

HALF YEAR *Report*

FY19







Vita Group Limited

ABN 62 113 178 519

Interim Financial Report

for the half year ended 31 December 2018

TABLE OF CONTENTS

DIRECTORS' REPORT	1
AUDITOR'S INDEPENDENCE DECLARATION	3
<hr/>	
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
CONSOLIDATED BALANCE SHEET	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
<hr/>	
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS	
1 SEGMENT INFORMATION	8
2 REVENUE AND OTHER INCOME	8
3 EXPENSES	8
4 PLANT AND EQUIPMENT	9
5 INTANGIBLE ASSETS AND GOODWILL	10
6 BUSINESS COMBINATIONS	11
7 DIVIDENDS	13
8 IMPAIRMENT TESTS FOR GOODWILL	14
9 CONTINGENCIES	14
10 EVENTS OCCURRING AFTER THE REPORTING PERIOD	14
11 CONTRIBUTED EQUITY	14
12 BASIS OF PREPARATION OF INTERIM REPORT	15
13 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	15
<hr/>	
DIRECTORS' DECLARATION	16
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS	17

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Vita Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

31 DECEMBER 2018

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Vita Group Limited and the entities it controlled at the end of, or during, the half year ended ended 31 December 2018.

DIRECTORS

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

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

REVIEW AND RESULTS OF OPERATIONS

The Group reported a strong performance for the six months to 31 December 2018, delivering record revenues of \$377.0 million, up 14 per cent on prior year. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased to \$25.0 million, 25 per cent higher than prior year, comfortably exceeding the October 2018 guidance range of \$23.0 million to \$24.5 million. Net profit after tax (NPAT) increased on prior year by 26 per cent to \$14.1 million.

The Group ended the period with net cash of \$17.2 million as a result of strong cash conversion and disciplined management of working capital, investing cash flows and bank debt. Operating cash flows after tax were \$13.4 million, whilst a net \$6.7 million was invested in acquisitions, fit-outs and technology solutions across Vita's information and communications technology (ICT) and non-invasive medical aesthetics (NIMA) businesses. Financing outflows were \$11.2 million, comprised of \$5.3 million in debt repayments and \$7.1million in dividend payments; offset by \$1.2 million in proceeds raised through the dividend reinvestment plan. Cash balances were \$27.1 million and bank debt reduced to \$9.8 million, leaving the Group in a strong net cash position and with the flexibility to invest in growth activities in line with its strategy.

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

	Half year	
	31 December 2018 \$M	31 December 2017 \$M
Profit before tax from operations	19.6	15.3
Add: net finance costs	0.3	0.4
Add: depreciation and amortisation	5.1	4.3
EBITDA from operations	25.0	20.0

Vita's ICT channels, primarily driven by the retail business, performed strongly, delivering record revenues, with a strong contribution from devices, connectivity and accessory categories, reflecting the Group's continued emphasis on consulting and personalised service. Vita's proprietary accessory brand, Sprout™ was a standout performer in the period, delivering innovative products across a range of categories. In addition, the focus on servicing small business customers from retail points of presence drove growth in business volumes. EBITDA in the ICT channel increased strongly on prior year as a result of revenue growth, productivity improvements, and continued efficiency gains from the optimisation of the physical store network.

In business ICT, the transition to the new operating model progressed well. The new model will see Vita operate larger format TBTCs (Telstra Business Technology Centres) across four significantly expanded geographic territories, delivering a broader range of ICT products and services to larger, higher value customers, and with a lower cost to serve.

Vita continued to enjoy a strong strategic partnership with Telstra, evidenced by the extension of its Telstra Dealer Agreement and Master Licence for a further year to 2024, announced to the market in December 2018. Vita continues to support Telstra in implementing its strategic objectives.

Significant progress was made in preparing the Group's NIMA business for future growth. Vita launched its premium medical aesthetics brand, Artisan Aesthetic Clinics and expanded its portfolio to ten clinics across Queensland, New South Wales and the Australian Capital Territory as at period end. The network includes Artisan branded greenfield clinics as well as acquired clinics. Medical, operational, and support structures are now in place and embedded, including the establishment of the Artisan Medical Board. The Group also acquired training organisation, Face Academy™, which offers independent training to doctors and nurses within the aesthetics industry; and Cosmedcloud, a leading provider of cloud-based software to the industry. These investments in capability will enhance the Group's medical and operational competencies, and will enable the business to scale further, building revenues and profitability.

Vita's men's active and lifestyle brand, SQDAthletica™, continued its journey from a start-up business, increasing revenues in physical, online and wholesale channels, whilst enjoying a significant lift in brand awareness.

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

The Board declared a fully-franked interim dividend of 5.2 cents per share, equating to \$8.4 million, an increase of 16 per cent on prior year, to be paid on 12 April 2019 to shareholders, on record as at 29 March 2019.

Shareholder Returns

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

	Half year	
	31 December 2018	31 December 2017
Basic earnings per share (cents)	8.76	7.32
Underlying earnings per share (cents)	8.76	7.32
Net debt / (Net debt plus equity)*	(19.4%)	(15.4%)

* Includes term deposits

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

ROUNDING OF AMOUNTS

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

This report is made in accordance with a resolution of Directors.



Dick Simpson
Chairman



Maxine Horne
Director and Chief Executive Officer

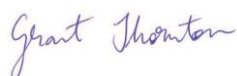
Brisbane
Date: 22 February 2019

Auditor's Independence Declaration

To the Directors of Vita Group Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Vita Group Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance

Brisbane, 22 February 2019

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

www.grantthornton.com.au

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	Half year	
		31 December 2018 \$'000	31 December 2017 \$'000
Revenue	2	377,030	329,618
Cost of sales		(261,394)	(226,301)
Gross profit		115,636	103,317
Other income	2	4,602	5,290
Employee benefits expense	3	(67,690)	(61,121)
Sales and marketing expense		(4,734)	(4,791)
Rental expense relating to operating leases	3	(11,454)	(11,341)
Other expenses		(11,336)	(11,345)
		25,024	20,009
Depreciation and amortisation expense	3	(5,117)	(4,277)
		19,907	15,732
Finance income	3	305	152
Finance expenses	3	(641)	(572)
Net finance costs	3	(336)	(420)
Profit before income tax		19,571	15,312
Income tax expense		(5,465)	(4,090)
Profit for the period		14,106	11,222
Other comprehensive income for the half year, net of tax		-	-
Total comprehensive income for the half year, attributable to the ordinary equity holders of Vita Group Limited		14,106	11,222
Earnings per share for profit attributable to the ordinary equity holders of the company:			
- basic (cents per share)		8.76	7.32
- diluted (cents per share)		8.66	7.31

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	31 December 2018 \$'000	30 June 2018 \$'000	31 December 2017 \$'000
ASSETS				
Current assets				
Cash and cash equivalents		27,073	31,613	22,503
Trade and other receivables		31,011	23,077	25,207
Inventories		29,433	19,063	22,110
Other current assets		334	354	584
Total current assets		87,851	74,107	70,404
Non-current assets				
Plant and equipment	4	16,583	14,802	16,271
Intangible assets and goodwill	5	101,619	100,542	93,366
Deferred tax assets		8,241	6,935	5,941
Total non-current assets		126,443	122,279	115,578
TOTAL ASSETS		214,294	196,386	185,982
LIABILITIES				
Current liabilities				
Trade and other payables		84,935	69,504	76,670
Interest bearing loans and borrowings		5,595	8,633	7,535
Current tax liabilities		1,170	2,492	1,424
Provisions		5,331	4,665	2,927
Total current liabilities		97,031	85,294	88,556
Non-current liabilities				
Trade and other payables		1,820	1,518	1,457
Interest bearing loans and borrowings		4,248	6,557	3,332
Provisions		4,967	5,280	5,345
Total non-current liabilities		11,035	13,355	10,134
TOTAL LIABILITIES		108,066	98,649	98,690
NET ASSETS		106,228	97,737	87,292
EQUITY				
Contributed equity	11	40,102	38,925	31,801
Other reserves		448	183	339
Retained earnings		65,678	58,629	55,152
TOTAL EQUITY		106,228	97,737	87,292

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	Attributable to owners of the parent			
		Contributed equity \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
As at 1 July 2017		29,421	161	55,222	84,804
Profit for the half year		-	-	11,222	11,222
Total comprehensive income for the half year		-	-	11,222	11,222
Transactions with owners in their capacity as owners:					
Dividend reinvestment plan net of costs		1,380	-	-	1,380
Dividends provided for or paid	7	-	-	(11,292)	(11,292)
Employee share schemes - value of employee services		-	178	-	178
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax		1,000	-	-	1,000
		2,380	178	(11,292)	(8,734)
As at 31 December 2017		31,801	339	55,152	87,292
As at 1 July 2018		38,925	183	58,629	97,737
Profit for the half year		-	-	14,106	14,106
Total comprehensive income for the half year		-	-	14,106	14,106
Transactions with owners in their capacity as owners:					
Dividend reinvestment plan net of costs		1,177	-	-	1,177
Dividends provided for or paid	7	-	-	(7,057)	(7,057)
Employee share schemes - value of employee services		-	265	-	265
		1,177	265	(7,057)	(5,615)
As at 31 December 2018		40,102	448	65,678	106,228

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	Half year	
		31 December 2018 \$'000	31 December 2017 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		415,481	366,347
Payments to suppliers and employees (inclusive of GST)		(393,680)	(340,483)
Interest received		305	152
Finance expenses		(581)	(546)
Income taxes paid		(8,156)	(7,463)
Net cash inflow from operating activities		13,369	18,007
Cash flows from investing activities			
Purchase of plant and equipment		(4,810)	(2,562)
Purchase of intangible assets		(599)	(190)
Acquisition of businesses and subsidiaries, net of cash acquired		(1,823)	(11,319)
Proceeds from sale of stores		550	916
Net cash (outflow) from investing activities		(6,682)	(13,155)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		1,177	1,380
Proceeds from borrowings		-	3,361
Repayment of borrowings		(5,347)	(5,473)
Dividends paid	7	(7,057)	(11,292)
Net cash (outflow) from financing activities		(11,227)	(12,024)
Net (decrease) in cash and cash equivalents		(4,540)	(7,172)
Cash and cash equivalents at the beginning of the year		31,613	29,675
Cash and cash equivalents at end of half year		27,073	22,503

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

1 SEGMENT INFORMATION

The Group's operating segments 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.

2 REVENUE AND OTHER INCOME

	Half year	
	31 December 2018 \$'000	31 December 2017 \$'000
Revenue		
Sale of goods ^a	294,488	246,973
Contract revenue ^b	2,428	2,191
Commission revenue ^a	80,114	80,454
Total revenue	377,030	329,618
Other income		
Cooperative advertising income	3,474	4,422
Other miscellaneous income	1,128	868
Total other income	4,602	5,290

^a Recognised by goods transferred at a point in time

^b Recognised by services transferred over time

3 EXPENSES

	Half year	
	31 December 2018 \$'000	31 December 2017 \$'000
Net finance expenses		
Finance charges under hire purchase contracts and chattel mortgages	22	21
Provisions: unwinding of discount	60	27
Interest on term debt	179	137
Line facility fee	380	387
Total finance expenses	641	572
Interest revenue on bank deposits	(305)	(152)
Net finance expenses	336	420
Depreciation and amortisation		
Plant and equipment	3,625	3,368
Customer lists	67	-
Brands	404	-
Software	1,021	909
Total depreciation and amortisation	5,117	4,277
Employee benefits expenses		
Wages and salaries	59,716	53,821
Defined contribution superannuation expense	5,009	4,829
Employment entitlements	2,965	2,471
Total employee benefits expenses	67,690	61,121
Rental expense relating to operating leases		
Rental expense relating to operating leases	11,454	11,341
Total rental expense relating to operating leases	11,454	11,341

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4 PLANT AND EQUIPMENT

	Plant and equipment \$'000	Total \$'000
At 1 July 2017		
Cost	63,514	63,514
Accumulated depreciation	(48,441)	(48,441)
Opening net book amount	15,073	15,073
Opening net book amount	15,073	15,073
Additions	2,706	2,706
Acquisition through business combination	1,875	1,875
Disposals	(15)	(15)
Depreciation charge	(3,368)	(3,368)
Closing net book amount	16,271	16,271
At 31 December 2017		
Cost	65,990	65,990
Accumulated depreciation	(49,719)	(49,719)
Closing net book amount	16,271	16,271
	Plant and equipment \$'000	Total \$'000
At 1 July 2018		
Cost	65,242	65,242
Accumulated depreciation	(50,440)	(50,440)
Opening net book amount	14,802	14,802
Opening net book amount	14,802	14,802
Additions	5,204	5,204
Acquisition through business combination	256	256
Disposals	(54)	(54)
Depreciation charge	(3,625)	(3,625)
Closing net book amount	16,583	16,583
At 31 December 2018		
Cost	65,076	65,076
Accumulated depreciation	(48,493)	(48,493)
Closing net book amount	16,583	16,583

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

5 INTANGIBLE ASSETS AND GOODWILL

	Customer lists \$'000	Brands \$'000	Software \$'000	Goodwill \$'000	Total \$'000
At 1 July 2017					
Cost	-	-	9,763	118,523	128,286
Accumulated amortisation and impairment	-	-	(6,487)	(41,213)	(47,700)
Opening net book amount	-	-	3,276	77,310	80,586
Opening net book amount	-	-	3,276	77,310	80,586
Additions	-	-	190	-	190
Acquisition through business combination	205	758	-	12,831	13,794
Disposals	-	-	-	(295)	(295)
Amortisation charge	-	-	(909)	-	(909)
Closing net book amount	205	758	2,557	89,846	93,366
At 31 December 2017					
Cost	205	758	9,932	131,059	141,954
Accumulated amortisation and impairment	-	-	(7,375)	(41,213)	(48,588)
Closing net book amount	205	758	2,557	89,846	93,366
	Customer lists \$'000	Brands \$'000	Software \$'000	Goodwill \$'000	Total \$'000
At 1 July 2018					
Cost	355	981	10,315	138,684	150,335
Accumulated amortisation and impairment	(51)	(172)	(8,357)	(41,213)	(49,793)
Opening net book amount	304	809	1,958	97,471	100,542
Opening net book amount	304	809	1,958	97,471	100,542
Additions	-	-	599	-	599
Acquisition through business combination	253	24	-	1,857	2,134
Disposals	-	-	-	(164)	(164)
Amortisation charge	(67)	(404)	(1,021)	-	(1,492)
Closing net book amount	490	429	1,536	99,164	101,619
At 31 December 2018					
Cost	609	1,005	10,489	140,377	152,480
Accumulated amortisation and impairment	(119)	(576)	(8,953)	(41,213)	(50,861)
Closing net book amount	490	429	1,536	99,164	101,619

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 BUSINESS COMBINATIONS

a) Acquisition of The Face Academy

On 1 November 2018, Artisan Aesthetics Group Pty Ltd (a subsidiary of Vita Group Limited) acquired the business assets and certain liabilities of The Face Academy, an independent aesthetics training centre for APHRA registered doctors, nurses and practising cosmetic injectors.

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

	\$'000
Purchase consideration	
Cash paid	277
Total purchase consideration	277

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

	Fair value \$'000
Inventories	28
Plant and equipment	20
Intangible assets: brand	24
Intangible assets: customer list	36
Deferred tax asset	3
Provisions	(11)
Deferred tax liability	(21)
Net identifiable assets acquired	79
Add: goodwill	198
Net assets acquired	277

Goodwill

Goodwill is primarily related to the expected future profitability of the acquired business. Face Academy was a strategic acquisition of capability and will deliver future benefits through the provision of in-house training services to the NIMA channel and to third parties. Goodwill has been allocated to cash generating units at 31 December 2018. It is not expected to be deductible for tax purposes except on subsequent disposal.

Acquisition related costs

Acquisition-related costs of \$8,155 representing stamp duty on the transfer of the business is included in other expenses in the consolidated statement of comprehensive income.

Contingent Consideration

There are 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 this clinic with a fair value of nil. The gross contractual amount for the interest in future trailing income is estimated at nil.

Revenue and profit contribution*

The acquired businesses contributed revenues of \$66,588 and EBITDA of loss \$7,696 to the Group for the period from acquisition date to 31 December 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 2018, the contribution to the Group for revenue and EBITDA for the half year is estimated at \$200,851 and loss \$23,213 respectively.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 BUSINESS COMBINATIONS (CONTINUED)

a) Acquisition of The Face Academy (continued)

	Half year	
	31 December 2018 \$'000	31 December 2017 \$'000
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	277	-
	277	-
Total outflow of cash to acquire business, net of cash acquired	277	-

b) Acquisition of Emetheni Cosmetic Medicine

On 30 November 2018, VTG Artisan Pty Ltd (a subsidiary of Vita Group Limited) acquired the business assets and certain liabilities of Emetheni Cosmetic Medicine Clinic, a business specialising in skin and aesthetic treatments including cosmetic injectables, laser and light-based therapies, facial thread lifting, cosmetic mole and skin cancer removal.

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

	\$'000
Purchase consideration	
Cash paid	1,421
Contingent consideration	743
Total purchase consideration	2,164

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

	Fair value \$'000
Inventories	161
Plant and equipment	236
Intangible assets: customer list	217
Deferred tax asset	21
Provisions	(49)
Unearned revenue	(13)
Deferred tax liability	(68)
Net identifiable assets acquired	505
 Add: goodwill	 1,659
Net assets acquired	2,164

Goodwill

Goodwill is primarily related to the expected future profitability of the acquired business. Goodwill has been allocated to cash generating units at 31 December 2018. It is not expected to be deductible for tax purposes except on subsequent disposal.

Acquisition related costs

Acquisition-related costs of \$124,275 representing stamp duty on the transfer of the business is 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 30 November 2019, additional consideration of up to \$1,068,000 may be payable by 31 December 2019.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between \$0 and \$1,068,000. The fair value of the contingent consideration arrangement of \$743,000 is based on a discounted assumed probability of achievement to the EBITDA targets.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

6 BUSINESS COMBINATIONS (CONTINUED)

b) Acquisition of Emetheni Cosmetic Medicine (continued)

Acquired receivables

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

Revenue and profit contribution*

The acquired businesses contributed revenues of \$182,144 and EBITDA of \$35,518 to the Group for the period from acquisition date to 31 December 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 2018, the contribution to the Group for revenue and EBITDA for the half year is estimated at \$1,047,327 and \$204,226 respectively.

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

	Half year	
	31 December 2018 \$'000	31 December 2017 \$'000
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	1,421	-
Acquisition related costs	124	-
	1,545	-
Total outflow of cash to acquire business, net of cash acquired	1,545	-

7 DIVIDENDS

	Half year	
	31 December 2018 \$'000	31 December 2017 \$'000
Dividends provided for or paid during the the half year:		
Final dividend for FY18 4.4 cents per share (FY17: 7.4)	7,057	11,292
	7,057	11,292

Dividends not recognised at the end of the reporting period

In addition to the above dividends, since the end of the half year the Board have approved the payment of an interim dividend of 5.2 cents per fully paid ordinary share (2017: 4.7 cents per share), fully franked based on tax paid at 30%.

	Half year	
	31 December 2018 \$'000	31 December 2017 \$'000
Interim dividend FY19 5.2 cents per share (FY18: 4.7)	8,397	7,251
	8,397	7,251

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

8 IMPAIRMENT TESTS FOR GOODWILL

At 31 December 2018 no impairment indicators were evident and as such no impairment testing of goodwill was deemed necessary. Goodwill is tested for impairment annually, with the last testing occurring on 30 June 2018. The next test of impairment of goodwill will occur on or before 30 June 2019.

	Half year	
	31 December 2018 \$'000	31 December 2017 \$'000
CGU		
Information and Communication Technology (ICT)	85,779	79,296
Non-Invasive Medical Aesthetics (NIMA)	13,385	10,550
Balance at 31 December	99,164	89,846

9 CONTINGENCIES

The Group had no contingent assets or liabilities at 31 December 2018 (2018: nil).

10 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The following contracts have been entered into subsequent to the current reporting period:

- The Group has acquired the business assets of Shine Woman's Health & Cosmetic Medicine Clinic for a total consideration of \$270,000. Settlement occurred on 18 February 2019.
- The Group has acquired the issued shares in Cosmedcloud Pty Ltd, a provider of cloud-based software solutions for cosmetic doctors and nurses, plastic surgeons and dermatologists, for a consideration of \$1,500,000 plus / minus an adjustment for net assets, to be determined post completion. Settlement occurred on 15 January 2019.
- The Group has entered a contract to acquire the business assets of The Bradford Clinic, for a cash consideration of \$650,000 plus / minus an adjustment amount to be determined on completion date. In addition, should certain pre-determined EBITDA targets be met in the twelve-month period subsequent to completion, additional consideration in the form of an earn-out may be payable. Expected settlement is on or before 29 March 2019.

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

No other matter or circumstance has occurred subsequent to half year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

11 CONTRIBUTED EQUITY

	31 December 2018 \$'000	30 June 2018 \$'000	31 December 2017 \$'000
Contributed equity			
Ordinary shares			
Ordinary shares	40,102	38,925	31,801
Issued and fully paid	40,102	38,925	31,801

Movements in ordinary shares

	Number of shares	\$'000
Opening balance 1 July 2017	152,599,735	29,421
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
Balance 31 December 2017	154,283,126	31,801
Opening balance 1 July 2018	160,391,036	38,925
1,086,751 new shares issued at \$1.0825 per share	1,086,751	1,177
Balance 31 December 2018	161,477,787	40,102

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

11 CONTRIBUTED EQUITY (CONTINUED)

Terms and conditions of contributed equity

Ordinary shares entitle their holder to 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.

12 BASIS OF PREPARATION OF INTERIM REPORT

This condensed general purpose consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and are presented in Australian Dollars (AUD), which is the functional currency of the Parent Entity.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Vita Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Accounting standards adopted

The Group has applied the following standards and amendments for the first time for the interim reporting period commencing 1 July 2018:

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2018). AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The adoption of this standard had no material impact on the transactions and balances recognised in the financial statements.

Accounting standards issued but not effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

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.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Group's net current liability position reflects the natural flow of cash in and out of the business and a focus on working capital controls. The Group has access to cash balances arising from operations and unused credit facilities of \$19.4 million (31 December 2017: \$17.9m) with the Australia and New Zealand Banking Group Limited to meet financial obligations and to fund its investment strategy for the coming year and onwards.

13 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018.

In the opinion of the directors:

- (a) the interim financial statements and notes set out on pages 4 to 15 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial period 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.

This declaration is made in accordance with a resolution of Directors.



Dick Simpson
Chairman



Maxine Horne
Director and Chief Executive Officer

Brisbane
Date: 22 February 2019



Level 18
King George Central
145 Ann Street
Brisbane QLD 4000
Correspondence to:
GPO Box 1008
Brisbane QLD 4001

T +61 7 3222 0200
F +61 7 3222 0444
E info.qld@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report

To the Members of Vita Group Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Vita Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Vita Group Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vita Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

www.grantthornton.com.au

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.



A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in purple ink that reads "Cameron Smith".

CDJ Smith

Partner – Audit & Assurance

Brisbane, 22 February 2019




vita®