Vita Group Limited

ABN 62 113 178 519

Financial Report

for the year ended 30 June 2018

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CORPORATE GOVERNANCE AND INFORMATION

ABN 62 113 178 519

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 http:www.vitagroup.com.au/script/suc.corporate-governance.asp. All policies and practices were in place for the year. Refer to Vita 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 4 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)

Company Secretary
Mark Anning

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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

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

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

Your Director's submit their report for the year ended 30 June 2018.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year were:

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)

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 joined 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 & Nomination Committee, and the Audit, Compliance & Risk Committee. He is an advisor to the board of Tibra Capital (a private company), 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.

Maxine Horne
Chief Executive Officer

Since founding the company with one store in 1995, Maxine has guided the transformation of Vita 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 Vita 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 previously held office as Director of Lovisa Holdings Limited (ASX:LOV) until 17 November 2015.

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 (CONTINUED)

Robyn Watts
Non-Executive Director

Robyn has over 26 years' experience as CEO of various businesses in the global media sector, most recently as CEO of ABC Enterprises at the Australian Broadcasting Corporation, where she was responsible for leading and managing ABC Shops, ABC Consumer Publishing and ABC Resource Hire. Previously Robyn was CEO of Southern Star Sales for the Southern Star Group.

Robyn is a Company Director specialising in business strategy and marketing to customer and client facing organisations. Her executive and non-executive experience in private and public listed organisations spans a range of industry sectors including media, retail, telecommunications, entertainment, tertiary education, film, television and design. She is a Non-Executive Director of Forty Winks Pty Ltd and Chair of the Remuneration and Nomination Committee, Chair of Geyer Pty Ltd, Chair of Australian School of Performing Arts Pty Ltd, Chair of ANU Foundation and she sits on the board of Tropfest Australia Ltd and Camp Quality. Robyn is also a mentor through Women on Boards.

Robyn is a Fellow of the Australian Institute of Company Directors and completed the AICD's ASX 200 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
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 with MetLife Investments in London.

Paul’s other current board positions are: Director of SiteMinder, (cloud based hotel inventory distribution); Director of Stackla, (user generated content platform); Director of Straker Translations (machine and crowd sourced language translation); Director of Yellow Pages New Zealand; 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.

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:

Audit, Compliance & Risk Committee	Remuneration & Nomination Committee
Neil Osborne (c)	Robyn Watts (c)
Dick Simpson	Dick Simpson
Robyn Watts	Neil Osborne
Paul Wilson	Paul Wilson

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:

	Vita Group Board		Audit, Compliance & Risk Committee		Remuneration & Nomination Committee	
Name	**A**	**B**	**A**	**B**	**A**	**B**
Dick Simpson	15	14	4	4	3	3
Maxine Horne	15	15	*	*	*	*
Neil Osborne	14	14	4	4	3	3
Robyn Watts	14	14	4	4	3	3
Paul Wilson	14	13	4	4	3	3

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.

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).

DIVIDENDS

	Cents	$'000
Final dividend for the year ended 30 June 2017		
- on ordinary shares	7.4	11,292
Interim dividend for the year ended 30 June 2018		
- on ordinary shares	4.7	7,252
		18,544

Since the end of the financial year, the Directors approved the payment of a final fully franked ordinary dividend of $7,057,206 (4.4 cents per fully paid share) to be paid in September 2018 (FY17: $11,292,380). Record date for the final dividend will be 14 September 2018, with payment date being 28 September 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the sales and marketing of advice, products and services through its networks and brands. Its businesses include the Telstra ICT retail store network, Telstra Business ICT channel, the Clear Complexions and Artisan brands in the non-invasive medical aesthetics category, Sprout accessories and SQDAthletica in the men's athleisure category.

OPERATING AND FINANCIAL REVIEW

Highlights

Vita Group reported a solid result for the twelve months to 30 June 2018, delivering record revenues from continuing operations of $684.5 million, a three per cent increase on the prior year. Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations were $41.0 million, comfortably within January 2018 guidance, reflecting strong device sales, particularly in the second half.

The EBITDA result however, was 37 per cent down on FY17, due to previously communicated remuneration reductions and adverse product mix movements within the Group's information and communications technology (ICT) channel, impacting gross margins. These impacts were partially offset by a rigorous focus on cost control. Despite acquisitions within Vita's non-invasive medical aesthetics (NIMA) channel, the Group achieved a four per cent reduction in operating expenses, including an 11 per cent reduction in support costs. Net profit after tax (NPAT) was $22.0 million.

The Board declared a fully franked final dividend of 4.4 cents per share (cps), resulting in a fully franked dividend for the full-year of 9.1 cps, representing a payout ratio of 65 per cent. The final dividend will be paid on 28 September 2018 to shareholders on record as at 14 September 2018.

Group Results

Group revenues from continuing operations grew three per cent to $684.5 million during the year. EBITDA from continuing operations, a measure used by the Group as a proxy for cash profitability, decreased 37 per cent to $41.0 million in the year.

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

	FY18 $M	FY17 $M
Profit before tax from continuing operations	**30.0**	54.7
Add: net finance costs	**1.0**	0.8
Add: depreciation and amortisation	**10.0**	9.5
Underlying EBITDA from continuing operations	**41.0**	**65.0**

Year in review

Vita’s full year results demonstrate solid performance, despite challenging ICT industry conditions.

The retail ICT channel delivered a two per cent increase in revenues after a particularly strong performance in the second half. EBITDA, however, was lower, reflecting remuneration reductions and an adverse product mix, partially offset by productivity gains and a rigorous focus on costs.

In the business ICT channel, small-to-medium business revenues increased six per cent, with device sales well up on prior year. Whilst enterprise channel revenues were 13 per cent lower as the Group refocused on profitable lines of business, the product mix improved to reflect strong annuity, and professional and managed services revenues. EBITDA for the combined business ICT channel grew versus FY17.

Vita’s accessories brand, Sprout continued to deliver solid results, achieving distribution gains outside its traditional ICT channel after launching new product innovations in waterproof audio and wireless charging.

The Group's men's active and lifestyle brand, SQDAthletica continued to grow, achieving good momentum across retail, online and wholesale channels.

Vita delivered on its strategic intent to replicate its significant consulting expertise in new, attractive categories - namely the NIMA market, which displays many of the characteristics which the ICT category showed early in its lifecycle. Vita acquired six Clear Complexions clinics in November 2017 and Artisan Cosmetic & Rejuvenation Clinic in May 2018, and all clinics are now embedded and performing in line with, or ahead of, expectations. A new customer-facing brand has been developed and will be launched in early FY19, as the Group begins to add scale, in line with its strategy to establish a national network of aesthetic clinics leading the premium space.

Vita’s physical portfolio, as at 30 June 2018, included 105 Telstra Licensed Stores, 23 Telstra Business Centres, one Fone Zone store, one SQDAthletica store, six Clear Complexions clinics and one Artisan Cosmetic & Rejuvenation clinic. Seven Telstra retail stores and two Telstra Business Centres were added in FY18, while seven Telstra retail stores were sold or closed, in line with the Group's optimisation strategy.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Group Results (continued)

Balance Sheet

Strong cash conversion and tight working capital management resulted in operating cash flows of $36.6 million. The Group invested $26.8 million (net of disposals) in acquisitions, refits and technology across both the ICT and NIMA businesses. Net financing cash flows were $7.8 million, primarily reflecting $18.5 million in dividends paid in the period, offset by $8.5m in proceeds raised through the Group's dividend reinvestment plan. Cash balances at the end of FY18 were $31.6 million and Vita had no net debt at period end, providing flexibility for investment in growth opportunities.

Dividends

The board approved a total ordinary dividend for the year of 9.1cps, fully franked, being a payout ratio of 65 per cent of profits after tax, which represents a decrease of 45 per cent on the prior year (FY17:16.6cps). The interim dividend paid in the year was 4.7cps (FY17: 9.2cps).

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

The record date for the ordinary dividend is 14 September 2018 with payment to be made on 28 September 2018.

Outlook

Vita Group is strategically and financially well-positioned for the future.

The ICT channel will continue to improve performance, generate cash flow and deliver strong returns through its optimisation and productivity programs.

In line with Telstra's recently updated strategy for small-to-medium business customers, Vita has entered a process to transition from the Telstra Business Centre model, and has applied to become part of the new, premium Telstra Business Technology Centre (TBTC) model in FY19. Vita is confident it will be successful with its application, which would see Vita operate fewer points of presence across significantly expanded territories. TBTCs will service small-to-medium businesses with more complex technology needs, offering whole-of-business solutions through highly trained consultants. Small business customers with relatively simpler needs will be serviced by the retail channel, utilising existing infrastructure, but with whole of business solutions. This represents a significant opportunity for Vita's retail channel. In enterprise, the Group will continue to focus on improving product mix and profitability across its key accounts.

Vita's NIMA channel is a material opportunity for value creation with high mid-to-long term revenue and profit potential, and will be a focus for capital investment in FY19 and beyond. With a strong operating model and support structure as well as a new brand, the Group is well-positioned to scale the channel materially over four to five years. Clinics will operate under one national brand and will benefit from Vita's operational expertise and scalable systems and processes. Each clinic will portray a unique and bespoke character that pays homage to the buildings and communities that they are part of. The clinics will be doctor and nurse practitioner led and will offer a range of modalities from injectables, dermal and body treatments, to skin care. Vita's goal is to be the leading, premium medical aesthetics brand in Australia that sets the benchmark for quality results, safety and best practice.

Across all businesses and support services, Vita will continue its focus on cost control, driving productivity and profitability, whilst continuing to evolve its portfolio. At the same time, Vita will continue to look after its most important asset - it's people, through an ongoing focus on developing strong leaders and building a positive workplace culture.

Shareholder Returns

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

	FY18	FY17
Basic earnings per share (cents)	14.13	25.91
Underlying earnings per share (cents) from continuing operations	14.13	25.62
Net debt / (Net debt plus equity)*	(20.2%)	(26.5%)

** Includes term deposits.*

The share price at 30 June 2018 was $0.98 (FY17: $1.11).

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Review of Financial Condition

The consolidated statement of cash flows shows an operating cash flow of $36.6 million, compared to the previous year of $52.5 million. Cash and cash equivalents (including term deposits) at 30 June 2018 was $31.6 million, compared to $29.7 million at the end of the previous year.

Profile of debts

	FY18 $'000	FY17 $'000
Current		
Obligations under chattel mortgage	**387**	1,155
Term debt	**8,246**	6,870
Total current debt	**8,633**	**8,025**
Non-current		
Obligations under chattel mortgage	**597**	-
Term debt	**5,960**	3,907
Total non-current debt	**6,557**	**3,907**
Total debt	**15,190**	**11,932**

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 (20.2%) 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

There have been no 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.

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 2018.

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 2018 were:

Key Management Personnel	Position
Directors	
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)
Executives	
Andrew Leyden	Chief Financial Officer
Kendra Hammond	Chief People Officer
Mark Anning	Group Company Secretary and Legal Counsel
Peter Connors	Chief Operating Officer

Remuneration & Nomination Committee

The Remuneration & Nomination Committee is responsible for ensuring Vita 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:
http://www.vitagroup.com.au/script/cus/corporate-governance.asp

The Remuneration and Nomination Committee comprises four 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:
http://www.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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

AGM Results

The Group received more than 94.25% of “yes” votes on its 2017 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:

	FY18 $M	FY17 $M	FY16 $M	FY15 $M	FY14 $M
Revenue	684.5	667.3	670.3	601.4	450.1
Profit for the year attributable to owners	22.0	39.4	35.4	25.4	(4.6)
Dividends declared	cents	cents	cents	cents	cents
Ordinary (cps)	9.1	16.6	13.9	7.9	4.6
Special (cps)	-	-	-	8.0	-
Total dividends declared	**9.1**	**16.6**	**13.9**	**15.9**	**4.6**
	$	$	$	$	$
Basic earnings per share (cents)	14.13	25.91	23.37	17.40	(3.26)
Underlying earnings per share from continuing operations*	14.13	25.62	23.29	13.14	8.53
Total shareholder return	$	$	$	$	$
Share price beginning of year	1.11	4.11	1.70	0.74	0.62
Share price end of year	0.98	1.11	4.11	1.70	0.74
Dividends paid per share	0.09	0.17	0.12	0.13	0.04
Total shareholder return %	(4%)	(69%)	149%	147%	26%

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

* Underlying earnings per share excludes amortisation of proprietary products (FY14-FY16) and impairment of Next Byte (FY14).

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:

<table>
<tr><th colspan="2">REMUNERATION FRAMEWORK</th></tr>
<tr><th>COMPONENT</th><th>LINK TO STRATEGIC OBJECTIVES</th></tr>
<tr><td>Fixed Pay</td><td>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.

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.</td></tr>
<tr><td>Short Term Incentive Plan (STIP)</td><td>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.

Both financial and non-financial KPIs determine the STIP outcomes:
● EBITDA 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 150% of budgeted EBITDA.
● Individual KPIs - are appropriately chosen for 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.

Further details are presented on page 12 of this report.</td></tr>
<tr><td>Long Term Incentive Plan (LTIP)</td><td>The LTIP ensures a strong link with increasing shareholder value over the long-term.

FY16 Plan: NPAT was chosen as the most appropriate performance measure for the LTIP:
● NPAT ensured continued focus on delivering consistent growth in Group profits;
● In addition, the three-year vesting period ensured the LTIP supports the retention of managerial talent;
● The FY16 LTIP cash benefit will continue to vest until completion in FY19.

FY17 Plan: LTIP is currently being assessed across a 3-year performance period (FY17-FY19) based on achievement against two performance measures:
● Earnings Per Share (EPS);
● Relative Total Shareholder Return (TSR).
● The FY17 LTIP will be delivered in the form of equity, to ensure executive reward is aligned with shareholder value.

FY18 Plan: 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;

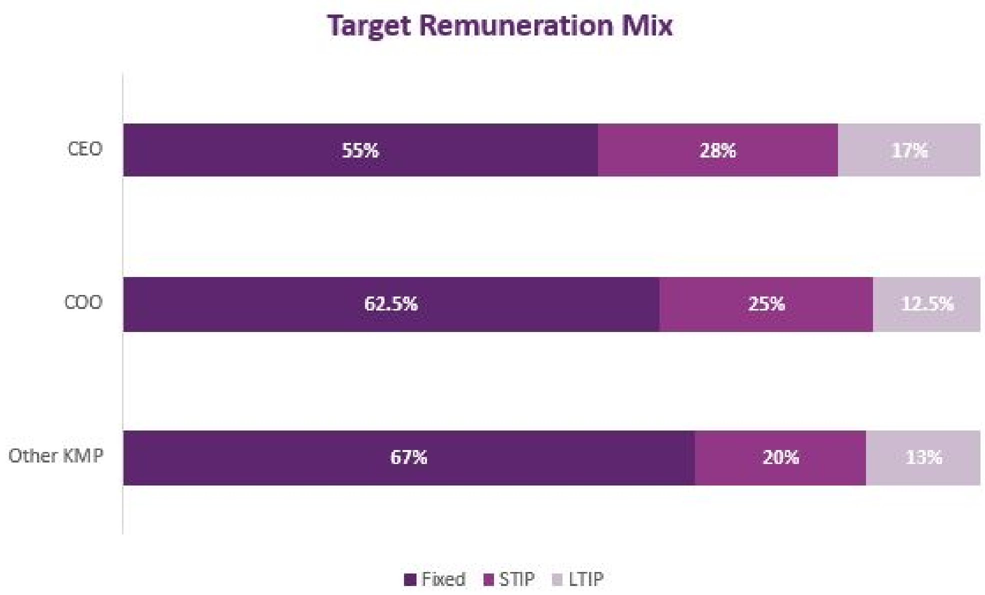
FY19 Plan:
Plan A (vesting 2020) - An offer with a measurement and performance period of 2 years from 1 July 2018 based 100% on total shareholder return (TSR) measure, replacing the cancelled FY18 plan;
Plan B (vesting 2021) - An offer with a measurement and performance period of 3 years from 1 July 2018 based 100% on TSR measure.

The Board considered that TSR is 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.</td></tr>
<tr><td>Total Remuneration</td><td>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.</td></tr>
</table>

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 the prior year, 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.

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	
Objective	Support the Group's strategic objectives by rewarding executives for driving and exceeding Vita's annual financial performance plan.
Eligibility	Executives and selected senior leaders
Instrument	Cash
Opportunity	CEO: 50% of FAR*
	COO: 40% of FAR*
	Other KMP: 30% of FAR*
Performance Period	1 July 2017 - 30 June 2018
Performance Measures	Group EBITDA and individual performance rating for the period determine the amount, if any, of STI that is paid to each participant.
Gateway	Threshold Group EBITDA 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.

2018 STIP Outcomes

For the 2018 financial year, the Board set both Group and individual performance measures for the CEO, which were substantially cascaded by the CEO to senior executives. The Board has reviewed both Group and individual performance, and is satisfied that STI payments for 2018 reflect the Group's results and appropriately rewards executives for their performance.

The table below outlines the 2018 STI payments for each KMP.

KMP Name	Target STIP Opportunity $	Actual Achievement $
Maxine Horne	425,000	212,500
Andrew Leyden	174,000	95,700
Kendra Hammond	105,000	59,306
Mark Anning	99,000	39,578
Peter Connors	232,000	127,600

REMUNERATION REPORT (AUDITED) (CONTINUED)

Long Term Incentive Plan (LTIP)

Details of the FY19 LTIP are outlined below. The Board believed 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.

<table>
<tr><th colspan="3">LTIP Component - FY19 Plan</th></tr>
<tr><td>Eligibility</td><td colspan="2">KMP only</td></tr>
<tr><td>Instrument</td><td colspan="2">Performance rights to acquire ordinary Vita Group shares</td></tr>
<tr><td>Quantum</td><td colspan="2">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:
● CEO: 30% of FAR
● Other KMP: 20% of FAR</td></tr>
<tr><td>Frequency</td><td colspan="2">Performance rights granted annually</td></tr>
<tr><td>Performance Period</td><td colspan="2">LTIP A: 1 July 2018 - 30 June 2020
LTIP B: 1 July 2018 - 30 June 2021</td></tr>
<tr><td>Performance Conditions</td><td colspan="2">The Board has selected the following measure being:
● 100% weighting on Relative TSR compared to the S&P ASX 300 Index
This performance measure was selected to ensure executive remuneration is aligned with the creation of shareholder value.</td></tr>
<tr><td rowspan="9">Vesting Schedule</td><td colspan="2">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.</td></tr>
<tr><td></td><td>Relative TSR</td></tr>
<tr><td>Vesting %</td><td>TSR percentile rank against comparator group</td></tr>
<tr><td>Nil</td><td><50th percentile</td></tr>
<tr><td>50%</td><td>50th percentile</td></tr>
<tr><td>50-100% on a straight line</td><td>50th-75th percentile</td></tr>
<tr><td>100-125%</td><td>75th-100th percentile</td></tr>
<tr><td>125%</td><td>100th percentile</td></tr>
<tr><td colspan="2">The LTIP will vest following completion of the performance period, evaluation against performance targets and release of annual results.</td></tr>
<tr><td>Dividends</td><td colspan="2">No dividends or dividend equivalents are paid or accrued on unvested performance rights.</td></tr>
<tr><td>Clawbacks</td><td colspan="2">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.</td></tr>
</table>

2018 LTIP Outcomes

With regards to the 2016 cash LTIP, the performance requirements were satisfied in 2016 and disclosed in the 2016 remuneration report. To receive the 2016 LTIP the executives must continue to satisfy the service requirement. In line with the 2016 LTIP service requirement, the LTI will vest over the three-year period from FY17 to FY19.

No performance rights have vested under the 2017 share based payment plan, as the performance period is not yet complete.

The Board resolved not to offer the FY18 grant following an incorrect table published in Notice of Meeting associated with the CEO grant, and instead to offer two grants in FY19.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Statutory Disclosures

Name	Short-Term Employee Benefits			Post Employment Benefits	Long Term Benefits			Share Based Payments (e)	
	Cash Salary and Fees	Non-monetary Benefits (a)	Cash Bonus (b)	Superannuation	Cash Bonus (c)	Long Service Leave	Termination Payments	Performance Rights	Total
	$	$	$	$	$	$	$	$	$
Executive Director									
Maxine Horne									
2018	**861,207**	**-**	**420,193**	**25,000**	**101,292**	**7,296**	**-**	**9,149**	**1,424,137**
2017	880,025	-	615,371	35,000	143,479	16,353	-	65,107	1,755,335
Other Group KMP									
Andrew Leyden (d)									
2018	**579,995**	**-**	**190,849**	**-**	**72,000**	**-**	**-**	**4,418**	**847,262**
2017	578,330	-	334,305	-	104,667	-	-	31,440	1,048,742
Chris Preston									
2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2017	99,092	-	146,882	35,887	39,236	-	11,393	-	332,490
Kendra Hammond									
2018	**338,372**	**-**	**113,850**	**25,000**	**22,000**	**4,245**	**-**	**2,558**	**506,025**
2017	333,224	-	193,545	29,856	22,000	8,070	-	18,202	604,897
Mark Anning									
2018	**305,116**	**-**	**97,846**	**19,616**	**39,576**	**4,161**	**-**	**2,415**	**468,730**
2017	305,260	-	166,722	19,866	54,443	19,175	-	17,183	582,649
Peter Connors									
2018	**546,470**	**-**	**250,969**	**25,000**	**65,804**	**6,488**	**-**	**4,035**	**898,766**
2017	540,057	-	305,284	25,000	92,407	16,722	-	28,711	1,008,181
Total Compensation									
2018	**2,631,160**	**-**	**1,073,707**	**94,616**	**300,672**	**22,190**	**-**	**22,575**	**4,144,920**
2017	2,735,988	-	1,762,109	145,609	456,232	60,320	11,393	160,643	5,332,294

(a) Non-monetary benefits include motor vehicles, private and spouse travel, and corporate hospitality.
(b) This report reflects STI bonuses paid in FY18 relating to FY17 entitlements. The annual bonus in FY17 reflects bonus paid in FY17 relating to FY16 entitlements.
(c) This report reflects bonuses paid in FY18 relating to FY15 and FY16 entitlements. The LTIP bonus paid in FY17 reflects bonus paid in FY17 relating to FY14, FY15 and FY16 entitlements.
(d) The remuneration and other terms of employment for Andrew Leyden (the 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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Key Management Personnel Transactions

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	Number Held at 1 July 2017	Number Granted as Remuneration	Net Number Purchased/ (Sold)	Number of Dividends Reinvested	Number Held at 30 June 2018
Maxine Horne	28,518,490	-	979,226	-	29,497,716
Andrew Leyden	164,223	-	(96,947)	15,724	83,000
Kendra Hammond	-	-	-	-	-
Mark Anning	-	-	-	-	-
Peter Connors	109,919	-	-	-	109,919

The movement during the reporting period in the number of performance rights, 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 2016 at a nil exercise price.

Name	Number of Performance Rights held at 30 June 2017	Number of Performance Rights Granted	Number of Performance Rights Exercised	Number of Performance Rights Forfeited	Number of Performance Rights held at 30 June 2018
Maxine Horne	72,327	-	-	-	72,327
Andrew Leyden	34,926	-	-	-	34,926
Kendra Hammond	20,221	-	-	-	20,221
Mark Anning	19,088	-	-	-	19,088
Peter Connors	31,895	-	-	-	31,895
Total	**178,457**	**-**	**-**	**-**	**178,457**

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.

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		
	Cash Salary and Fees	Non-monetary Benefits	Cash Bonus	Superannuation	Cash Bonus	Long Service Leave	Total
	$	$	$	$	$	$	$
Dick Simpson							
2018	**192,377**	**-**	**-**	**17,623**	**-**	**-**	**210,000**
2017	191,781	-	-	18,219	-	-	210,000
Neil Osborne							
2018	**95,890**	**-**	**-**	**9,110**	**-**	**-**	**105,000**
2017	95,890	-	-	9,110	-	-	105,000
Paul Wilson (a)							
2018	**105,000**	**-**	**-**	**-**	**-**	**-**	**105,000**
2017	105,000	-	-	-	-	-	105,000
Robyn Watts							
2018	**95,890**	**-**	**-**	**9,110**	**-**	**-**	**105,000**
2017	95,890	-	-	9,110	-	-	105,000
Total Compensation							
2018	**489,157**	**-**	**-**	**35,843**	**-**	**-**	**525,000**
2017	488,561	-	-	36,439	-	-	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.

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.

Name	Number of Ordinary Shares held at 30 June 2017	Number of Ordinary Shares Granted as Remuneration	Net Number of Ordinary Shares purchased/(sold)	Number of Dividends Reinvested	Number of Ordinary Shares held at 30 June 2018
Dick Simpson	115,039	-	-	5,504	120,543
Maxine Horne	28,518,490	-	979,226	-	29,497,716
Neil Osborne	267,039	-	-	-	267,039
Robyn Watts	41,459	-	-	-	41,459
Paul Wilson	147,306	-	103,000	3,351	253,657

Name	Number of Performance Rights held at 30 June 2017	Number of Performance Rights Granted	Number of Performance Rights Exercised	Number of Performance Rights Forfeited	Number of Performance Rights held at 30 June 2018
Dick Simpson	-	-	-	-	-
Maxine Horne	72,327	-	-	-	72,327
Neil Osborne	-	-	-	-	-
Robyn Watts	-	-	-	-	-
Paul Wilson	-	-	-	-	-

(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 19.

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:

	FY18 $	FY17 $
Grant Thornton Audit Pty Ltd and its related entities:		
Tax compliance and consulting services	**119,000**	28,800
Total non-audit services	**119,000**	**28,800**

Signed in accordance with a resolution of Directors.

Dick Simpson
Chairman

Maxine Horne
Director and Chief Executive Officer

Brisbane
17 August 2018

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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 2018, 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Cameron Smith

CDJ Smith
Partner – Audit & Assurance

Brisbane, 17 August 2018

	Notes	FY18 $'000	FY17 $'000
Continuing operations			
Revenue	3	**684,547**	667,291
Cost of sales		**(473,234)**	(424,381)
Gross profit		**211,313**	**242,910**
Other income	3	**11,790**	12,071
Employee benefits expense	4	**(124,792)**	(134,312)
Sales and marketing		**(9,930)**	(11,061)
Rental expense relating to operating leases	4	**(24,907)**	(21,506)
Other expenses		**(22,499)**	(23,129)
		40,975	**64,973**
Depreciation and amortisation expense	4	**(10,043)**	(9,526)
		30,932	**55,447**
Finance income		**280**	373
Finance expenses		**(1,273)**	(1,168)
Net finance costs	**4**	**(993)**	**(795)**
Profit before income tax		**29,939**	**54,652**
Income tax expense	25	**(7,988)**	(15,702)
Profit for the year from continuing operations		**21,951**	**38,950**
Profit/(loss) from discontinued operation (net of tax)	2	**-**	441
Profit for the year		**21,951**	**39,391**
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive income for the year, attributable to the ordinary equity holders of Vita Group Limited		**21,951**	**39,391**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company	**22**		
- basic (cents per share)		14.13	25.62
- diluted (cents per share)		14.11	25.59
Earnings per share for profit from discontinued operations attributable to the ordinary equity holders of the company	**22**		
- basic (cents per share)		-	0.29
- diluted (cents per share)		-	0.29
Earnings per share for profit attributable to the ordinary equity holders of the company	**22**		
- basic (cents per share)		14.13	25.91
- diluted (cents per share)		14.11	25.88

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

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2018

	Notes	FY18 $'000	FY17 $'000
ASSETS			
Current assets			
Cash and cash equivalents	13	**31,613**	29,675
Trade and other receivables	5	**23,077**	29,067
Inventories	6	**19,063**	16,442
Other current assets		**354**	423
Total current assets		**74,107**	**75,607**
Non-current assets			
Plant and equipment	7	**14,802**	15,073
Intangible assets and goodwill	8	**100,542**	80,586
Deferred tax assets	12	**6,935**	6,352
Total non-current assets		**122,279**	**102,011**
TOTAL ASSETS		**196,386**	**177,618**
LIABILITIES			
Current liabilities			
Trade and other payables	10	**69,504**	67,031
Interest bearing loans and borrowings	14	**8,633**	8,025
Current tax liabilities		**2,492**	5,641
Provisions	11	**4,665**	3,546
Total current liabilities		**85,294**	**84,243**
Non-current liabilities			
Trade and other payables	10	**1,518**	1,357
Interest bearing loans and borrowings	14	**6,557**	3,907
Provisions	11	**5,280**	3,307
Total non-current liabilities		**13,355**	**8,571**
TOTAL LIABILITIES		**98,649**	**92,814**
NET ASSETS		**97,737**	**84,804**
EQUITY			
Contributed equity	23	**38,925**	29,421
Share based payment reserve	23	**183**	161
Retained earnings	23	**58,629**	55,222
TOTAL EQUITY		**97,737**	**84,804**

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

		Attributable to owners of the parent			
	Notes	Contributed equity $'000	Share based payment reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2016		**25,724**	**-**	**42,262**	**67,986**
Profit for the year		-	-	39,391	39,391
Total comprehensive income for the year		**-**	**-**	**39,391**	**39,391**
Transactions with owners in their capacity as owners:					
Dividend reinvestment plan net of costs		3,697	-	-	3,697
Dividends paid	15	-	-	(26,431)	(26,431)
Employee share schemes - value of employee services	23	-	161	-	161
Total transactions with owners in their capacity as owners		**3,697**	**161**	**(26,431)**	**(22,573)**
Balance at 30 June 2017		**29,421**	**161**	**55,222**	**84,804**
Balance at 1 July 2017		**29,421**	**161**	**55,222**	**84,804**
Profit for the year		**-**	**-**	**21,951**	**21,951**
Total comprehensive income for the year		**-**	**-**	**21,951**	**21,951**
Transactions with owners in their capacity as owners:					
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax	9	**1,000**	**-**	**-**	**1,000**
Dividend reinvestment plan net of costs		**8,504**	**-**	**-**	**8,504**
Dividends paid	15	**-**	**-**	**(18,544)**	**(18,544)**
Employee share schemes - value of employee services	23	**-**	**22**	**-**	**22**
Total transactions with owners in their capacity as owners		**9,504**	**22**	**(18,544)**	**(9,018)**
Balance at 30 June 2018		**38,925**	**183**	**58,629**	**97,737**

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 30 JUNE 2018

	Notes	FY18 $'000	FY17 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**768,079**	751,768
Payments to suppliers and employees (inclusive of GST)		**(718,597)**	(683,792)
Interest received		**280**	373
Finance expenses		**(1,164)**	(1,079)
Income taxes paid		**(12,027)**	(14,539)
Net cash flows from discontinued operations		**-**	(210)
Net cash inflow from operating activities	**13**	**36,571**	**52,521**
Cash flows from investing activities			
Purchase of plant and equipment		**(4,924)**	(7,373)
Purchase of intangible assets		**(639)**	(1,629)
Acquisition of businesses and subsidiaries, net of cash acquired	9	**(22,920)**	(11,700)
Proceeds from sale of stores		**1,677**	-
Proceeds from funds invested		**-**	5,025
Net cash (outflow) from investing activities		**(26,806)**	**(15,677)**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	23	**8,504**	3,697
Proceeds from borrowings		**13,051**	11,833
Repayment of borrowings		**(10,839)**	(15,687)
Dividends paid	15	**(18,544)**	(26,431)
Net cash (outflow) from financing activities		**(7,828)**	**(26,588)**
Net increase in cash and cash equivalents		**1,937**	10,256
Cash and cash equivalents at the beginning of the year		**29,675**	19,419
Cash and cash equivalents at end of year	**13**	**31,612**	**29,675**

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

1 SEGMENT REPORTING

The Group has a number of operating segments which have characteristics that are either so similar in nature that they can reasonably be expected to have the same prospects, or where different, are not material.

The Group's operating segments have therefore been aggregated into one reportable segment under AASB 8.

The Group's revenues from external customers are all domiciled in Australia. Revenues of $161,593,658 (FY17: $195,256,135) are derived from a single customer.

2 DISCONTINUED OPERATIONS

On 10 December 2015, the Group announced to the market that the Next Byte retail stores would be closed, allowing a greater focus on the Group's key strategic areas.

Financial information relating to the discontinued operation for the year ended 30 June 2018 and corresponding prior period are set out below. These amounts have been eliminated from the profit of the Group’s continued operations and are shown as a single line of the face of the consolidated statement of comprehensive income.

	FY18 $'000	FY17 $'000
Revenue	-	18
Expenses	-	612
Profit before income tax	**-**	**630**
Income tax benefit/(expense)	-	(189)
Profit from discontinued operations	**-**	**441**

Net cash flows from the discontinued operation are disclosed in the consolidated statement of cash flows. The remaining net liabilities as at 30 June 2018 are $nil. A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

3 REVENUE

Continuing operations	FY18 $'000	FY17 $'000
Revenue		
Sale of goods	**517,767**	466,285
Contract revenue	**5,186**	5,750
Fee and commission revenue	**161,594**	195,256
Total revenue	**684,547**	**667,291**
Other income		
Cooperative advertising income	**7,822**	9,884
Other miscellaneous income	**3,968**	2,187
Total other income	**11,790**	**12,071**

Recognition and measurement

Revenue arises from the sale of goods and the rendering of services. It is measured by reference to 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, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group’s activities as described below. The consideration received from multiple-component transactions is allocated to the separately identifiable components in proportion to its relative fair value. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

3 REVENUE (CONTINUED)

Recognition and measurement (continued)

The Group chose to early adopt and apply AASB 15 Revenue from Contracts with Customers with effect from 1 July 2015. The early adoption of this standard has had no impact on the current year or prior year revenue recognition.

Revenue is recognised for the major business activities as follows:

Sale of goods and services

Revenue is recognised to depict the transfer of promised goods or services to customers with an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services.

This is effected by 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.

When goods or services are sold together with customer loyalty incentives, the consideration receivable is allocated between the sale of skin care products and/ or treatment services and sale of incentives based on their fair values. Revenue from sales of incentives is recognised when the incentives are redeemed by customers in exchange for skin care or treatments provided by the Group.

Fee and commission revenue

Fee and commission revenue from the telecommunications provider is recognised when a customer contracts to an eligible plan with the telecommunications provider using the Group as an agent for the telecommunications provider.

Contract revenue

Revenue from contracts relates to managed services and professional services. The revenue from managed services is recognised in the accounting period in which the services are rendered. As at 30 June 2018 any contracts exceeding 12 months for managed services are recognised on a monthly basis as the services are rendered. For professional services revenue is recognised upon completion of the service.

Cooperative income

The Group is reimbursed by the telecommunication provider for qualifying advertising activity. Income is recognised either as a set percentage of purchases 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.

4 EXPENSES

Continuing operations	FY18 $'000	FY17 $'000
Net finance expenses		
Finance charges under hire purchase contracts and chattel mortgages	**51**	57
Provisions: unwinding of discount	**109**	90
Line facility fee	**745**	752
Interest on term debt	**352**	269
Other interest expense	**16**	-
Total finance expenses	**1,273**	**1,168**
Interest revenue on bank deposits	**(280)**	(373)
Net finance expenses	**993**	**795**
Depreciation and amortisation		
Plant and equipment	**7,863**	7,944
Customer lists	**51**	-
Brands	**172**	-
Software	**1,957**	1,582
Total depreciation and amortisation	**10,043**	**9,526**
Employee benefits expenses		
Wages and salaries	**110,058**	116,684
Defined contribution superannuation expense	**9,770**	10,481
Employee entitlements	**4,964**	7,147
Total employee benefits expenses	**124,792**	**134,312**
Rental expense relating to operating leases		
Rental expense relating to operating leases	**24,907**	21,506
Total rental expense relating to operating leases	**24,907**	**21,506**

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 7 and Note 8 respectively.

5 TRADE AND OTHER RECEIVABLES

	FY18 $'000	FY17 $'000
Trade receivables	**15,080**	24,129
Allowance for doubtful debts	**(867)**	(1,235)
Net trade receivables	**14,213**	**22,894**
Other receivables	**5,638**	3,410
Prepayments	**3,226**	2,763
Net trade and other receivables	**23,077**	**29,067**

Allowance for doubtful debts

As at 30 June 2018, provisions were made against current trade receivables to the value of $866,801 (FY17: $1,235,070). An allowance for doubtful debts is made when there is objective evidence that a receivable is impaired. The amount of the allowance has been measured as the difference between the carrying amount of the receivables and the estimated future cash flows expected to be received from the relevant debtor, and excludes amounts relating to revenue adjustments made on the Telstra specific receivable. 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	**4**	-
91+ days	**863**	1,235
Balance at 30 June	**867**	**1,235**
Movements in allowance for doubtful debts were as follows:		
At 1 July	**1,235**	320
Charge/(release) for the year	**(263)**	1,033
Amounts written off	**(105)**	(118)
Balance at 30 June	**867**	**1,235**

As of 30 June 2018, trade receivables of $1,543,487 (FY17: $1,277,194) 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	**328**	384
91+ days	**1,215**	893
Balance at 30 June	**1,543**	**1,277**

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 fair value 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. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the consolidated statement of comprehensive income. When a trade receivable for which an impairment allowance 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.

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.

6 INVENTORIES

	FY18 $'000	FY17 $'000
Finished goods	**20,834**	18,021
Provision for dimunition in value	**(1,771)**	(1,579)
Total inventories at the lower of cost or net realisable value	**19,063**	**16,442**

Inventories relating to continuing operations recognised as expense during the year ended 30 June 2018 amounted to $473,234,301 (FY17: $424,381,258). This expense has been included in the cost of sales line item as a cost of inventories.

Inventory write-downs included in the above totalled $945,344 (FY17: $463,795).

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.

7 PLANT AND EQUIPMENT

	Plant and equipment $'000
At 1 July 2016	
Cost	59,994
Accumulated depreciation	(46,087)
Net book amount	**13,907**
Opening net book amount	13,907
Additions	8,421
Acquisition through business combination	458
Disposals	5
Depreciation charge	(7,718)
Closing net book amount	**15,073**

At 1 July 2017	
Cost	63,514
Accumulated depreciation	(48,441)
Net book amount	**15,073**
Opening net book amount	15,073
Additions	5,074
Acquisition through business combination	2,570
Disposals	(52)
Depreciation charge	(7,863)
Closing net book amount	**14,802**
At 30 June 2018	
Cost	65,242
Accumulated depreciation	(50,440)
Closing net book amount	**14,802**

7 PLANT AND EQUIPMENT (CONTINUED)

The net book value of assets held under chattel mortgage agreements amount to $889,440 (FY17: $1,471,379) 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 FY18 were $265,033 (FY17: $1,049,116). Provisions were raised to represent the future make good liability in Note 11 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.

8 INTANGIBLE ASSETS AND GOODWILL

	Notes	Customer lists $'000	Brands $'000	Software $'000	Goodwill $'000	Total $'000
At 1 July 2016						
Cost		-	-	8,469	108,042	116,511
Accumulated amortisation and impairment		-	-	(5,109)	(41,213)	(46,322)
Net book amount		**-**	**-**	**3,360**	**66,829**	**70,189**
Opening net book amount		-	-	3,360	66,829	70,189
Additions		-	-	1,629	-	1,629
Acquisition through business combination	9	-	-	-	11,242	11,242
Disposals		-	-	(5)	(761)	(766)
Amortisation charge		-	-	(1,708)	-	(1,708)
Closing net book amount		**-**	**-**	**3,276**	**77,310**	**80,586**
At 1 July 2017						
Cost		-	-	9,763	118,523	128,286
Accumulated amortisation and impairment		-	-	(6,487)	(41,213)	(47,700)
Net book amount		**-**	**-**	**3,276**	**77,310**	**80,586**
Opening net book amount		-	-	3,276	77,310	80,586
Additions		-	-	639	-	639
Acquisition through business combination	9	355	981	-	22,745	24,081
Disposals		-	-	-	(2,584)	(2,584)
Amortisation charge		(51)	(172)	(1,957)	-	(2,180)
Closing net book amount		**304**	**809**	**1,958**	**97,471**	**100,542**
At 30 June 2018						
Cost		355	981	10,315	138,684	150,335
Accumulated amortisation		(51)	(172)	(8,357)	(41,213)	(49,793)
Closing net book amount		**304**	**809**	**1,958**	**97,471**	**100,542**

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 17.

8 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Recognition and measurement (continued)

Customer lists and brand names

Customer lists and brand names 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:

Software	Straight line over 2.5 - 3 years
Customer lists	Straight line over 3 years
Brand names	Straight line over 3 years

9 BUSINESS COMBINATIONS

a) Acquisition of Clear Complexions

On 13 November 2017, VTG CC Pty Ltd (a subsidiary of Vita Group Limited) acquired the business assets of Clear Complexions, a business offering non-surgical cosmetic treatments through a team of medically-trained skincare professionals.

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

	$'000
Purchase consideration	
Cash paid	**8,797**
Ordinary shares issued	**1,000**
Contingent consideration	**1,614**
Total purchase consideration	**11,411**

The fair value of the 790,889 shares issued as part of the consideration paid was based on the published share price on 14 November 2017 of $1.2644 per share.

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

	Fair value $'000
Inventories	**282**
Plant and equipment	**1,754**
Intangible assets: brand	**758**
Intangible assets: customer list	**205**
Deferred tax asset	**15**
Payables	**(13)**
Provisions	**(120)**
Unearned revenue	**(802)**
Employee benefit liabilities	**(160)**
Hire purchase liability	**(1,048)**
Net identifiable assets acquired	**871**
Add: goodwill	**10,540**
Net assets acquired	**11,411**

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 2018. It is not expected to be deductible for tax purposes except on subsequent disposal.

Acquisition related costs

Acquisition-related costs of $242,141 representing stamp duty, legal and professional fees on the transfer of the business are included in other expenses in the consolidated statement of comprehensive income.

Contingent consideration

Earn-Outs

In the event that certain pre-determined EBITDA targets are met by 13 November 2018 and 13 November 2019, additional consideration of up to $1,250,000 and $750,000 respectively, may be payable on 14 November of the applicable year.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between $0 and $2,000,000. The fair value of the contingent consideration arrangement of $1,161,276 is based on a discounted assumed probability of achievement to the EBITDA targets.

9 BUSINESS COMBINATIONS (CONTINUED)

a) Acquisition of Clear Complexions (continued)

Contingent consideration (continued)

Option

As part of the asset acquisition, the sellers have entered into an agreement to receive an option to obtain a five per cent interest in Artisan Aesthetics Pty Ltd (a subsidiary of Vita Group Limited) for nominal consideration. Due to the variable nature of the option, this has been classified as a financial liability and recognised as such as part of the purchase consideration.

The fair value of the option of $452,242 was derived using an option pricing model, incorporating a number of potential scenarios and inputs.

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 stores 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 $6,137,884 and EBITDA of $802,696 to the Group for the period from acquisition date to 30 June 2018.

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 2017, the contribution to the Group for revenue and EBITDA is estimated at $9,687,816 and $1,177,621 respectively.

*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.

Cash flow information	FY18 $'000	FY17 $'000
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	**8,797**	-
Acquisition related costs	**192**	-
Total outflow of cash to acquire business, net of cash acquired	**8,989**	**-**

b) Acquisition of Artisan Cosmetic and Rejuvenation Clinic

On 2 May 2018, VTG Artisan Pty Ltd (a subsidiary of Vita Group Limited) acquired the business assets of Artisan Cosmetic and Rejuvenation Clinic.

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

	$'000
Purchase consideration	
Cash paid	**1,424**
Deferred consideration	**50**
Total purchase consideration	**1,474**

9 BUSINESS COMBINATIONS (CONTINUED)

b) Acquisition of Artisan Cosmetic and Rejuvenation Clinic (continued)

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

	Fair value $'000
Inventories	87
Plant and equipment	183
Intangible assets: brand	223
Intangible assets: customer list	150
Deferred tax asset	19
Employee benefit liabilities	(22)
Deferred tax liability	(117)
Provisions	(20)
Unearned revenue	(18)
Net identifiable assets acquired	**485**
Add: goodwill	989
Net assets acquired	**1,474**

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 2018. It is not expected to be deductible for tax purposes except on subsequent disposal.

Acquisition related costs

Acquisition-related costs of $217,886 representing stamp duty, legal and professional fees on the transfer of the business are included in other expenses in the consolidated statement of comprehensive income.

Deferred consideration

The deferred consideration of $50,000 is payable six months after the completion date.

Contingent consideration

There were no contingent consideration arrangements in relation to this business combination.

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 stores 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 $360,222 and EBITDA of $78,700 to the Group for the period from acquisition date to 30 June 2018.

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 2017, the contribution to the Group for revenue and EBITDA is estimated at $2,191,350 and $478,760 respectively.

*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.

Cash flow information	FY18 $'000	FY17 $'000
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	1,424	-
Acquisition related costs	153	-
Total outflow of cash to acquire business, net of cash acquired	**1,577**	**-**

9 BUSINESS COMBINATIONS (CONTINUED)

c) Acquisition of Telstra licensed stores and business centres

Fone Zone Pty Limited (a subsidiary of Vita Group Limited) acquired the business assets to own and operate the following Telstra licensed stores and business centres:

Settlement date	Location
1 December 2017	Telstra Licensed Store Coffs City
1 December 2017	Telstra Licensed Store Coffs Harbour
1 December 2017	Telstra Business Centre Coffs Harbour
1 March 2018	Telstra Licensed Store Tweed City
1 March 2018	Telstra Licensed Store Centro Tweed
1 March 2018	Telstra Business Centre Tweed

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

	$'000
Purchase consideration	
Cash paid	**6,421**
Total purchase consideration	**6,421**

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

	Fair value $'000
Inventories	**375**
Plant and equipment	**381**
Net identifiable assets acquired	**756**
Add: goodwill	**5,665**
Net assets acquired	**6,421**

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 2018. It is not expected to be deductible for tax purposes except on subsequent disposal.

Acquisition related costs

Acquisition-related costs of $23,784 representing stamp duty payable and legal fees on the transfer of the business are included in other expenses in the consolidated statement of comprehensive income.

Contingent consideration

There were no contingent consideration arrangements in relation to these business combinations.

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 stores with a fair value of nil. The gross contractual amount for the interest in future income is estimated at nil.

9 BUSINESS COMBINATIONS (CONTINUED)

c) Acquisition of Telstra licensed stores and business centres (continued)

Revenue and profit contribution*

The acquired businesses contributed revenues of $10,244,665 and EBITDA of $948,089 to the Group for the period from acquisition date to 30 June 2018.

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 2017, the contribution to the Group for revenue and EBITDA is estimated at $23,081,833 and $2,159,925 respectively.

*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 store level.

Cash flow information	FY18 $'000	FY17 $'000
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	**6,421**	11,700
Acquisition related costs	**13**	470
Total outflow of cash to acquire business, net of cash acquired	**6,434**	**12,170**

d) Acquisition of equity interests

On 1 February 2018, Fone Zone Pty Limited (a subsidiary of Vita Group Limited) 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. Under this acquisition, the following Telstra licensed stores were acquired:

Settlement date	Location
1 February 2018	Telstra Licensed Store Sale
1 February 2018	Telstra Licensed Store Traralgon
1 February 2018	Telstra Licensed Store Warragul

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

	$'000
Purchase consideration	
Cash paid	**10,642**
Total purchase consideration	**10,642**

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

	Fair value $'000
Cash	**4,757**
Inventories	**422**
Plant and equipment	**252**
Other assets	**40**
Employee benefit liabilities	**(160)**
Tax payable	**(166)**
Other liabilities	**(54)**
Net identifiable assets acquired	**5,091**
Add: goodwill	**5,551**
Net assets acquired	**10,642**

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 2018. It is not expected to be deductible for tax purposes except on subsequent disposal.

9 BUSINESS COMBINATIONS (CONTINUED)

d) Acquisition of equity interests (continued)

Acquisition related costs

Acquisition-related costs of $34,207 representing legal and professional fees on the transfer of the business are included in other expenses in the consolidated statement of comprehensive income.

Contingent consideration

There were no contingent consideration arrangements in relation to these business combinations.

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 stores 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 $7,030,954 and EBITDA of $564,698 to the Group for the period from acquisition date to 30 June 2018.

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 2017, the contribution to the Group for revenue and EBITDA is estimated at $17,199,707 and $1,876,637 respectively.

*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 store level.

Cash flow information	FY18 $'000	FY17 $'000
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	**10,642**	-
Acquisition related costs	**34**	-
	10,676	**-**
Less: Balances acquired		
Cash	**4,757**	-
Total outflow of cash to acquire business, net of cash acquired	**5,919**	**-**

The Group did not acquire any equity interests during the previous financial year.

10 TRADE AND OTHER PAYABLES

	FY18 $'000	FY17 $'000
Current		
Trade payables	**35,304**	28,483
Other payables and accruals	**22,683**	26,038
Unearned revenue	**5,177**	6,213
Annual leave accrual	**6,340**	6,297
Total current trade and other payables	**69,504**	**67,031**
Non-current		
Other payables and accruals	**1,518**	1,357
Total non-current trade and other payables	**1,518**	**1,357**
Total trade and other payables	**71,022**	**68,388**

Recognition and measurement

Trade payables 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.

11 PROVISIONS

	FY18			FY17		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Employee benefits	1,053	1,737	2,790	908	1,773	2,681
Make good provision	1,849	2,123	3,972	2,396	1,475	3,871
Contingent consideration	984	764	1,748	-	-	-
Onerous lease provision	779	656	1,435	242	59	301
Total provisions	**4,665**	**5,280**	**9,945**	**3,546**	**3,307**	**6,853**

Movement in provisions:	Make good provision $'000	Contingent consideration $'000	Onerous lease liability $'000	Total $'000
Carrying amount at start of year	3,871	-	301	4,172
Acquired through business combination	194	1,614	-	1,808
Additional provisions recognised	708	97	1,562	2,367
Unused amounts reversed	(433)	-	(151)	(584)
Amounts used during the year	(438)	-	(279)	(717)
Unwinding of discount	70	37	2	109
Carrying amount at end of year	**3,972**	**1,748**	**1,435**	**7,155**

11 PROVISIONS (CONTINUED)

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, 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 two contingent consideration arrangements with Clear Complexions; being earn-outs payable in the event that certain pre-determined EBITDA targets are met by 13 November 2018 and 13 November 2019, and an option to obtain a five per cent interest in VTG NIMA 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 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.

12 DEFERRED TAX ASSET

	FY18 $'000	FY17 $'000
Deferred income tax in the consolidated balance sheet relates to the following:		
Provisions	**1,355**	1,432
Inventory	**584**	526
Provision for employee benefits	**2,739**	2,637
Onerous lease provision	**1,622**	1,252
Unearned revenue	**336**	127
Share issue costs	**67**	119
Plant and equipment	**566**	259
Intangible assets	**(334)**	-
Net deferred tax assets	**6,935**	**6,352**

	FY18 $'000	FY17 $'000
Movement in deferred tax assets		
Opening balance	**6,352**	9,703
Debited/(credited):		
- to profit or loss	**560**	(3,351)
- directly to equity	**54**	-
- acquisitions	**(31)**	-
Balance at 30 June	**6,935**	**6,352**

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.

13 CASH AND CASH EQUIVALENTS

	FY18 $'000	FY17 $'000
Cash at bank and on hand	**31,613**	**29,675**

Reconciliation of net profit after tax to net cash flows from operations		
Profit for the year	**21,951**	39,391
Adjustments for		
Depreciation	**7,863**	7,844
Amortisation	**2,180**	1,582
Share-based payments expense	**22**	161
Write down of goodwill on store divestment	**1,020**	761
Net profit/(loss) on disposal of plant and equipment	**19**	1
Make good provision: unwinding of discount	**70**	90
Onerous lease provision: unwinding of discount	**2**	4
Contingent consideration provision: unwinding of discount	**37**	-
Doubtful debt provision	**(368)**	(1,410)
Inventory obsolescence provision	**173**	(33)
Make good provision	**(438)**	(509)
Onerous lease provision	**(279)**	(390)
Contingent consideration provision	**97**	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	**6,810**	6,433
(Increase) in inventory	**(1,627)**	(1,799)
Decrease/ (Increase) in other current assets	**69**	(423)
(Increase) in prepayments	**(431)**	(309)
(Increase) /Decrease in deferred tax assets	**(1,015)**	3,351
(Decrease) in current tax liability	**(3,024)**	(1,744)
Increase/ (Decrease) in trade, other payables and accruals	**3,907**	(1,847)
(Decrease) /Increase in unearned revenue	**(1,857)**	1,495
Increase/ (Decrease) in provisions	**1,390**	(128)
Net cash inflow from operating activities	**36,571**	**52,521**

During the year, the Group acquired Clear Complexions and Artisan Cosmetic and Rejuvenation Clinic (refer to Note 9). The purchase consideration included a contingent payment arrangement amounting to $1,614,000 and deferred consideration of $50,000 respectively, as at acquisition date. The initial recognition of these liabilities and the subsequent unwinding of the discount of $37,089 (FY17: nil) 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.

14 INTEREST BEARING LOANS AND BORROWINGS

	FY18 $'000	FY17 $'000
Current		
Obligations under chattel mortgage	**387**	1,155
Term debt	**8,246**	6,870
Total current borrowings	**8,633**	**8,025**
Non-current		
Obligations under chattel mortgage	**597**	-
Term debt	**5,960**	3,907
Total non-current borrowings	**6,557**	**3,907**
Total borrowings	**15,190**	**11,932**

Current interest bearing loans and borrowings mature during 2019, non-current interest bearing loans and borrowings mature during 2020 to 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 $889,440 (FY17: $1,471,379).

Term debt

The interest rate and facility fee charged on the term debt at 30 June 2018 was between 3.07% and 3.60% (FY17: 2.62% and 3.60%).

The Group's loan and lease facilities are secured under the Group's Deed of Cross Guarantee, detailed in Note 19.

Fair values

The fair values have been calculated by discounting the expected future cash flows at prevailing risk adjusted market interest rates at 3.07% (FY17: 2.62%).

	2018		2017	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Obligations under chattel mortgage	**984**	**955**	1,155	1,126
Term debt	**14,206**	**13,558**	10,777	10,404
Balance at 30 June	**15,190**	**14,513**	**11,932**	**11,530**

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 16.

Financial facilities

The Group has 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.

At balance date, the Group has available approximately $14.1 million (FY17: $16.2 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 (FY17: $3.0 million).

14 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.

15 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.

	FY18 $'000	FY17 $'000
Final dividend for FY17 7.4 cents per share (FY16: 8.21)	**11,292**	12,450
Interim dividend for FY18 of 4.7 cents per share (FY17: 9.2)	**7,252**	13,981
Total dividends provided and paid	**18,544**	**26,431**

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 4.4 cents per share (FY17: 7.4), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividends expected to be paid in September 2018 out of retained earnings at 30 June 2018 but not recognised as a liability at year end, is $7,057,206.

	FY18 $'000	FY17 $'000
Total dividends not recognised as a liability at year end	**7,057**	**11,292**

Franking dividends

The franked portions of the final dividends approved after 30 June 2018 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 2019.

Franking credits available for subsequent financial years based on a tax rate of 30% (FY17: 30%):

	FY18 $'000	FY17 $'000
Franking credits remaining at balance sheet date	**57,079**	**54,643**

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

(a) Franking credits that will arise from the payment of the provision for income tax
(b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(c) 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 $3,024,517 (FY17: $4,839,591).

16 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 14.

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

	FY18 $'000	FY17 $'000
Financial Assets		
Cash	**31,613**	29,675
Total financial assets	**31,613**	**29,675**
Financial Liabilities		
Term debt	**12,496**	5,757
Total financial liabilities	**12,496**	**5,757**
Net Asset/(Exposure)	**19,117**	**23,918**

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 2018, 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:	FY18 $'000	FY17 $'000
+ 1% (100 basis points)	**134**	167
- 1% (100 basis points)	**(134)**	(167)

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 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.

16 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 2018. 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 2018.

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
Financial Assets					
As at 30 June 2018					
Trade and other receivables	15,080	250	-	15,330	19,850
Term deposits	-	-	-	-	-
Total financial assets	**15,080**	**250**	**-**	**15,330**	**19,850**
As at 30 June 2017					
Trade and other receivables	26,770	-	-	26,770	26,304
Total financial assets	**26,770**	**-**	**-**	**26,770**	**26,304**
Financial Liabilities					
As at 30 June 2018					
Trade and other payables	35,304	-	-	35,304	57,986
Borrowings	8,986	6,723	-	15,709	15,191
Contingent consideration	1,000	810	-	1,810	1,748
Total financial liabilities	**45,290**	**7,533**	**-**	**52,823**	**74,925**
As at 30 June 2017					
Trade and other payables	28,483	-	-	28,483	54,521
Borrowings	8,273	3,954	-	12,227	11,932
Total financial liabilities	**36,756**	**3,954**	**-**	**40,710**	**66,453**

17 IMPAIRMENT TESTING OF GOODWILL

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

CGU	FY18 $'000	FY17 $'000
Information and Communication Technology (ICT)	**85,942**	77,310
Non-Invasive Medical Aesthetics (NIMA)	**11,417**	-
Balance at 30 June	**97,359**	**77,310**

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 NIMA, 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 FY18's achievements. In determining such assumptions, factors such as competitive dynamics and the evolving maturity of stores were all contemplated.

For NIMA, assumptions have been developed based on market analysis. Growth rates are consistent with forecasts in industry reports.

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:

	FY18	FY17
ICT		
Revenue	1.4%	(0.1%)
Cost of goods sold	1.4%	0.3%
Operating expenses	1.5%	1.4%
Pre-tax weighted average cost of capital (WACC)	9.0%	9.2%
Terminal growth rate	2.0%	2.0%
NIMA		
Revenue	15.2%	-
Cost of goods sold	12.7%	-
Operating expenses	8.1%	-
Pre-tax weighted average cost of capital (WACC)	9.0%	-
Terminal growth rate	2.0%	-

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

18 PARENT ENTITY DISCLOSURES

	FY18 $'000	FY17 $'000
Statement of profit or loss and other comprehensive income		
Profit/(loss) for the year	**39,003**	38,000
Total comprehensive income for the year	**-**	**38,000**
Statement of financial position		
Current assets	**69,147**	43,120
Non-current assets	**19,644**	19,696
Total assets	**88,791**	**62,816**
Current liabilities	**2,617**	6,628
Non-current liabilities	**1**	-
Total liabilities	**2,618**	**6,628**
Net assets	**86,173**	**56,188**
Total equity of the parent comprising of:		
Share capital	**48,736**	39,232
Reserves		
Share-based payments	**183**	161
Retained earnings	**37,254**	16,795
Total equity	**86,173**	**56,188**

During the financial year ended 30 June 2018, Vita Group Limited declared and paid fully franked dividends of $18,543,687. Since June 30, the directors have approved an intercompany fully franked dividend of $7,057,206 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.

	FY18 $'000	FY17 $'000
Guarantees held for:		
Leasing commitments	**1,748**	1,874
Other supplier arrangements	**-**	15,000
Total guarantees held	**1,748**	**16,874**

There were no other contingencies as at reporting date (FY17: 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 19.

Capital commitments

The parent entity had not committed to any capital commitments at reporting date (FY17: 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.

18 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.

19 RELATED PARTY DISCLOSURES

Controlled Entities

Name	Country of incorporation	Percentage of Equity Interest Held	
		FY18 %	FY17 %
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**	-
Subsidiaries of Fone Zone Pty Ltd:			
The Mobile Phone Shop Pty Ltd	Australia	**100**	100
Liquipel Pty Ltd	Australia	**100**	100
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**	-
Kan Tel Pty Ltd	Australia	**100**	-
Sales Comms Pty Ltd	Australia	**100**	-
Subsidiaries of Communique Holdings Pty Ltd:			
Sprout Corporation Pty Ltd	Australia	**100**	100
Subsidiaries of Next Byte Holdings Pty Ltd:			
Next Byte Pty Ltd (As trustee for Next Byte Unit Trust)	Australia	**100**	100
Next Byte Unit Trust	Australia	**100**	100
Subsidiaries of Artisan Aesthetics Group Pty Ltd:			
VTG CC Pty Ltd	Australia	**100**	-
VTG Artisan Pty Ltd	Australia	**100**	-

* Geek Squad Australia Pty Ltd was renamed to Artisan Corporation Pty Ltd during the financial year.

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.

19 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 Entitles, 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 18.

KMP disclosures for the Group are detailed in Note 27.

20 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 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:

	FY18 $'000	FY17 $'000
Within one year	**12,754**	11,062
Later than one year but not later than five years	**28,289**	24,571
Later than five years	**4,287**	3,193
Total operating lease commitments	**45,330**	**38,826**

Capital commitments

Capital expenditure relating to store refits contracted for at the reporting date but not recognised as liabilities amounted to $432,520 (FY17: nil).

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.

	FY18 $'000	FY17 $'000
Leasing commitments	**1,993**	2,021
Other supplier arrangements	**15,000**	15,000
Total guarantees held	**16,993**	**17,021**

21 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no 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, 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.

22 EARNINGS PER SHARE

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

	FY18 $'000	FY17 $'000
Profit/(loss) attributable to the ordinary equity holders of the parent	**21,951**	**39,391**

	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	**155,323**	152,044
Adjustments for calculation of diluted earnings per share:		
Weighed average number of performance rights for diluted earnings per share	**178**	178
Weighted average number of ordinary ordinary shares adjusted for the effect of dilution	**155,501**	**152,222**

Basic earnings per share (cents) from continuing operations	**14.13**	25.62
Basic earnings per share (cents) from discontinued operations	**-**	0.29
Basic earnings per share (cents)	**14.13**	25.91
Diluted earnings per share (cents) from continuing operations	**14.11**	25.59
Diluted earnings per share (cents) from discontinued operations	**-**	0.29
Diluted earnings per share (cents)	**14.11**	25.88

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.

23 CONTRIBUTED EQUITY, RESERVES AND RETAINED EARNINGS

Contributed equity	FY18 $'000	FY17 $'000
Ordinary shares		
Issued and fully paid	**38,925**	**29,421**

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.

23 CONTRIBUTED EQUITY, RESERVES AND RETAINED EARNINGS (CONTINUED)

Movements in contributed equity:	**Number of shares**	**$'000**
At 1 July 2016	**151,639,419**	25,724
Dividend reinvestment plan:		
329,044 new shares issued at $4.7579 per share	**329,044**	1,566
631,272 new shares issued at $3.3751 per share	**631,272**	2,131
At 30 June 2017	**152,599,735**	**29,421**
Dividend reinvestment plan:		
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
At 30 June 2018	**160,391,036**	**38,925**

Share-based payments reserve

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

Movements in share-based payments reserve:	**FY18 $'000**	**FY17 $'000**
Balance at 1 July	**161**	-
Performance rights expense	**22**	161
Balance at 30 June	**183**	**161**

Retained earnings

Movements in retained earnings:	**FY18 $'000**	**FY17 $'000**
Balance 1 July	**55,222**	42,262
Net profit for the period	**21,951**	39,391
Dividends	**(18,544)**	(26,431)
Balance at 30 June	**58,629**	**55,222**

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 FY18, dividends of $18,543,687 were paid to shareholders (FY17: $26,430,696).

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 2018 and 2017 were as follows:

	FY18 $'000	**FY17 $'000**
Total borrowings*	**15,190**	11,932
Less: Cash and cash equivalents and short term investments	**(31,613)**	(29,675)
Net debt	**(16,423)**	**(17,743)**
Total equity	**97,737**	84,804
Net debt plus equity	**81,314**	**67,061**
Net debt / (Net debt plus equity) ratio	**(20.2%)**	**(26.5%)**

* 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.

24 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 28 for details of KMPs. The Plan will be settled in equity.

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

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

Rights under this scheme will vest if certain conditions, as specified in the Plan, are met. Assessment is based on achievement against two performance measures, weighted equally between Vita Group Limited Earnings Per Share (EPS) and Relative Total Shareholder Return (TSR) compared to the S&P ASX 300 Index.

Rights issued under the Plan may not be transferred unless approved by the Board. The table below summarises rights granted under the plan, no rights are exercisable at 30 June 2018.

Number of Rights Issued

	Opening balance (Number)	Granted during the year (Number)	Exercised during the year (Number)	Forfeited during the year (Number)	Closing balance (Number)
2018					
1 July	178,457	-	-	-	178,457
Number of rights issued	**178,457**	**-**	**-**	**-**	**178,457**
2017					
1 July	-	178,457	-	-	178,457
Number of rights issued	**-**	**178,457**	**-**	**-**	**178,457**

Fair value of Rights Granted

The fair value of 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 benefit expense were as follows:

	FY18 $'000	FY17 $'000
Executive performance rights	**22**	161
Total executive performance rights	**22**	**161**

24 SHARE-BASED PAYMENTS (CONTINUED)

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.

Estimates are revised if there is any indication that the number of 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.

25 INCOME TAX

	Notes	FY18 $'000	FY17 $'000
The major components of income tax expense are:			
Current income tax:			
Current tax on profits for the year		**9,373**	15,143
Adjustments for current tax of prior periods		**(825)**	(2,603)
Deferred income tax			
Relating to origination and reversal of temporary differences	12	**(560)**	3,351
Income tax expense reported in the statement of comprehensive income		**7,988**	**15,891**
Income tax expense is attributable to:			
Profit from continuing operations		**7,988**	15,702
Profit from discontinued operation		**-**	189
Income tax expense reported in the statement of comprehensive income		**7,988**	**15,891**
A reconciliation between tax expense and the profit before income tax multiplied by the Group's applicable income tax rate is as follows:			
Profit before income tax		**29,939**	**55,282**
At the Group's statutory income tax rate of 30% (FY17: 30%)		**8,982**	16,585
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:			
Other items		**(633)**	38
Accounting expenses not deductible for income tax purposes		**(633)**	**38**
Adjustments for current tax of prior periods		**(825)**	(2,603)
Adjustments for deferred tax of prior periods		**410**	1,871
Aggregate income tax expense		**7,934**	**15,891**
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**	-
Income tax expense reported directly in equity		**54**	**-**

Note 12 provides information on deferred tax assets and liabilities.

26 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.

	FY18 $	FY17 $
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	**150,000**	150,000
Other assurance services	**7,000**	6,500
Other services in relation to the entity and any other entity in the consolidated Group:		
Tax compliance and consulting services	**119,000**	28,800
Total auditor remuneration	**276,000**	**185,300**

27 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

(ii) Executives

Andrew Leyden	Chief Financial Officer
Kendra Hammond	Chief People Officer
Mark Anning	Group Company Secretary and Chief Legal Counsel
Pete Connors	Chief Operations Officer

There were no changes in KMP after the reporting date and before the date the financial report was issued.

Compensation of CEO and Executives

	FY18 $	FY17 $
Short-term employee benefits	**3,704,867**	4,498,097
Post-employment benefits	**94,616**	145,609
Long-term benefits	**345,437**	677,195
Termination benefits	**-**	11,393
Total compensation	**4,144,920**	**5,332,294**

Detailed remuneration disclosures are provided in the Remuneration Report on page 8 to 17.

Compensation options: Granted during the year

During the financial year no share options were granted as equity compensation benefits (FY17: nil).

Executive performance rights: Granted during the year

During the financial year nil performance rights were granted (FY17: 178,457). Refer to note 24 for further information.

Loans to Key Management Personnel

There were no loans provided to KMP during the financial year (FY17: nil).

Other transactions and balances with Key Management Personnel

Details of other transactions with KMP are in Note 19 Related party disclosure.

28 SUMMARY OF OTHER ACCOUNTING POLICIES

Corporate Information

The financial report of the Group for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of directors on 17 August 2018. 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 17 August 2018. The Directors have the power to amend and reissue the financial statements.

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, unless otherwise stated. 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.

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards board and Urgent Issues Group Interpretations. The financial report has also been prepared on a 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.

Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Group, however they have impacted the disclosures presented in the financial statements.

Accounting standards issued but not effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

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 standard is not applicable until 1 January 2018 but is available for early adoption. When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 16 Leases:
On 13 January 2016 the AASB issued a new standard for leasing, AASB 16 Leases. The new standard changes how lessees account for operating leases. In principle it requires lessees to recognise operating leases on their balance sheets as lease liabilities with corresponding right-of-use assets. The Group is in the process of assessing the impact of the new standard on its leasing contracts and it is likely that the introduction of this new standard will have a material impact due to bringing the existing off balance sheet leases on to the balance sheet when AASB 16 is first adopted. The standard must be adopted for financial years commencing on or after 1 January 2019. The Group has not yet decided when to adopt AASB 16.

Early adoption of standards

The Group has chosen to early adopt and apply all the requirements of AASB 15 Revenue from Contract with Customers with effect from 1 July 2015. The core principle of the Standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

28 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

Going Concern

At 30 June 2018, the Group had a net profit of $22.0 million (FY17: $39.4 million) and the Group had current liabilities in excess of current assets at 30 June 2018 amounting to $11.2 million (FY17: $8.6 million). The net current liability position includes the current portion of unearned revenue of $5.2 million (FY17: $6.2 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 $14.1 million (FY17: $16.2 million) (as detailed in Note 14) and forecast net cash inflows from operating activities are sufficient to cover current liabilities of the Group (FY18 actual cash inflows from operating activities: $36.6 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.

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 9).

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.

28 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

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:

Note 7	*Plant and Equipment*	*Note 11*	*Provisions*
Note 8	*Intangible Assets and Goodwill*	*Note 17*	*Impairment Testing of Goodwill*
Note 9	*Business Combinations*		

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.

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 20 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 2018 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 28 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
17 August 2018

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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 2018, 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 2018 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

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
Goodwill impairment – Notes 8 & 17	
As at 30 June 2018, the carrying value of goodwill was $97,359,000. 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 by 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; • 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.
Business combinations – Note 9	

During the current financial year the Group completed acquisitions of Telstra Stores and Business Centres, as well as the Group's first investments in the Non-Invasive Medical Aesthetics (NIMA) industry through the separate acquisitions of Clear Complexions and Artisan Cosmetic & Rejuvenation Clinic. Details of the acquisitions can be found in Note 9.
 	
Accounting for these transactions is a complex and judgemental 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.
 	
Business combinations are a key audit matter due to:
• The number of transactions that occurred during the period, which resulted in the recognition of $22.6m Goodwill;
	For each acquisition in the current financial year, our procedures included:
	• Assessing the acquisition against the criteria of a business combination as defined in AASB 3 *Business Combinations* and the Group's determination of the acquisition date by reference to key transaction documents;
	• Assessing the estimated fair value of the assets and liabilities acquired.
	• Critically evaluating the models developed by the Group to determine the fair values of the identifiable intangible assets (where applicable). This included:
	  o Comparing forecast future revenue, gross margins and customer retention rates to pre-acquisition documentation (where available) regarding the prior performance of the acquired business.
	  o 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

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Key audit matter	How our audit addressed the key audit matter

• The level of judgement required in evaluating the Group's purchase price allocation including the assessment of identifiable intangible assets arising on acquisition;
• The level of judgement required in evaluating the Group's estimates pertaining to the measurement of deferred and contingent consideration arrangements.
	• For each business combination that included contingent or deferred consideration in the purchase consideration, our procedures for assessing the liability included:
	  o Assessing the components of the liability against the criteria contained in the key transaction documents;
	  o 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
	  o Recalculating the liability recognised;
	• Assessing the adequacy of the Group's disclosures in the financial statements in respect of AASB 3 and the requirements therein.

Revenue recognition – Note 3	
The Company's revenue of $684,547,000 is the largest item in the Statement of Comprehensive Income. Additionally, ASA 240 *The Auditors Responsibility in relation to Fraud in an Audit of A Financial Report* requires us to consider the risk of material misstatement due to fraudulent financial reporting relating to revenue recognition. 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.	Our procedures included, amongst others: • Understanding the processes and testing the key controls used by the Group in recording revenue and receivables; • Assessing the revenue recognition policies for appropriateness and compliance with AASB 15 *Revenue from Contracts with Customers* by selecting a sample of revenue transactions and verifying they were appropriately recognised; • Comparing revenue data to prior periods (where applicable) to identify trends and making inquiries of Management to obtain an understanding of anomalies; and • Assessing the adequacy of the Group's disclosures in respect of AASB 15 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 2018, 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.

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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. 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 17 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Vita Group Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

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Grant Thornton Audit Pty Ltd
Chartered Accountants

Cameron Smith

CDJ Smith
Partner – Audit & Assurance

Brisbane, 17 August 2018

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 2018.

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	1,312	714,412	0.45%
1,001 - 5,000	2,108	6,152,737	3.84%
5,001 - 10,000	1,128	8,789,188	5.48%
10,001 - 100,000	1,377	38,605,077	24.07%
100,001 and over	92	106,129,622	66.17%
	6,017	**160,391,036**	**100.01%**
Shareholdings of less than a marketable parcel			
Holdings of less than 513 shares	670	179,704	0.11%

B. Twenty largest holders of quoted equity securities

	Fully paid	
Ordinary Shareholders	**Number**	**Percentage**
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,656,620	16.00%
FZIC PTY LTD	19,502,457	12.16%
CITICORP NOMINEES PTY LTD	14,645,878	9.13%
JP MORGAN NOMINEES AUSTRALIA LIMITED	8,408,325	5.24%
MCMAHON SUPERANNUATION PTY LTD <MCMAHON SUPER FUND A/C>	7,120,014	4.44%
MISS MAXINE JOAN HORNE	2,765,773	1.72%
NATIONAL NOMINEES LIMITED	2,758,572	1.72%
KAVEL PTY LTD	2,175,000	1.36%
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	1,394,936	0.87%
MRS MARISA MACKOW	1,200,004	0.75%
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	1,148,572	0.72%
MR PETER PIOTR MACKOW	966,242	0.60%
CCA 801 PTY LTD	790,889	0.49%
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	685,513	0.43%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	651,141	0.41%
COSPIQUA PTY LTD <THE MILLENNIUM MACK NO 1 A/C>	549,938	0.34%
MRS VESNA KRAUS	498,563	0.31%
MR DAVID FREDERICK OAKLEY	450,000	0.28%
DALESAM PTY LTD <JON BRETT SUPER FUND A/C>	438,697	0.27%
ABLOSIX PTY LTD	400,000	0.25%
	92,207,134	**57.49%**

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 2018 were:

	Fully paid	
Ordinary Shareholders	**Number held**	**Percentage**
MAXINE HORNE	29,497,716	18.39%
SPHERIA ASSET MANAGEMENT PTY LTD	16,129,808	10.06%
PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED	15,079,485	9.40%
COMMONWEALTH BANK OF AUSTRALIA	9,132,406	5.69%
TOTAL	**69,839,415**	**43.54%**