>Total financial assets</b>	<b>15,080</b>	<b>250</b>	<b>-</b>	<b>15,330</b>	<b>19,581</b>
<b>Financial liabilities</b>					
At 30 June 2019					
Trade and other payables	39,169	-	-	39,169	72,936
Borrowings	5,865	2,982	-	8,847	8,648
Contingent consideration	3,118	860	-	3,978	2,372
<b>Total financial liabilities</b>	<b>48,152</b>	<b>3,842</b>	<b>-</b>	<b>51,994</b>	<b>83,956</b>
At 30 June 2018					
Trade and other payables	35,304	-	-	35,304	57,987
Borrowings	8,986	6,723	-	15,709	15,191
Contingent consideration	1,000	810	-	1,810	1,748
<b>Total financial liabilities</b>	<b>45,290</b>	<b>7,533</b>	<b>-</b>	<b>52,823</b>	<b>74,926</b>

## 16 IMPAIRMENT TESTING OF GOODWILL

Goodwill is allocated to the following cash-generating units (CGU's) or groups of CGU's, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

<i>CGU / Groups of CGU's</i>	<b>FY19</b>	<b>FY18</b>
	<b>\$'000</b>	<b>\$'000</b>
Information and Communication Technology (ICT)	85,779	85,942
Skin-health and Wellness	18,610	11,417
<b>Balance at 30 June</b>	<b>104,389</b>	<b>97,359</b>

### **Determination of CGU's**

In ICT, although CGU's have currently been defined as individual stores, being the lowest levels at which cash flows can be independently ascertained for the purposes of discounting future cash flows, goodwill itself can be allocated to individual stores or groups of stores, depending on how the CGU's are expected to benefit from the acquisition.

In Skin-health and Wellness, CGU's have been defined based on the underlying business acquired as part of a business combination transaction.

When testing for impairment, the expected future cash flows from individual stores or groups of stores are aggregated and compared to the carrying value of goodwill to evaluate whether there is any impairment.

The identification of CGU's are reviewed periodically and may be updated to reflect changes in the distribution methods and profitability measures of the Group as required.

### **Key assumptions used for value-in-use calculations**

The recoverable amounts of the CGU's were determined based on value-in-use calculations, reflecting management budgets for the first year and longer range projections for years two to five. Cash flows beyond the five-year period are extrapolated using suitable growth rates determined by management. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates.

The Group has developed robust growth and cost assumptions based on a long-term plan. For ICT, the assumptions are consistent with the previous period and represent management's current projected growth expectations following on from FY19's achievements. In determining such assumptions, factors such as competitive dynamics and the evolving maturity of stores were all contemplated. In Skin-health and Wellness, assumptions represent management's current projected growth expectations based on FY19 performance, industry growth rates and the evolving maturity of individual clinics.

The inputs used have been classified as level three fair values due to the use of non-observable inputs.

Cash flow projections for the business for the five-year period use implied compound annual growth rates as follows:

	<b>FY19</b>	<b>FY18</b>
<b>ICT</b>		
Revenue	0.2%	1.4%
Cost of goods sold	0.5%	1.4%
Operating expenses	1.6%	1.5%
Pre-tax weighted average cost of capital (WACC)	7.6%	9.0%
Terminal growth rate	2.0%	2.0%
<b>Skin-health and Wellness</b>		
Revenue	7.0%	15.2%
Cost of goods sold	6.3%	12.7%
Operating expenses	5.1%	8.1%
Pre-tax weighted average cost of capital (WACC)	7.6%	9.0%
Terminal growth rate	2.0%	2.0%

The recoverable amount of the Group's goodwill currently exceeds its carrying value.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

**17 PARENT ENTITY DISCLOSURES**

	FY19 \$'000	FY18 \$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Profit/(loss) for the year	33	39,003
<b>Total comprehensive income for the year</b>	<b>33</b>	<b>39,003</b>
<b>Statement of financial position</b>		
Current assets	53,659	69,147
Non-current assets	21,071	19,644
<b>Total assets</b>	<b>74,730</b>	<b>88,791</b>
Current liabilities	1,317	2,617
Non-current liabilities	-	1
<b>Total liabilities</b>	<b>1,317</b>	<b>2,618</b>
<b>Net assets</b>	<b>73,413</b>	<b>86,173</b>
<b>Total equity of the parent comprising of:</b>		
Share capital	50,867	48,736
Other reserves		
Share-based payments	713	183
Retained earnings	21,833	37,254
<b>Total equity</b>	<b>73,413</b>	<b>86,173</b>

During the financial year ended 30 June 2019, Vita Group Limited declared and paid fully franked dividends of \$15,454,051. Since June 30, the Directors have approved an intercompany fully franked dividend of \$6,517,709 to be paid to Vita Group Limited from wholly owned subsidiaries.

**Parent entity contingencies**

The parent has guarantees, in relation to leasing commitments as well as supplier arrangements, which are held on behalf of other Group entities.

	FY19 \$'000	FY18 \$'000
<b>Guarantees held for:</b>		
Leasing commitments	2,364	1,748
<b>Total guarantees held</b>	<b>2,364</b>	<b>1,748</b>

There were no other contingencies as at reporting date (FY18: nil).

**Parent entity guarantees in respect of the debts of its subsidiaries**

The parent entity has entered into a Deed of Cross Guarantee with the effect that the company guarantees debts in respect of its subsidiaries. Further details of the deed of cross guarantee and the subsidiaries subject to the deed are disclosed in Note 18.

**Capital commitments**

The parent entity had not committed to any capital commitments at reporting date (FY18: nil).

**Recognition and measurement**

The financial information for the parent entity, Vita Group Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below:

*Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Vita Group Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.



## 17 PARENT ENTITY DISCLOSURES (CONTINUED)

### Recognition and measurement (continued)

#### Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

#### Taxation

In addition to its own current and deferred tax amounts, Vita Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

## 18 RELATED PARTY DISCLOSURES

### Controlled Entities

Name	Country of incorporation	Percentage of Equity Interest Held	
		FY19 %	FY18 %
Fone Zone Pty Ltd	Australia	100	100
Communique Holdings Pty Ltd	Australia	100	100
Next Byte Holdings Pty Ltd	Australia	100	100
Vita People Pty Ltd	Australia	100	100
SQD Global Pty Ltd	Australia	100	100
Artisan Aesthetics Group Pty Ltd	Australia	100	100
System 7 Laboratories Pty Ltd	Australia	100	-
Cosmedcloud Pty Ltd	Australia	100	-
<b>Subsidiaries of Fone Zone Pty Ltd:</b>			
The Mobile Phone Shop Pty Ltd	Australia	100	100
Liquipel Pty Ltd*	Australia	-	-
One Zero Communications Pty Ltd	Australia	100	100
One Xerro TLS (Bundaberg) Pty Ltd	Australia	100	100
Geek Squad Pty Ltd	Australia	100	100
Artisan Corporation Pty Ltd	Australia	100	100
Computer Geek Squad Pty Ltd	Australia	100	100
One Zero TCS (Warwick) Pty Ltd	Australia	100	100
Tribal Accessories Pty Ltd	Australia	100	100
Camelon ICT Solutions Pty Ltd	Australia	100	100
Kel 2000 Pty Ltd	Australia	100	100
Kel 2010 Pty Ltd	Australia	100	100
TCB Comms Pty Ltd	Australia	100	100
Kan Tel Pty Ltd	Australia	100	100
Sales Comms Pty Ltd	Australia	100	100
<b>Subsidiaries of Communique Holdings Pty Ltd:</b>			
Sprout Corporation Pty Ltd	Australia	100	100
<b>Subsidiaries of Next Byte Holdings Pty Ltd:</b>			
Next Byte Pty Ltd (As trustee for Next Byte Unit Trust)	Australia	100	100
Next Byte Unit Trust	Australia	100	100
<b>Subsidiaries of Artisan Aesthetics Group Pty Ltd:</b>			
VTG CC Pty Ltd	Australia	100	100
VTG Artisan Pty Ltd	Australia	100	100

\* Liquipel Pty Ltd was deregistered on 2 July 2017.

The above entities are providers of Information & Communications Technology (ICT) products, services and accessories, men's active and lifestyle apparel, medical grade skincare treatments and products.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

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### 18 RELATED PARTY DISCLOSURES (CONTINUED)

#### **Deed of cross guarantee**

##### *Entities subject to class order relief*

Pursuant to ASIC Corporations (wholly-owned companies) Instrument 2016/785, relief has been granted to Fone Zone Pty Ltd, Next Byte Holdings Pty Ltd and Next Byte Pty Ltd from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Vita Group Limited and Fone Zone Pty Ltd, entered into a Deed of Cross Guarantee on 18 April 2007. Next Byte Holdings Pty Ltd and Next Byte Pty Ltd were added under an Assumption Deed dated 21 December 2007 and Vita People Pty Ltd was added under an Assumption Deed dated 29 July 2009.

The effect of the deed is that Vita Group Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Vita Group Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

##### *Closed Group Class Order Disclosures*

Vita Group Limited and all of its Controlled Entities, as shown above, are party to the above Deed of Cross Guarantee and represent a 'Closed Group' for the purposes of the Class Order.

As the consolidated financial statements cover all parties to the Deed of Cross Guarantee, no separate disclosure of consolidated information of the Closed Group has been shown.

#### **Transactions with Directors and Director related entities**

During the year there were no transactions with Directors or Director related entities.

#### **Other related party transactions**

During the year Vita Group Limited has received from and provided to its wholly owned subsidiaries, interest free loans.

These loans are repayable on call. No allowance has been made for impairment relating to amounts owed to or by related parties as payment is expected in full. An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Financial guarantees held by the parent on behalf of other Group entities are detailed in Note 17.

Key Management Personnel disclosures for the Group are detailed in Note 26.

## 19 COMMITMENTS AND CONTINGENCIES

### Operating lease commitments - Group as lessee

The Group has entered into commercial leases on certain computer and office equipment and rental of store and clinic outlets and head office premises. These leases have an average life of between one and eight years. There are no restrictions placed upon the lessee by entering into these leases. The leases contain varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Under the terms of certain computer equipment leases, the Group has the option to acquire the leased assets for their agreed fair value on expiry of the leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	FY19 \$'000	FY18 \$'000
Within one year	12,968	12,754
Later than one year but not later than five years	23,431	28,289
Later than five years	2,349	4,287
<b>Total operating lease commitments</b>	<b>38,748</b>	<b>45,330</b>

### Capital commitments

Capital expenditure relating to store refits contracted for at the reporting date but not recognised as liabilities amounted to nil (FY18: \$432,520).

### Contingencies

#### Guarantees

The Group has guarantees in relation to leasing commitments as well as other supplier arrangements. The guarantees held by the parent are held on behalf of other Group entities.

	FY19 \$'000	FY18 \$'000
Leasing commitments	2,534	1,993
Other supplier arrangements	15,000	15,000
<b>Total guarantees held</b>	<b>17,534</b>	<b>16,993</b>

## 20 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Contracts were entered into by the Group to acquire the business assets and certain liabilities of a number of Skin-health and Wellness clinics for a total consideration of \$1,536,000 plus / minus adjustment amounts to be determined on or post completion. In addition, should certain pre-determined revenue targets be achieved within specified timeframes, additional consideration of up to \$425,000 may be payable.

Under these agreements, Vita will own and operate the following Skin-health and Wellness clinics:

Location	Contract date	Settlement date
Inject Skin Clinic	31 May 2019	2 July 2019
Focus Cosmetic Medicine	15 July 2019	16 July 2019
London Cosmetic Clinic	29 May 2019	22 July 2019
Cottontree Injectable Clinic	30 May 2019	To be confirmed
Defy Aesthetics Clinic	14 June 2019	To be confirmed

A contract was entered into by the Group to acquire the business assets of Telstra Licensed Store Whitsundays for a total cash consideration of \$865,000 plus an adjustment amount to be determined on completion. Settlement occurred on 31 July 2019.

At the time the financial statements were authorised for issue, accounting for the business combinations was incomplete as the fair values of the net identifiable assets and liabilities were still being determined.

A further contract was entered into by the Group to sell the business assets of Telstra Licensed Stores Port Pirie and Port Lincoln for a total cash consideration of \$1,900,000. Settlement took place on 31 July 2019.

There have been no other matters or circumstances not otherwise dealt with in this report between the reporting date and the date the financial statements were approved for issue, that will significantly affect the operation of the Group, the results of those operations or the state of affairs of the Group or subsequent financial years.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 21 EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	FY19 \$'000	FY18 \$'000
<b>Profit/(loss) attributable to the ordinary equity holders of the parent</b>	<b>24,282</b>	<b>21,951</b>
	<b>Thousands</b>	<b>Thousands</b>
Weighted average number of ordinary shares for basic earnings per share	161,456	155,323
<i>Adjustments for calculation of diluted earnings per share:</i>		
Weighed average number of performance rights for diluted earnings per share	1,723	178
<b>Weighted average number of ordinary ordinary shares adjusted for the effect of dilution</b>	<b>163,179</b>	<b>155,501</b>
Basic earnings per share (cents)	15.04	14.13
Diluted earnings per share (cents)	14.88	14.11

#### Recognition and measurement

Basic earnings per share are calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number or ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number or ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Performance rights granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share.

### 22 CONTRIBUTED EQUITY, RESERVES AND RETAINED EARNINGS

	FY19 \$'000	FY18 \$'000
<b>Contributed equity</b>		
<b>Ordinary shares</b>		
Ordinary shares		
<b>Issued and fully paid</b>	<b>41,056</b>	<b>38,925</b>

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital or par value in respect of its issued shares and these consist only of fully paid shares.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

**22 CONTRIBUTED EQUITY, RESERVES AND RETAINED EARNINGS (CONTINUED)**

<i>Movements in contributed equity:</i>	Number of shares	\$'000
At 1 July 2017	152,599,735	29,421
<b>Dividend reinvestment plan:</b>		
892,502 new shares issued at \$1.5468 per share	892,502	1,380
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	790,889	1,000
6,107,910 new shares issued at \$1.1872 per share	6,107,910	7,124
<b>At 30 June 2018</b>	<b>160,391,036</b>	<b>38,925</b>
<b>Dividend reinvestment plan:</b>		
1,086,751 new shares issued at \$1.0825 per share	1,086,751	1,177
636,932 new shares issued at \$1.4983 per share	636,932	954
<b>At 30 June 2019</b>	<b>162,114,719</b>	<b>41,056</b>

**Share-based payments reserve**

The share-based payment reserve is used to recognise the grant date fair value of performance rights issued.

<i>Movements in share-based payments reserve:</i>	FY19 \$'000	FY18 \$'000
At 1 July	183	161
Performance rights expense	530	22
<b>At 30 June</b>	<b>713</b>	<b>183</b>

**Retained earnings**

<i>Movements in retained earnings:</i>	FY19 \$'000	FY18 \$'000
At 1 July	58,629	55,222
Net profit for the period	24,282	21,951
Dividends	(15,454)	(18,544)
<b>At 30 June</b>	<b>67,457</b>	<b>58,629</b>

*Capital management*

When managing capital, the board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Directors also aim to maintain a capital structure that ensures the lowest cost of capital available to the entity and the flexibility to deliver on the Group's strategic goals.

The Directors monitor the capital structure of the Group to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Directors may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During FY19, dividends of \$15,454,051 were paid to shareholders (FY18: \$18,543,687).

Capital is monitored through a net debt / (net debt plus equity) ratio. The current target for the Group's net debt / (net debt plus equity) ratio is below 50%. The ratios based on continuing operations at 30 June 2019 and 2018 were as follows:

	FY19 \$'000	FY18 \$'000
Total borrowings*	8,648	15,190
Less: Cash and cash equivalents and short term investments	(26,672)	(31,613)
<b>Net debt</b>	<b>(18,024)</b>	<b>(16,423)</b>
Total equity	109,226	97,737
<b>Net debt plus equity</b>	<b>91,202</b>	<b>81,314</b>
<b>Net debt / (Net debt plus equity) ratio</b>	<b>(19.8%)</b>	<b>(20.2%)</b>

\* Comprises interest bearing loans and borrowings

The Group is not subject to any externally imposed capital requirements.

**Contributed equity**

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 23 SHARE-BASED PAYMENTS

#### Executive performance rights

As disclosed in the Directors Report, the Group has established the Vita Group Executive Performance Rights Plan (Plan) to assist in the retention and motivation of Key Management Personnel (KMP) of Vita Group (Participants). Refer to Note 26 for details of KMPs. The Plan will be settled in equity.

Under the Plan, performance rights may be offered to Participants selected by the Board. Unless otherwise determined by the Board, no payment is required for the grant of performance rights under the Plan.

Each performance right represents an option to subscribe for one share and has a nil exercise price. Upon the exercise of a performance right by a Participant, each share issued will rank equally with other shares of the Company.

Performance rights under this scheme will vest if certain conditions, as specified in the Plan, are met. Assessment is based on achievement against relative Total Shareholder Return (TSR) compared to the S&P ASX 300 Index.

Performance rights issued under the Plan may not be transferred unless approved by the Board. The table below summarises performance rights granted under the plan, no performance rights are exercisable at 30 June 2019.

#### Number of performance rights issued

	Opening balance (Number)	Granted during the year (Number)	Exercised during the year (Number)	Forfeited during the year (Number)	Closing balance (Number)
<b>FY19</b>					
1 July	178,457	1,544,740	-	-	1,723,197
<b>Number of rights issued</b>	<b>178,457</b>	<b>1,544,740</b>	<b>-</b>	<b>-</b>	<b>1,723,197</b>
<b>FY18</b>					
1 July	178,457	-	-	-	178,457
<b>Number of rights issued</b>	<b>178,457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178,457</b>

#### Fair value of performance rights granted

The fair value of performance rights granted is determined internally using a binomial option pricing model that takes into account the exercise price, the term, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the option.

#### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefits expense were as follows:

	FY19 \$'000	FY18 \$'000
Executive performance rights	530	22
<b>Total executive performance rights</b>	<b>530</b>	<b>22</b>

#### Recognition and measurement

The fair value of performance rights granted under the Plan are recognised as an employee benefit expense with a corresponding increase to the share-based payments reserve.

Fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options (the vesting period).

The fair value is calculated using an option pricing model and excludes the impact of any non-market vesting conditions (for example EPS growth targets). Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to become exercisable.

The cumulative expense recognised at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that will ultimately vest. This opinion is based on the best available information at the reporting date.

### 23 SHARE-BASED PAYMENTS (CONTINUED)

#### Recognition and measurement (continued)

Estimates are revised if there is any indication that the number of performance rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if performance rights ultimately exercised are different to that estimated on vesting.

### 24 INCOME TAX

Notes	FY19 \$'000	FY18 \$'000
The major components of income tax expense are:		
<i>Current income tax:</i>		
Current tax on profits for the year	12,071	9,373
Adjustments for current tax of prior periods	(194)	(825)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	11	(2,076)
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>9,801</b>	<b>7,988</b>
Income tax expense is attributable to:		
Profit from continuing operations	9,801	7,988
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>9,801</b>	<b>7,988</b>
A reconciliation between tax expense and the profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
<b>Profit before income tax</b>	<b>34,083</b>	<b>29,939</b>
At the Group's statutory income tax rate of 30% (FY18: 30%)	10,225	8,982
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:		
Other items	209	(633)
<b>Accounting expenses not deductible for income tax purposes</b>	<b>209</b>	<b>(633)</b>
Adjustments for current tax of prior periods	(194)	(825)
Adjustments for deferred tax of prior periods	(439)	410
<b>Aggregate income tax expense</b>	<b>9,801</b>	<b>7,934</b>
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: Transaction costs on dividend reinvestments	-	54
<b>Income tax expense reported directly in equity</b>	<b>-</b>	<b>54</b>

Note 11 provides information on deferred tax assets and liabilities.

### 25 AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices. The auditor of Vita Group Limited is Grant Thornton Audit Pty Ltd.

	FY19 \$	FY18 \$
Amounts received or due and receivable by Grant Thornton for:		
Audit or review of the financial report of the entity and any other entity in the consolidated Group	190,000	150,000
Other assurance services	7,000	7,000
Other services in relation to the entity and any other entity in the consolidated Group:		
Tax compliance and consulting services	55,850	119,000
<b>Total auditor remuneration</b>	<b>252,850</b>	<b>276,000</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 26 DIRECTOR AND EXECUTIVE DISCLOSURES

#### Details of Key Management Personnel

(i) Directors

Dick Simpson	Independent Non-Executive Chairman
Maxine Horne	Chief Executive Officer
Neil Osborne	Independent Non-Executive Director
Robyn Watts	Independent Non-Executive Director
Paul Wilson	Independent Non-Executive Director
Paul Mirabelle	Independent Non-Executive Director (appointed 23 January 2019)

(ii) Executives

Andrew Leyden	Chief Financial Officer
Kendra Hammond	Chief People Officer
Mark Anning	Group Company Secretary and Chief Legal Counsel (ceased 19 July 2019)
Peter Connors	Chief Operations Officer

Between the reporting date and the date the financial report was issued, Mark Anning's appointment ceased from the position of Group Company Secretary and Chief Legal Counsel. George Southgate has been appointed as Group Company Secretary however will not form part of KMP going forward. There were no other changes in KMP during this period.

#### Compensation of CEO and Executives

	FY19 \$	FY18 \$
Short-term employee benefits	3,218,921	3,704,867
Post-employment benefits	95,834	94,616
Long-term benefits	734,878	345,437
<b>Total compensation</b>	<b>4,049,633</b>	<b>4,144,920</b>

Detailed remuneration disclosures are provided in the Remuneration Report on page 8 to 18.

#### Compensation options: granted during the year

During the financial year no share options were granted as equity compensation benefits (FY18: nil).

#### Executive performance rights: granted during the year

During the financial year 1,544,740 performance rights were granted (FY18: nil). Refer to note 23 for further information.

#### Loans to Key Management Personnel

There were no loans provided to KMP during the financial year (FY18: nil).

#### Other transactions and balances with Key Management Personnel

Details of other transactions with KMP are in Note 18 Related party disclosure.



## **27 SUMMARY OF OTHER ACCOUNTING POLICIES**

### ***Corporate Information***

The financial report of the Group for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of directors on 23 August 2019. The Group is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

The financial statements were authorised for issue by the Directors on 23 August 2019. The Directors have the power to amend and reissue the financial statements.

### ***Basis of preparation***

#### ***Statement of compliance***

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board.

#### ***Basis of measurement***

The financial report has been prepared on the historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated. Vita Group Limited is a for-profit entity for the purpose of preparing the financial statements. Vita Group Limited is the Group's ultimate Parent company.

Comparative information has been restated where applicable to enhance comparability.

### ***Summary of significant accounting policies***

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, except as described below. Where there is reference to individual line items in the financial statements, the accounting policy information as well as information about critical accounting estimates and judgements are now included in the individual notes to financial statements.

#### ***Significant new accounting policies***

##### ***AASB 9 Financial Instruments:***

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2018). AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The adoption of this standard did not impact the classification of financial assets or liabilities, nor has it resulted in an increase in impairment losses recognised on financial assets.

##### ***New standards and interpretations not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

##### ***AASB 16 Leases***

AASB 16 replaces existing lease guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the substance of Transactions involving the Legal Form of a Lease*.

AASB 16 Leases became effective for annual periods beginning on or after 1 January 2019. This standard has not been applied in preparing these consolidated financial statements and will become effective for the Group for annual periods beginning on or after 1 July 2019 (Group's 2020 consolidated financial statements).

AASB 16 introduces an on-balance sheet lease accounting model for all lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard (i.e. lessors continue to classify leases as finance or operating leases).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 27 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

#### Basis of preparation (continued)

##### Summary of significant accounting policies (continued)

###### *New standards and interpretations not yet adopted (continued)*

###### Leases in which the Group is a lessee

The adoption of this standard will result in the Group recognising new right-of-use assets and lease liabilities for its operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. The nature of expenses related to those leases will now change because the Group will recognise an amortisation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability. There will be no change to the treatment of lease make good provisions.

The Group will apply the modified retrospective approach and will record any impact of first-time application of the Standard in retained earnings at 1 July 2019, with no restatement of comparatives.

On transition, the Group will measure the right-of-use assets at carrying amount as if the Standard had been applied since the commencement date, with the cumulative impact of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated. The Group will apply the practical expedient whereby IFRS 16 will be applied to contracts that were previously identified as leases when applying AASB 17 and IFRIC 4.

Based on the information currently available, the Group estimates that it will recognise additional assets and lease liabilities in the range of \$37 million to \$43 million as at 1 July 2019. Future lease payments are discounted using incremental borrowing rates calculated over various lease terms.

###### Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

###### *Early adoption of standards*

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2018.

###### *Going Concern*

At 30 June 2019, the Group had a net profit of \$24.3 million (FY18: \$22.0 million) and the Group had current liabilities in excess of current assets at 30 June 2019 amounting to \$19.4 million (FY18: \$11.2 million). The net current liability position includes the current portion of unearned revenue of \$4.2 million (FY18: \$5.2 million) which represents deferred revenue rather than a payable to third parties.

The Group focuses on keeping working capital low, has appropriate funding arrangements in place, and monitors its cash flows and interest cover carefully. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group will be able to operate within its current financing arrangements. The Director's believe the unused facilities of \$23.4 million (FY18: \$14.1 million) (as detailed in Note 13) and forecast net cash inflows from operating activities are sufficient to cover current liabilities of the Group (FY19 actual cash inflows from operating activities: \$38.7 million). The Director's believe the use of the going concern basis of accounting is appropriate and supportable.

#### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Vita Group Limited and its subsidiaries (the Group).

##### *Subsidiaries*

Subsidiaries are those entities (including structured groups) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities over the entity. Subsidiaries are fully consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

## 27 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

### Basis of consolidation (continued)

#### *Subsidiaries (continued)*

Investments in subsidiaries held by Vita Group Limited are accounted for at cost in the separate financial statements of the parent entity. The acquisition of subsidiaries is accounted for using the acquisition method of accounting. This method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition (see Note 8).

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

#### *Transactions eliminated on consolidation*

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts assets and liabilities within the next financial year are addressed in the following notes:

<i>Note 6</i>	<i>Plant and Equipment</i>	<i>Note 10</i>	<i>Provisions</i>
<i>Note 7</i>	<i>Intangible Assets and Goodwill</i>	<i>Note 16</i>	<i>Impairment Testing of Goodwill</i>
<i>Note 8</i>	<i>Business Combinations</i>		

#### **Derecognition of financial instruments**

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

#### **Foreign currency translation**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Australian dollars, which is Vita Group Limited's functional and presentation currency.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

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### 27 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

#### *Rounding of amounts*

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, issued by ASIC, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with this Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### *Tax consolidation*

Vita Group Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated Group with effect from 2 November 2005. Vita Group Limited is the head entity of the tax consolidated Group. Members of the Group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right.

In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Vita Group Limited for any current tax payable assumed and are compensated by Vita Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Vita Group Limited under the tax consolidation legislation. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated Group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated Group in accordance with the principles of AASB 112 Income Taxes. Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

#### *Other accounting policies*

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

In the opinion of the Directors:

- (a) the financial statements and notes set out on pages 21 to 59 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards (including the Australian Accounting Interpretations), and the *Corporations Regulations 2001*, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Note 27 confirms that the financial statements also comply with International Financial Reporting Standards.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Dick Simpson  
Chairman



Maxine Horne  
Director and Chief Executive Officer

Brisbane  
23 August 2019



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## Independent Auditor's Report

To the Members of Vita Group Limited

Report on the audit of the financial report

### Opinion

We have audited the financial report of Vita Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue Recognition - Note 2</b></p> <p>The Company's revenue of \$753,712,000 is the largest item in the Statement of Comprehensive Income.</p> <p>Additionally, <i>ASA 240 The Auditors Responsibility in relation to Fraud in an Audit of A Financial Report</i> requires us to consider the risk of material misstatement due to fraudulent financial reporting relating to revenue recognition.</p> <p>This area is a key audit matter due to the nature of revenue arrangements, the systems and processes used to transact sales and the importance of revenue to stakeholders.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Understanding the processes and testing the key controls used by the Group in recording revenue and receivables;</li> <li>• Assessing the revenue recognition policies for appropriateness and compliance with <i>AASB 15 Revenue from Contracts with Customers</i> by selecting a sample of revenue transactions and verifying they were appropriately recognised;</li> <li>• Comparing revenue data to prior periods (where applicable) to identify trends and making inquiries of Management to obtain an understanding of anomalies; and</li> <li>• Assessing the adequacy of the Group's disclosures in respect of AASB 15 and the requirements therein.</li> </ul>
<p><b>Business Combinations – Note 8</b></p> <p>During the current financial year the Group completed acquisitions of clinics and associated support platforms in the Skin Health and Wellness (previously Non-Invasive Medical Aesthetics) segment. Details of the acquisitions can be found in Note 8.</p> <p>Accounting for these transactions is a complex and judgmental exercise requiring management to determine the fair value of acquired assets and liabilities, the fair value of the purchase consideration (including contingent consideration), and the allocation of purchase consideration to separately identifiable intangible assets and goodwill.</p> <p>Business combinations are a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The number of transactions that occurred during the period, which resulted in the recognition of \$7.2m of Goodwill;</li> <li>• The level of judgement required in evaluating the Group's purchase price allocation including the assessment of identifiable intangible assets arising on acquisition;</li> <li>• The level of judgement required in evaluating the Group's estimates pertaining to the measurement of deferred and contingent consideration arrangements.</li> </ul>	<p>For each acquisition in the current financial year, our procedures included:</p> <ul style="list-style-type: none"> <li>• Assessing the acquisition against the criteria of a business combination as defined in <i>AASB 3 Business Combinations</i> and the Group's determination of the acquisition date by reference to key transaction documents;</li> <li>• Assessing the estimated fair value of the assets and liabilities acquired.</li> <li>• Critically evaluating the models developed by the Group to determine the fair values of the identifiable intangible assets (where applicable). This included: <ul style="list-style-type: none"> <li>○ Comparing forecast future revenue, gross margins and customer retention rates to pre-acquisition documentation (where available) regarding the prior performance of the acquired business; and</li> <li>○ Assessing the discount rate applied, using our knowledge of the Group and its industry, as well as comparing it to the discount rate applied for impairment testing purposes.</li> </ul> </li> <li>• For each business combination that included contingent or deferred consideration in the purchase consideration, our procedures for assessing the liability included: <ul style="list-style-type: none"> <li>○ Assessing the components of the liability against the criteria contained in the key transaction documents;</li> <li>○ Comparing the forecast performance of the acquired businesses against recent results for the criteria relevant to the payment of the contingent consideration in order to evaluate the Group's assessment of the likelihood of a future deferred vendor payment and the adequacy of the accrued amount; and</li> <li>○ Recalculating the liability recognised; and</li> </ul> </li> <li>• Assessing the adequacy of the Group's disclosures in the financial statements in respect of AASB 3 and the requirements therein.</li> </ul>

Goodwill impairment - Note 7 and 16

As at 30 June 2019, the carrying value of goodwill was \$104,390,000.

The Group is required to perform an annual impairment test of goodwill in accordance with AASB 136 *Impairment of Assets*.

This is a key audit matter due to the judgements and estimates required in calculating the recoverable amount on a value-in-use basis.

Value-in-use was determined by management through estimating the future cash inflows and outflows to be derived from the continuing use of the assets and / or their ultimate disposal, and applying the appropriate discount rate to those future cash flows.

Our procedures included, amongst others:

- Considering the application of the requirements of AASB 136 *Impairment of Assets* to the Group's impairment testing methodology and model;
- Assessing the Group's determination of CGUs / groups of CGUs;
- Making inquiries of management to obtain and document an understanding of their process to assess the risk of impairment;
- Evaluating management's process to determine if it appropriately addresses the risks;
- Verifying the mathematical accuracy and methodology appropriateness of the underlying model calculations;
- Evaluating the cash flow projections and the process by which they were developed by comparing the cash flows to the latest Board approved budgets or strategic plans and assessing the historical accuracy of the budgeting process;
- Assessing the key growth rate assumptions by comparing them to historical results (where applicable) and forecasts;
- Assessing the discount rate by reference to the cost of capital of the Group;
- Performing sensitivity analysis on the key assumptions in the model; and

Assessing the adequacy of the Group's disclosures in the financial statements in respect of AASB 136 and the requirements therein.

**Information other than the financial report and auditor's report thereon**

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.





### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 8 to 18 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Vita Group Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd  
Chartered Accountants

A handwritten signature in blue ink that reads "CDJ Smith".

CDJ Smith  
Partner – Audit & Assurance

Brisbane, 23 August 2019

# AUSTRALIAN SECURITIES EXCHANGE (ASX) ADDITIONAL INFORMATION

30 JUNE 2019

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at August 2019.

## A. Distribution of equity securities

### (i) Ordinary Share Capital

Fully paid ordinary shares are held by individual Shareholders.

All issued shares carry one vote per share and carry the rights to dividends.

### (ii) Options

Nil options are held.

Options are not listed on the Australian Securities Exchange (ASX) and do not carry the right to vote.

### Distribution of Shareholders

Size of Shareholding	Total Holders	No. of ordinary shares	Percentage
1 - 1000	1,344	725,428	0.45%
1,001 - 5,000	1,828	5,273,884	3.25%
5,001 - 10,000	926	7,258,600	4.48%
10,001 - 100,000	1,128	31,493,209	19.43%
100,001 and over	83	117,363,598	72.40%
	<b>5,309</b>	<b>162,114,719</b>	<b>100.01%</b>
<b>Shareholdings of less than a marketable parcel</b>			
Holdings of less than 407 shares	582	133,431	0.08%

## B. Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully paid	
	Number	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,919,894	21.54%
FZIC PTY LTD	19,502,457	12.03%
CITICORP NOMINEES PTY LTD	16,310,635	10.06%
JP MORGAN NOMINEES AUSTRALIA LIMITED	12,394,674	7.65%
MCMAHON SUPERANNUATION PTY LTD <MCMAHON SUPER FUND A/C>	7,120,014	4.39%
NATIONAL NOMINEES LIMITED	3,332,327	2.06%
BNP PARIBAS NOMS PTY LTD <DRP>	2,921,060	1.80%
MISS MAXINE JOAN HORNE	2,765,773	1.71%
NEWECONOMY COM AU NOMINEES PTY LIMITED	1,585,532	0.98%
UBS NOMINEES PTY LTD	785,971	0.48%
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	774,921	0.48%
MRS VESNA KRAUS	696,085	0.43%
MR DAVID FREDERICK OAKLEY	450,000	0.28%
BNP PARIBUS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	441,728	0.27%
BFA SUPER PTY LTD <GDN SUPER FUND A/C>	440,502	0.27%
DALESAM PTY LTD <JON BRETT SUPER FUND A/C>	438,697	0.27%
MR ROBERT THOMAS BISHOP	419,700	0.26%
TAYLWINDS PTY LTD <TAYLOR SUPERFUND A/C>	413,853	0.26%
ABLOSIX PTY LTD	400,000	0.25%
CATHAYS PTY LTD <A & D GRIFFITHS S/F A/C>	366,500	0.23%
	<b>106,480,323</b>	<b>65.70%</b>

**C. Substantial Shareholders**

The number of shares held by substantial Shareholders and their associates as disclosed in substantial shareholding notices given to the company as at August 2019 were:

	Fully paid	
	Number held	Percentage
<b>Ordinary Shareholders</b>		
MAXINE HORNE	29,497,716	18.20%
SPHERIA ASSET MANAGEMENT PTY LTD	22,645,973	13.97%
MITSUBISHI UFJ FINANCIAL GROUP, INC	9,220,683	5.69%
COMMONWEALTH BANK OF AUSTRALIA	8,597,191	5.30%
CAROL AUSTRALIA HOLDINGS PTY LTD	8,195,160	5.06%
<b>TOTAL</b>	<b>78,156,723</b>	<b>48.22%</b>

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