

Vita Group Limited  
ACN 113 178 519  
77 Hudson Road  
Albion Qld 4010

20 August 2021

Market Announcements Office  
Australian Securities Exchange  
4<sup>th</sup> Floor, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir or Madam

## **ELECTRONIC LODGEMENT**

### **Vita Group Limited – Financial Results for the full-year ended 30 June 2021**

In accordance with the Listing Rules, please find enclosed for immediate release to the market:

- a) Appendix 4E – Full-Year Report;
- b) Operating and Financial Review for the full year ended 30 June 2021, together with the Directors Report;
- c) Financial Report.

Vita will conduct an analyst briefing on its 2021 full-year results from 9:00am AEST.

For enquiries relating to this announcement, contact:

Andrew Ryan  
Chief Financial Officer  
Mob: 0417 644 756

Rebecca McLeod (Media)  
Chief Strategy and Communication Officer  
Mob: 0418 731 255

This announcement has been authorised for lodgement by VTG's Board of Directors.

Yours sincerely

A handwritten signature in black ink, appearing to read "George Southgate".

**George Southgate**  
Chief Legal and Risk Officer / Group Company Secretary  
Vita Group Limited

# APPENDIX 4E

## PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

The following sets out the requirements of Appendix 4E with the stipulated information either provided here or cross-referenced to the 2021 Financial Report, which is attached.

### 1. COMPANY DETAILS

Vita Group Limited and its controlled entities ("the Group")  
ABN 62 113 178 519  
Reporting period: 30 June 2021  
Previous corresponding reporting period: 30 June 2020

### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison to previous period	Increase/Decrease	Change %	To \$'000
Revenue from continuing operations	Decrease	18.1%	633,532
Profit from ordinary activities after tax attributable to members	Increase	17.5%	26,338
Net profit for the period attributable to members	Increase	17.5%	26,338

#### Dividend

A fully franked final dividend for 2021 has been declared at 2.4 cents per share (2020: 2.4 cents). The company paid a fully franked interim dividend of 5.6 cents per share (2020: nil).

Record date for determining entitlements to the final dividend is 10 September 2021. The dividend will be paid on 24 September 2021.

### 3. INCOME STATEMENT WITH NOTES TO THE STATEMENT

Refer Financial Report for year ended 30 June 2021 attached:  
Consolidated statement of comprehensive income  
Notes to the consolidated financial statements

### 4. BALANCE SHEET WITH NOTES TO THE STATEMENT

Refer Financial Report for year ended 30 June 2021 attached:  
Consolidated balance sheet  
Notes to the consolidated financial statements

### 5. CASH FLOWS STATEMENT WITH NOTES TO THE STATEMENT

Refer Financial Report for year ended 30 June 2021 attached:  
Consolidated statement of cash flows  
Notes to the consolidated financial statements

### 6. DIVIDENDS

Refer Financial Report for year ended 30 June 2021 attached:  
Note 16 to the consolidated financial statements

## **7. DIVIDEND REINVESTMENT PLAN**

The Company's Dividend Reinvestment Plan (DRP) will not operate in respect of the final dividend.

## **8. STATEMENT OF CHANGES IN EQUITY**

Refer Financial Report for year ended 30 June 2021:  
Consolidated statement of changes in equity  
Note 24 to the consolidated financial statements

## **9. NET TANGIBLE ASSET PER SECURITY**

Net tangible assets per ordinary share: 17.09 cents per share (2020: 9.66 cents per share).

## **10. ENTITIES OVER WHICH CONTROL HAS BEEN GAINED DURING THE PERIOD**

Not applicable.

## **11. ANY OTHER SIGNIFICANT INFORMATION NEEDED BY AN INVESTOR TO MAKE AN INFORMED ASSESSMENT OF THE GROUP'S FINANCIAL PERFORMANCE AND FINANCIAL POSITION**

All significant information has been included elsewhere in this document or in the Financial Report for year ended 30 June 2021.

## **12. FOR FOREIGN ENTITIES, WHICH SET OF ACCOUNTING STANDARDS IS USED IN COMPILING THE REPORT**

Not applicable.

## **13. COMMENTARY ON THE RESULTS**

Refer Financial Report for year ended 30 June 2021 attached:  
Directors' Report and Operating and Financial Review sections

## **14. STATUS OF AUDIT**

The Financial Report for the year ended 30 June 2021 has been audited.

## **16. DISPUTE OR QUALIFICATION IF NOT YET AUDITED**

Not applicable.

## **17. DISPUTE OR QUALIFICATION IF AUDITED**

Not applicable.

### **Further enquiries:**

Andrew Ryan  
Chief Financial Officer  
Ph: 0417 644 756

This release has been authorised by the VTG Board



**Vita Group Limited**

**ABN 62 113 178 519**

**Financial Report**

**for the year ended 30 June 2021**



# TABLE OF CONTENTS

---

CORPORATE GOVERNANCE AND INFORMATION	1
DIRECTORS' REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	22
<hr/>	
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	23
CONSOLIDATED BALANCE SHEET	24
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	25
CONSOLIDATED STATEMENT OF CASH FLOWS	26
<hr/>	
NOTES TO THE FINANCIAL STATEMENTS	
FINANCIAL OVERVIEW	
1 SEGMENT REPORTING	27
2 REVENUE AND OTHER INCOME	28
3 EXPENSES	30
KEY NUMBERS	
4 TRADE AND OTHER RECEIVABLES	32
5 INVENTORIES	33
6 PLANT AND EQUIPMENT	33
7 LEASING	35
8 INTANGIBLE ASSETS AND GOODWILL	38
9 BUSINESS COMBINATIONS	40
10 TRADE AND OTHER PAYABLES	43
11 PROVISIONS	43
12 CONTRACT AND OTHER LIABILITIES	45
13 DEFERRED TAX ASSET	46
CASH MANAGEMENT	
14 CASH AND CASH EQUIVALENTS	47
15 INTEREST BEARING LOANS AND BORROWINGS	48
16 DIVIDENDS PAID AND PROPOSED	49
RISK	
17 FINANCIAL RISK MANAGEMENT	50
18 IMPAIRMENT TESTING OF GOODWILL AND OTHER ASSETS	52
GROUP STRUCTURE	
19 PARENT ENTITY DISCLOSURES	53
20 RELATED PARTY DISCLOSURES	55
UNRECOGNISED ITEMS	
21 COMMITMENTS AND CONTINGENCIES	57
22 EVENTS OCCURRING AFTER THE REPORTING PERIOD	57
OTHER	
23 EARNINGS PER SHARE	58
24 CONTRIBUTED EQUITY, RESERVES AND RETAINED EARNINGS	58
25 SHARE-BASED PAYMENTS	60
26 INCOME TAX	61
27 AUDITOR'S REMUNERATION	62
28 DIRECTOR AND EXECUTIVE DISCLOSURES	63
29 SUMMARY OF OTHER ACCOUNTING POLICIES	64
<hr/>	
DIRECTORS' DECLARATION	68
INDEPENDENT AUDITOR'S REPORT	69
AUSTRALIAN SECURITIES EXCHANGE (ASX) ADDITIONAL INFORMATION	73

## CORPORATE GOVERNANCE AND INFORMATION

ABN 62 113 178 519

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

Vita Group's corporate governance policies and practices are publicly available in the corporate governance charter on the Group's website at <https://vitagroup.com.au/script/cus/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)  
Paul Wilson (Independent Non-Executive Director)  
Paul Mirabelle (Independent Non-Executive Director)

### Company Secretary

George Southgate

### Registered Office and Principal Place of Business

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

### Share Registry

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

### Australian Securities Exchange (ASX) Listing

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

### Solicitors

Minter Ellison Lawyers  
Brisbane, Australia

### Bankers

ANZ Bank Limited  
Brisbane, Australia

### Auditors

Grant Thornton Audit Pty Ltd  
Brisbane, Australia

## DIRECTORS' REPORT

30 JUNE 2021

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Your Directors submit their report for the year ended 30 June 2021.

### DIRECTORS

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

Dick Simpson, Independent Non-Executive Chairman  
Maxine Horne, Chief Executive Officer  
Neil Osborne, Independent Non-Executive Director  
Paul Wilson, Independent Non-Executive Director  
Paul Mirabelle, 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 Telstra, where he was Group Managing Director, Mobiles. He moved to Hong Kong as President, Telstra International where he was also Chairman of CSL (Hong Kong's biggest mobile carrier), Telstra Clear and REACH (Asia's largest international operator).

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

#### **Maxine Horne**

##### **Chief Executive Officer**

Maxine has more than 35 years' experience in business, including strategy development and execution, leadership, operations, sales, customer service, marketing, and product development.

Since founding Vita Group in 1995, Maxine has guided the growth and evolution of the Group, expanding the business from a single store to a national publicly listed company. As founder and CEO, she leads the leadership team and is responsible for the strategic direction of the Group, including operational leadership of the company's skin-health and wellness channel. Her focus is on achieving results through the development of Vita's people and culture.

Maxine has received several awards and honours throughout her career, including the Courier Mail Business Person of the Year in 2019, induction into the Businesswoman's Hall of Fame in 2016, the EY Entrepreneur of the Year Award (Northern Region) in 2014, QBR Business Woman of the Year in 2006 and the President's Award at the NSW Australian Retail Association Awards for Excellence in 2005.

Maxine is also an active Ambassador for Act for Kids.

#### **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 Australian United Retailers (trading as Foodworks) and a Non-Executive Director of Beacon Lighting Group Limited (ASX:BLX).

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

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



## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

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### DIRECTORS (CONTINUED)

#### **Paul Wilson**

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

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

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

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

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

#### **Paul Mirabelle**

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

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

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

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

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

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### DIRECTORS' MEETINGS

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

The members of each committee during the year were:

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

(c) = Designates 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:

Name	Vita Group Board		Audit, Compliance & Risk Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B
Dick Simpson	23	23	4	4	3	3
Maxine Horne	23	23	*	*	*	*
Neil Osborne	21	21	4	4	3	3
Paul Wilson	21	19	4	4	3	3
Paul Mirabelle	21	21	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

**George Southgate AGIA**  
Group Company Secretary

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

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

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

### DIVIDENDS

	Cents	\$'000
Final dividend for the year ended 30 June 2020		
- on ordinary shares	2.4	3,941
Interim dividend for the year ended 30 June 2021		
- on ordinary shares	5.6	9,221
		<b>13,162</b>

Since the end of the financial year, the Directors approved the payment of a final fully franked ordinary dividend of \$3,974,507 (2.4 cents per fully paid share) to be paid in September 2021 (FY20: \$3,940,745). Record date for the final dividend will be 10 September 2021 with payment date being 24 September 2021.

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the selling and marketing of products and services through its networks and brands. Its businesses include the Telstra ICT retail store network, Telstra Business ICT channel, and its Skin-Health and Wellness business comprising a number of brands, including Artisan Aesthetics Clinics.

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### OPERATING AND FINANCIAL REVIEW

#### Group results

The Group reported full year earnings before interest and tax (EBIT) of \$40.3 million for the year ended 30 June 2021, an increase of eight per cent on the prior year. Earnings before interest, tax, depreciation and amortisation (EBITDA) excluding the impact of JobKeeper, non-recurring items and AASB 16 *Leases*, increased one per cent to \$50.3 million, while net profit after tax (NPAT) increased 17 per cent to \$26.3 million. Revenues declined 18 per cent to \$633.5 million due to ongoing impacts from COVID-19.

Contributing to the result was revenue growth from the growing Artisan Aesthetic Clinics (Artisan) business, diligent expense management, and net payments of \$16.7 million from the JobKeeper subsidy. Underlying EBIT (excluding JobKeeper and non-recurring items) decreased 37 per cent to \$22.7 million.

The Board determined to pay a fully-franked final dividend of \$4.0 million, equating to 2.4 cents per share, representing a H2 payout ratio of 50 per cent of profits after tax. The final dividend is payable on 24 September 2021 to shareholders on record as at 10 September 2021. In accordance with ASX Listing Rule 3.10.8, Vita advises that its Dividend Reinvestment Plan (DRP) will not operate for the FY21 final dividend. Following a review of the Group's capital management requirements and taking into consideration of the Group's current cash position and low debt levels, the Board has determined to suspend the operation of the DRP for the final dividend in accordance with the DRP rules (available on Vita's website). Reinstatement of the DRP will be considered in future periods based on the capital position of the Group at the time.

A reconciliation of EBITDA pre-AASB 16 to the reported profit before tax in the consolidated statement of comprehensive income is tabled below:

	FY21 \$M	FY20 \$M
<b>Profit before tax from operations</b>	<b>36.7</b>	<b>33.8</b>
Add: net finance costs	3.6	3.4
Less: AASB 16 lease interest	(2.1)	(2.2)
Add: depreciation and amortisation	28.2	28.6
Less: AASB 16 lease depreciation	(16.1)	(13.7)
<b>EBITDA pre-AASB 16</b>	<b>50.3</b>	<b>49.9</b>

#### Year in review

Revenues in the Artisan business increased by 41 per cent to \$28.4 million, with 21 per cent like-for-like growth, despite being amidst the COVID-19 pandemic. This result was driven by organic improvements as the brand continued to gain traction supported by best-in-class treatments and technologies and highly skilled clinicians. A continued focus on clinical excellence and consulting capability drove an increase in client visits and treatment uptake, with the team consulting with clients to provide ongoing holistic treatment pathways.

Operational EBITDA, excluding full corporate overhead allocation, was \$1.4 million, showing pleasing growth from the \$1.9 million loss in the prior year. This was due to productivity improvements achieved through embedding operating disciplines and the use of business intelligence from Artisan's proprietary software, cosmedcloud™. The result was also bolstered by receipt of \$1.1 million in payments from JobKeeper, which supported the team through continued COVID-19 restrictions and lockdowns. Underlying operational EBITDA, after excluding JobKeeper benefits and once-off expenses, was \$1.2 million. With a focus on optimising the clinic portfolio, Artisan closed the period with 20 clinics across the east coast of Australia.

ICT revenues decreased 20 per cent to \$604.3 million, reflective of the impact of the ongoing COVID-19 pandemic on the channel's retail ICT division, with lockdowns, restrictions and social distancing measures resulting in reduced foot traffic. The Group divested its Vita Enterprise Solutions (VES) and Telstra Business Technology Centre (TBTC) Brisbane in June 2021; and separately divested its Newcastle and South Sydney TBTCs - all of which were aimed at enabling the Group to focus on further growing its Artisan business as well as supporting its 104 Telstra retail stores.

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

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### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Year in review (continued)

Operational EBITDA excluding full corporate overhead allocation, was \$71.1 million, down 16 per cent on the prior year, with Vita working to offset volume reduction through expense management and productivity maximisation. The channel continued to support Telstra by consulting with customers and adding value in every interaction, responding to increased service-related transactions, and rolling out 14 new format Vita owned Telstra stores. Receipt of \$13.5 million in net JobKeeper payments in the September 2020 and March 2021 quarters partially offset the EBITDA decline.

The Sprout accessories business was impacted by lower hardware volume across the broader Telstra branded network. The team, however, worked to offset any future impacts with a focus on new product development and strengthening the brand through innovation, quality, safety and sustainability, all with a focus on delivering best-in-class products. During the period, Sprout attained ISO certifications ISO9001 (Quality Management System) and ISO14001 (Environment Management System), supporting its already strong focus on continuous improvement, customer satisfaction, quality assurance, business efficiency, compliance and risk management, and environmental benefits for Sprout and for its suppliers.

Focusing on liquidity during the uncertainty of COVID-19, Vita ended the period with net cash of \$31 million, supported by JobKeeper and the proceeds of divestments. Operating cash inflows after tax were \$46.7 million, with \$10.0 million of capital expenditure directed towards ICT acquisitions and retail ICT store refits, \$1.4 million towards IT investments, and \$3.9 million towards Artisan acquisitions and aesthetic equipment, all of which was offset by proceeds of \$4.9 million from the sale of the Group's Vita Enterprise Solutions business and three Telstra Business Technology Centres. Net financing cash outflows were \$35.0 million, reflecting lease payments (\$17.6 million), debt repayments (\$5.6 million), and dividends paid (\$13.2 million), offset by proceeds of the DRP (\$1.3 million).

#### Dividends

The Board determined to pay a total ordinary dividend for the year of 8.0cps, fully franked (FY20: 2.4cps). The interim dividend paid in the year was 5.6cps (FY20: nil).

#### Outlook

Vita will continue to focus on delivering on the long-term potential in Artisan, positioning itself at the premium end of the market. Whilst Vita expects COVID-19 to continue to impact the business for some time with various localised lockdowns, it plans to offset this where possible by focusing on driving further organic growth and carefully managing expenses.

In the ICT channel, Vita and Telstra continue discussions regarding the transition of Vita's retail store network, following Telstra's announcement on 11 February 2021 that it intends to transition all Telstra retail branded stores to a corporate ownership model. Vita expects the retail ICT market to remain challenging due to ongoing COVID-19 impacts, however, will maintain its focus on adding value to customers and providing exceptional service.

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Shareholder Returns

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

	FY21	FY20
Basic earnings per share (cents)	15.98	13.71
Net debt / (net debt plus equity)*	(28.2%)	(23.6%)

\* Net debt comprises interest bearing loans and borrowings less cash and cash equivalents, and excludes lease liabilities

The share price at 30 June 2021 was \$0.95 (FY20: \$0.97)

#### Review of Financial Condition

The consolidated statement of cash flows shows an operating cash flow of \$46.7 million, compared to the previous year of \$41.1 million. Cash and cash equivalents at 30 June 2021 were \$38.2 million, compared to \$36.8 million at the end of the previous year.

#### Profile of debts

	FY21 \$'000	FY20 \$'000
<b>Current</b>		
Obligations under chattel mortgage	3,185	4,509
Term debt	3,056	4,651
<b>Total current debt</b>	<b>6,241</b>	<b>9,160</b>
<b>Non-current</b>		
Obligations under chattel mortgage	481	2,358
Term debt	437	1,204
<b>Total non-current debt</b>	<b>918</b>	<b>3,562</b>
<b>Total debt</b>	<b>7,159</b>	<b>12,722</b>

The Group sources the majority of its funds from operations, facilities provided by ANZ Bank and the equity market. The Board considers the current level of net debt/(net debt plus equity) in the Group of (28.2%) 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

Since year-end the Directors have determined to pay a final dividend of 2.4 cents per share (FY20: 2.4), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividends expected to be paid in September 2021 out of retained earnings at 30 June 2021 but not recognised as a liability at year end, is \$3,974,507.

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

#### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

#### ROUNDING OF AMOUNTS

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

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### REMUNERATION REPORT (AUDITED)

#### Introduction

This Remuneration Report outlines the Board's approach to executive remuneration in general, and specifically the link between the performance of the Group and remuneration outcomes for the Group's Key Management Personnel (KMP) for the year ended 30 June 2021.

#### 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 2021 were:

Key Management Personnel	Position
<b>Directors</b>	
Dick Simpson	Chairman (Independent Non-Executive Chairman)
Maxine Horne	Chief Executive Officer and Executive Director
Neil Osborne	Director (Independent Non-Executive)
Paul Wilson	Director (Independent Non-Executive)
Paul Mirabelle	Director (Independent Non-Executive)
<b>Executives</b>	
Andrew Leyden (resigned 31 October 2020)	Chief Financial Officer
Andrew Ryan (appointed 1 November 2020)	Chief Financial Officer
George Southgate (appointed 1 November 2020)	Chief Legal and Risk Officer
Justin Maskey (appointed 1 November 2020)	Chief Technology Officer
Kendra Hammond	Chief People Officer
Peter Connors	Chief Operating Officer
Rebecca McLeod (appointed 1 November 2020)	Chief Strategy and Communications Officer

Andrew Leyden resigned as Chief Financial Officer on 31 October 2020 with Andrew Ryan appointed to this position from 1 November 2020.

Additional executive positions were created during the year, forming part of the KMP, with Rebecca McLeod appointed as Chief Strategy and Communications Officer, Justin Maskey appointed as Chief Technology Officer and George Southgate appointed as Chief Legal and Risk Officer. These appointments were effective from 1 November 2020. There were no other changes in KMP during the year.

#### Remuneration and Nomination Committee

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

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

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

The Remuneration and Nomination Committee comprises four Non-Executive Directors including the Committee Chairman. The Chairman of the Board and/or any other Director is 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 "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Group's listed securities that are held directly or indirectly by Directors or employees is prohibited at any time, irrespective of whether such protection arrangements are entered into during trading windows or otherwise. This prohibition extends to vested and unvested shares.

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

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

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### 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.

#### AGM Results

The Group received 98.84% of "yes" votes on its FY20 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:

	FY21 \$M	FY20 \$M	FY19 \$M	FY18 \$M	FY17 \$M
Revenue	633.5	773.1	753.7	684.5	667.3
Profit for the year attributable to owners	26.3	22.4	24.3	22.0	39.4
Dividends	cents	cents	cents	cents	cents
Ordinary (cps)	8.0	2.4	9.2	9.1	16.6
<b>Total dividends</b>	<b>8.0</b>	<b>2.4</b>	<b>9.2</b>	<b>9.1</b>	<b>16.6</b>
	cents	cents	cents	cents	cents
Basic earnings per share (cents)	15.98	13.71	15.04	14.13	25.91
Diluted earnings per share (cents)	15.81	13.54	14.88	14.11	25.88
<b>Total shareholder return</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Share price beginning of year	0.97	1.31	0.98	1.11	4.11
Share price end of year	0.95	0.97	1.31	0.98	1.11
Dividends paid per share	0.08	0.02	0.09	0.09	0.17
Total shareholder return %	7%	(24%)	43%	(4%)	(69%)

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Remuneration Framework

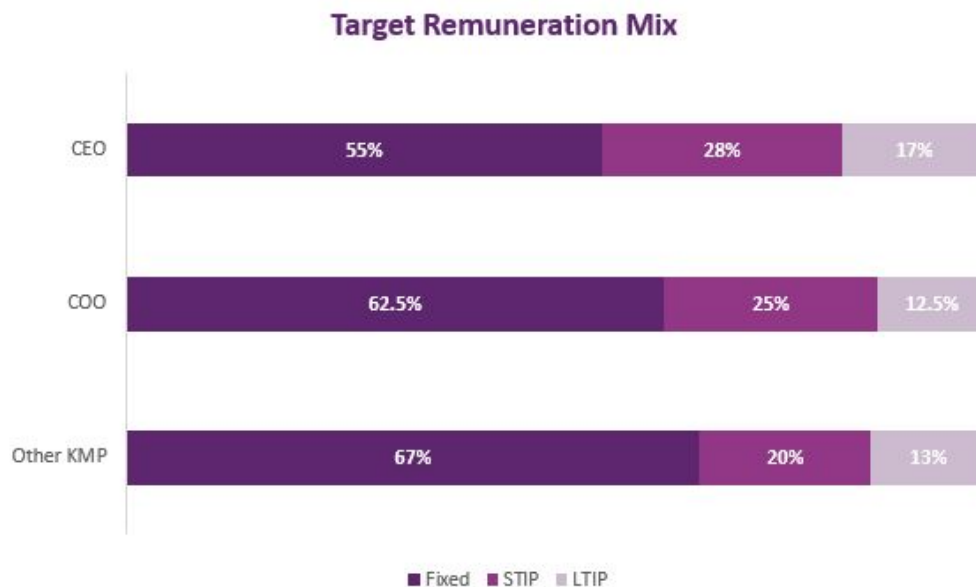
Integral to delivering on strategic priorities is the attraction and retention of key talent, and Vita's remuneration practices are central to this strategy. The purpose of the Remuneration Framework is to ensure remuneration outcomes are linked to the Group's performance and aligned with shareholder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

REMUNERATION FRAMEWORK	
COMPONENT	LINK TO STRATEGIC OBJECTIVES
<b>Fixed Pay</b>	<p>Remuneration is set competitively to attract, motivate and retain the right people to deliver optimal performance outcomes for the Group across its businesses and support services. Consideration is given to the employee's experience and skills in determining fixed pay.</p> <p>Regular market reviews are undertaken to ensure the Group is competitive in its remuneration for senior and critical roles, and a systematic methodology is utilised to ensure consistent and equitable pay arrangements are in place for all roles within the Group.</p>
<b>Short Term Incentive Plan (STIP)</b>	<p>The STIP is designed to align remuneration with the achievement of the Group's business objectives over the short term. KMP and a number of select team members are eligible to participate in the STIP.</p> <p>Both financial and non-financial KPIs determine the STIP outcomes:</p> <ul style="list-style-type: none"> <li>NPAT is the chosen financial measure to ensure participants are focused on increasing revenue and cash profits through both organic growth and acquisitions, thus driving increased shareholder value. To encourage outperformance, stretch STI payments are available for the achievement of exceptional financial results, up to 120% of budgeted NPAT.</li> <li>Individual KPIs are appropriately chosen for the individual's role responsibilities based on specific performance goals. The individual performance measures ensure our team are rewarded for demonstrating behaviours consistent with our Group's values to achieve short and long-term strategic objectives.</li> </ul> <p>Further details are presented on page 12 of this report.</p>
<b>Long Term Incentive Plan (LTIP)</b>	<p>The LTIP ensures a strong link with increasing shareholder value over the long-term.</p> <p><b>FY19 Plan:</b></p> <ul style="list-style-type: none"> <li><b>Plan A (vested 2020):</b> 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. The FY19 Plan A LTIP outcome has been presented on page 13 of this report;</li> <li><b>Plan B (vesting 2021):</b> An offer with a measurement and performance period of 3 years from 1 July 2018 based 100% on TSR measure.</li> </ul> <p><b>FY20 Plan (vesting 2022):</b> An offer with a measurement and performance period of 3 years from 1 July 2019 based on 100% on TSR measure.</p> <p><b>FY21 Plan (vesting 2023):</b> An offer with a measurement and performance period of 3 years from 1 July 2020 based on 100% on TSR measure.</p> <p>The Board considers TSR as the most common measure used for such plans and one which investors and shareholders would understand correlates with the creation and maintenance of long-term shareholder value. Further details are presented on page 13 of this report.</p>
<b>Total Remuneration</b>	<p>The remuneration mix is structured to reward executives, both for Group performance and for individual personal performance. The stretch element of the STI is designed to encourage executives to strive for exceptional financial performance and ensure emphasis on 'at-risk' reward.</p>



**REMUNERATION REPORT (AUDITED) (CONTINUED)****Remuneration Mix**

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

**Fixed Remuneration**

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

Each KMP's TFR is reviewed annually by the Remuneration & Nomination Committee, taking into account Group and individual performances as well as external remuneration market data.

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Short Term Incentive Plan (STIP)

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

STI COMPONENT - FY21	
<b>Objective</b>	Support the Group's strategic objectives by rewarding executives for driving and exceeding Vita's annual financial performance plan.
<b>Eligibility</b>	Executives and selected senior leaders
<b>Instrument</b>	Cash
<b>Opportunity</b>	CEO: 50% of FAR* COO: 40% of FAR* Other KMP: 30% of FAR*
<b>Performance Period</b>	1 July 2020 - 30 June 2021
<b>Performance Measures</b>	Group NPAT and individual performance rating for the period determine the amount, if any, of STI that is paid to each participant.
<b>Gateway</b>	Threshold Group NPAT is 95% of the target.  The Board retains discretion to permit some or all the STI to vest where threshold performance has not been achieved. This discretion is only exercised in exceptional circumstances as the Board deems appropriate.

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

#### 2021 STIP Outcomes

For the 2021 financial year, the Board set both Group and individual performance measures for the CEO, which were substantially cascaded by the CEO to senior executives. STI payments relating to FY21 performance will be paid in FY22.

In FY21, the Board reviewed both Group and individual performance for FY20 and was satisfied that STI payments made in FY21 reflected the Group's FY20 results and appropriately rewarded executives for their performance.

The table below outlines the STI payments made in 2021 for each KMP relating to FY20 performance.

KMP Name	Target STIP Opportunity \$	Actual Achievement \$	STIP Forfeited %
Maxine Horne	332,877	336,538	0%
Andrew Leyden (a)	178,350	178,350	0%
Kendra Hammond	107,625	107,625	0%
Peter Connors	237,800	285,360	0%

(a) Andrew Leyden resigned on 31 October 2020.

(b) Andrew Ryan, George Southgate, Justin Maskey and Rebecca McLeod were appointed on 1 November 2020 as KMP and therefore did not receive any STIP payments in 2021 for 2020 performance as a KMP.

(c) Mark Anning resigned on 19 July 2019.

The table below outlines the STI payments made in 2020 for each KMP relating to FY19 performance.

KMP Name	Target STIP Opportunity \$	Actual Achievement \$	STIP Forfeited %
Maxine Horne	425,000	748,000	0%
Andrew Leyden (a)	177,626	390,776	0%
Kendra Hammond	108,019	237,641	0%
Mark Anning (b)	100,724	80,580	20%
Peter Connors	236,685	591,711	0%

(a) Andrew Leyden resigned on 31 October 2020.

(b) Mark Anning resigned on 19 July 2019.

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Long Term Incentive Plan (LTIP)

Details of the FY21 LTIP are outlined below. The Board believes this plan, which includes equity-based instruments, an extended performance period and performance measures, enables the Group to retain talented Executives, while aligning executive pay more closely with Group performance and shareholder value.

LTIP Component - FY21 Plan		
Eligibility	KMP only	
Instrument	Performance rights to acquire ordinary Vita Group shares	
Quantum	<p>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.</p> <p>The fixed dollar amount is determined as a percentage of FAR, as follows:</p> <ul style="list-style-type: none"> <li>• CEO: 30% of FAR</li> <li>• Other KMP: 20% of FAR</li> </ul>	
Frequency	Performance rights granted annually	
Performance Period	1 July 2020 - 30 June 2023	
Performance Conditions	<p>The Board has selected the following measure being:</p> <ul style="list-style-type: none"> <li>• 100% weighting on Relative TSR compared to the S&amp;P ASX 300 Index</li> </ul> <p>This performance measure was selected to ensure executive remuneration is aligned with the creation of shareholder value.</p>	
Vesting Schedule	<p>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.</p> <p>To encourage outperformance, stretch LTI is available where exceptional results are achieved.</p>	
		<b>Relative TSR</b>
	<b>Vesting %</b>	TSR percentile rank against S&P ASX 300 Index
	<b>Nil</b>	<50th percentile
	<b>50%</b>	50th percentile
	<b>50-100% on a straight line</b>	50th-75th percentile
	<b>100-125%</b>	75th-100th percentile
	<b>125%</b>	100th percentile
The LTIP will vest following completion of the performance period, evaluation against performance targets and release of annual results.		
Dividends	No dividends or dividend equivalents are paid or accrued on unvested performance rights.	
Clawbacks	The Board retains discretion to clawback or adjust any LTIP which has vested or remains unvested because of a material misstatement in, or omission from, the financial statements or otherwise as a result of fraud, dishonesty or breach of obligations.	

#### 2021 LTIP Outcomes

Following completion of the FY19 Plan A performance period on 30 June 2020, the Board has assessed the degree of satisfaction of the conditions of the plan and approved the exercising of 441,210 performance rights in August 2020.

No performance rights were exercisable at 30 June 2021 in respect of the FY19 Plan B. These rights will lapse.

No performance rights have vested under the FY20 or FY21 share-based payment plans, as the performance period is not yet complete.

# DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

## 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
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive Director</b>									
<b>Maxine Horne</b>									
<b>FY21</b>	710,045	-	336,538	25,289	-	11,066	-	189,051	1,271,989
<b>FY20</b>	490,575	-	748,000	19,231	-	(17,667)	-	228,068	1,468,207
<b>Other Group KMP</b>									
<b>Andrew Leyden (d)</b>									
<b>FY21</b>	201,290	-	178,350	-	-	-	-	(95,363)	284,277
<b>FY20</b>	564,778	-	390,776	-	-	-	-	113,754	1,069,308
<b>Andrew Ryan (g)</b>									
<b>FY21</b>	184,921	-	-	15,130	-	11,612	-	11,994	223,657
<b>FY20</b>	-	-	-	-	-	-	-	-	-
<b>George Southgate (g)</b>									
<b>FY21</b>	181,782	-	-	15,295	-	5,108	-	11,848	214,033
<b>FY20</b>	-	-	-	-	-	-	-	-	-
<b>Justin Maskey (g)</b>									
<b>FY21</b>	178,767	-	-	14,098	-	15,485	-	11,704	220,054
<b>FY20</b>	-	-	-	-	-	-	-	-	-
<b>Kendra Hammond</b>									
<b>FY21</b>	343,679	-	107,625	23,693	-	6,339	-	62,901	544,237
<b>FY20</b>	317,844	-	237,641	24,977	-	4,944	-	68,636	654,042
<b>Mark Anning (f)</b>									
<b>FY21</b>	-	-	-	-	-	-	-	18,191	18,191
<b>FY20</b>	(158)	-	80,580	1,579	-	-	220,509	46,846	349,356
<b>Peter Connors</b>									
<b>FY21</b>	572,495	-	285,360	23,693	-	10,517	-	104,266	996,331
<b>FY20</b>	534,455	-	591,711	25,000	-	4,896	-	113,754	1,269,816
<b>Rebecca McLeod (g)</b>									
<b>FY21</b>	193,018	-	-	15,486	-	3,220	-	12,433	224,157
<b>FY20</b>	-	-	-	-	-	-	-	-	-
<b>Total Compensation</b>									
<b>FY21</b>	2,565,997	-	907,873	132,684	-	63,347	-	327,025	3,996,926
<b>FY20</b>	1,907,494	-	2,048,708	70,787	-	(7,827)	220,509	571,058	4,810,729

- (a) Non-monetary benefits include motor vehicles, private and spouse travel, and corporate hospitality.
- (b) This report reflects STI bonuses paid in FY21 relating to FY20 entitlements. The annual bonus in FY20 reflects bonus paid in FY20 relating to FY19 entitlements.
- (c) This reflects LTI cash bonuses paid. No amounts were payable in the current and prior financial years.
- (d) Andrew Leyden resigned as Chief Financial Officer effective 31 October 2020. His remuneration and other terms of employment were formalised in a service agreement that commenced 1 June 2018. The contract had been rolling forward on a month to month basis. Mr Leyden was responsible for his own superannuation arrangements.
- (e) Share based payments represent estimated entitlements accrued but not yet vested. These are all equity settled.
- (f) Mark Anning resigned from the position of Group Company Secretary and General Counsel on 19 July 2019.
- (g) Following Andrew Leydens' resignation, Andrew Ryan was been appointed to the position of Chief Financial Officer. Additional executive positions were created during the year, forming part of the KMP, with Rebecca McLeod appointed as Chief Strategy and Communications Officer, Justin Maskey appointed as Chief Technology Officer and George Southgate appointed as Chief Legal and Risk Officer. These appointments were effective from 1 November 2020, remuneration disclosed has been apportioned from this date forward.

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Statutory Disclosures (continued)

In FY20, in response to the COVID-19 pandemic, effective 1 April 2020, the CEO elected to temporarily suspend her base salary and all other KMP agreed to reduce their base salary by 20 per cent for an indefinite period of time. The Board resolved to reinstate Executive remuneration on 20 August 2020 with effect from 22 June 2020.

#### Relative proportions of fixed vs variable remuneration expense

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

	Fixed remuneration		At risk	
	2021 %	2020 %	2021 %	2020 %
<b>Executive Director</b>				
Maxine Horne	59%	34%	41%	66%
<b>Other Key Management Personnel</b>				
Andrew Leyden (a)	71%	53%	29%	47%
Andrew Ryan (b)	95%	-%	5%	-%
George Southgate (b)	94%	-%	6%	-%
Justin Maskey (b)	95%	-%	5%	-%
Kendra Hammond	69%	53%	31%	47%
Peter Connors	61%	44%	39%	56%
Rebecca McLeod (b)	94%	-%	6%	-%

(a) Andrew Leyden resigned on 31 October 2020.

(b) Andrew Ryan, George Southgate, Justin Maskey and Rebecca McLeod were appointed as KMP on 1 November 2020.

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Key Management Personnel Transactions

##### Ordinary shares

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

Name	At 30 June 2020	Granted as remuneration (c)	Net purchased/ (sold)	Dividends reinvested	Other (d)	At 30 June 2021
Maxine Horne	29,497,716	176,250	-	-	-	29,673,966
Andrew Leyden (a)	94,446	83,520	(177,966)	-	-	-
Andrew Ryan (b)	-	-	-	-	30,509	30,509
George Southgate (b)	-	-	-	-	-	-
Justin Maskey (b)	-	-	-	-	1,000	1,000
Kendra Hammond	-	50,400	-	-	-	50,400
Peter Connors	109,919	83,520	-	-	-	193,439
Rebecca McLeod (b)	-	-	-	-	4,735	4,735
<b>Total</b>	<b>29,702,081</b>	<b>393,690</b>	<b>(177,966)</b>	<b>-</b>	<b>36,244</b>	<b>29,954,049</b>

(a) Andrew Leyden resigned on 31 October 2020.

(b) Andrew Ryan, George Southgate, Justin Maskey and Rebecca McLeod were appointed as KMP on 1 November 2020.

(c) Performance rights vested and exercised under FY19 Plan A were issued on 21 August 2020, and valued at the fair value per right on grant date of 69.47cps.

(d) Represents balance held on the date of appointment to the KMP

##### Executive performance rights

The movement during the reporting period in the number of performance rights over ordinary shares, held directly, indirectly or beneficially, by each KMP including their related parties, is as per the table below. These rights were granted on 1 July 2020 at nil exercise price.

Name	At 30 June 2020	Granted as remuneration	Vested and exercised (d)	Forfeited (a)	At 30 June 2021
Maxine Horne	816,669	242,248	(176,250)	(129,740)	752,927
Andrew Leyden (b)	407,076	-	(83,520)	(323,556)	-
Andrew Ryan (c)	-	43,198	-	-	43,198
George Southgate (c)	-	42,672	-	-	42,672
Justin Maskey (c)	-	42,153	-	-	42,153
Kendra Hammond	245,620	88,800	(50,400)	(37,100)	246,920
Peter Connors	407,076	147,215	(83,520)	(61,480)	409,291
Rebecca McLeod (c)	-	44,777	-	-	44,777
<b>Total</b>	<b>1,876,441</b>	<b>651,063</b>	<b>(393,690)</b>	<b>(551,876)</b>	<b>1,581,938</b>

(a) The number of performance rights forfeited represents those rights which were forfeited due to performance hurdles not being met for the FY19 Plan A and/or upon cessation of employment.

(b) Andrew Leyden resigned on 31 October 2020.

(c) Andrew Ryan, George Southgate, Justin Maskey and Rebecca McLeod were appointed as KMP on 1 November 2020.

(d) Performance rights vested and exercised under FY19 Plan A were valued at the fair value per right on grant date of 69.47cps.

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Key Management Personnel Transactions (continued)

##### *Vested and outstanding performance rights*

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

Name	Grant date	Number of rights granted	Fair value per right at grant date	Share price at grant date (a)	Vesting date	Expiry date	Number of rights vested & exercised	Number of rights lapsed	% of rights lapsed
Maxine Horne	01-Jul-16	72,327	\$3.08	\$4.08	30-Jun-19	31-Aug-19	-	72,327	100%
	01-Jul-18	305,990	\$0.69	\$1.04	30-Jun-20	31-Aug-20	176,250	129,740	42%
	01-Jul-18	318,750	\$0.66	\$1.00	30-Jun-21	31-Aug-21	-	-	-
	01-Jul-19	191,929	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	-	-
	01-Jul-20	242,248	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	-	-
Andrew Leyden	01-Jul-16	34,926	\$3.08	\$4.08	30-Jun-19	31-Aug-19	-	34,926	100%
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-20	31-Aug-20	83,520	61,480	42%
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-21	31-Aug-21	-	145,000	100%
	01-Jul-19	117,076	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	117,076	100%
Andrew Ryan	01-Jul-20	43,198	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	-	-
George Southgate	01-Jul-20	42,672	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	-	-
Justin Maskey	01-Jul-20	42,153	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	-	-
Kendra Hammond	01-Jul-16	20,221	\$3.08	\$4.08	30-Jun-19	31-Aug-19	-	20,221	100%
	01-Jul-18	87,500	\$0.69	\$1.00	30-Jun-20	31-Aug-20	50,400	37,100	42%
	01-Jul-18	87,500	\$0.69	\$1.00	30-Jun-21	31-Aug-21	-	-	-
	01-Jul-19	70,620	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	-	-
	01-Jul-20	88,800	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	-	-
Peter Connors	01-Jul-16	31,895	\$3.08	\$4.08	30-Jun-19	31-Aug-19	-	31,895	100%
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-20	31-Aug-20	83,520	61,480	42%
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-21	31-Aug-21	-	-	-
	01-Jul-19	117,076	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	-	-
	01-Jul-20	147,215	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	-	-
Rebecca McLeod	01-Jul-20	44,777	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	-	-

(a) The share price at grant date is based on the volume weighted average price (VWAP) for the 2 weeks preceding the grant date.

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Executive Contractual Terms

Name	Agreement Commence	Agreement Expiry	Notice of Termination by Company	Employee Notice	Other
Maxine Horne	1 November 2015	No expiry, continuous agreement	6 months (or payment in lieu of notice)	6 months	The Group may terminate the Contract any time without notice if serious misconduct has occurred.
Andrew Leyden*	1 June 2018	Agreement terminated 31 May 2020 (month to month roll forward basis)	16 weeks	16 weeks	The Group may terminate the Contract any time without notice if serious misconduct has occurred.
Kendra Hammond Peter Connors	Standard Contract updated June 2009	No expiry, continuous agreement	4 weeks or 5 weeks if the employee has at least 2 years of continuous service and is over 45 years of age	13 weeks	The Group may terminate the Contract any time via instant dismissal without notice if serious misconduct has occurred.
Other KMP	Standard Contract updated November 2020	No expiry, continuous agreement	4 weeks or 5 weeks if the employee has at least 2 years of continuous service	13 weeks	The Group may terminate the Contract any time via instant dismissal without notice if serious misconduct has occurred.

\* Andrew Leyden is engaged via AJL Consulting (AUST) Pty Ltd, a company of which he is a Director, to provide his services as CFO of Vita Group. Andrew Leyden resigned effective 31 October 2020.



## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Non-Executive Director Remuneration

The Board sets Non-Executive Director remuneration at a level which enables the Group to compete, attract and retain directors of the highest calibre. Their remuneration 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. They do not receive any performance-based pay.

In determining the appropriate level of fees, the Board has regard for market practice and survey data.

	Chair Fee \$	Member Fee \$
Board	189,000	94,500
Audit & Risk Committee	Nil	Nil
Remuneration & Nomination Committee	Nil	Nil

In FY20, in light of the COVID-19 pandemic, the Board agreed to reduce their fees by 10 per cent effective from 1 April 2020, resulting in revised fees of \$170,100 and \$85,050 for Chair and Members respectively. The Board resolved to reinstate Non-Executive Director remuneration on 20 August 2020 with effect from 22 June 2020.

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

Name	Short-Term Employee Benefits			Post Employment Benefits	Long Term Benefits		Total
	Cash Salary and Fees	Non- monetary Benefits	Cash Bonus	Superannuation	Cash Bonus	Long Service Leave	
	\$	\$	\$	\$	\$	\$	

#### Dick Simpson

FY21	171,430	-	-	18,219	-	-	189,649
FY20	171,106	-	-	18,219	-	-	189,325

#### Neil Osborne

FY21	86,301	-	-	8,199	-	-	94,500
FY20	85,742	-	-	8,146	-	-	93,888

#### Paul Wilson (a)

FY21	94,500	-	-	-	-	-	94,500
FY20	93,888	-	-	-	-	-	93,888

#### Robyn Watts (c)

FY21	-	-	-	-	-	-	-
FY20	30,365	-	-	2,885	-	-	33,250

#### Paul Mirabelle (b)

FY21	93,134	-	-	1,366	-	-	94,500
FY20	93,888	-	-	-	-	-	93,888

#### Total Compensation

FY21	445,365	-	-	27,784	-	-	473,149
FY20	474,989	-	-	29,250	-	-	504,239

- (a) Paul Wilson's services as a Director is provided by Peandel Pty Ltd, which invoices Vita Group for his Director fees. As such, Mr Wilson is responsible for his own superannuation arrangements.
- (b) Paul Mirabelle is responsible for his own superannuation arrangements.
- (c) Robyn Watts resigned as director on 24 October 2019.

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

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

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

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

##### Ordinary shares

Name	Number held at 30 June 2020	Granted as remuneration	Net purchased/(sold)	Dividends reinvested	Number held at 30 June 2021
Dick Simpson	120,543	-	-	-	120,543
Neil Osborne	267,039	-	-	-	267,039
Robyn Watts (a)	41,459	-	(41,459)	-	-
Paul Wilson	73,375	-	-	-	73,375
Paul Mirabelle	25,000	-	-	572	25,572

(a) Robyn Watts resigned as non-executive director on 24 October 2019

##### Non-executive performance rights

Name	Number held at 30 June 2020	Granted as remuneration	Vested and exercised	Lapsed (a)	Number held at 30 June 2021
Dick Simpson	-	-	-	-	-
Neil Osborne	-	-	-	-	-
Robyn Watts (b)	-	-	-	-	-
Paul Wilson	-	-	-	-	-
Paul Mirabelle	-	-	-	-	-

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

(b) Robyn Watts resigned as non-executive director on 24 October 2019

(End of Audited Remuneration Report)

### ENVIRONMENTAL REGULATION

The operations of Vita Group are not subject to any particular and significant environmental regulation under any law of Australia or of any State or Territory of Australia. Vita Group has not incurred any liability under any environmental legislation.

### 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).

## DIRECTORS' REPORT

30 JUNE 2021 (CONTINUED)

### 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 22.

#### 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:

	FY21 \$	FY20 \$
Grant Thornton Audit Pty Ltd and its related entities:		
Tax compliance and consulting services	149,614	106,000
<b>Total non-audit services</b>	<b>149,614</b>	<b>106,000</b>

Signed in accordance with a resolution of Directors.



Dick Simpson  
Chairman



Maxine Horne  
Director and Chief Executive Officer

Brisbane  
20 August 2021

## 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 2021, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



A F Newman  
Partner – Audit & Assurance

Brisbane, 20 August 2021

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

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	FY21 \$'000	FY20 \$'000
Revenue	2	633,532	773,098
Changes in inventories		(449,345)	(560,601)
		184,187	212,497
Other income	2	6,435	6,794
Employee benefits expense	3	(93,831)	(113,412)
Marketing expense		(6,380)	(6,922)
Other expenses		(21,830)	(33,119)
Depreciation and amortisation expense	3	(28,240)	(28,615)
		40,341	37,223
Finance income		141	238
Finance expenses		(3,735)	(3,682)
<b>Net finance costs</b>	<b>3</b>	<b>(3,594)</b>	<b>(3,444)</b>
<b>Profit before income tax</b>		<b>36,747</b>	<b>33,779</b>
Income tax expense	26	(10,409)	(11,372)
<b>Profit for the year</b>		<b>26,338</b>	<b>22,407</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year, attributable to the ordinary equity holders of Vita Group Limited</b>		<b>26,338</b>	<b>22,407</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company</b>	<b>23</b>		
- basic (cents per share)		15.98	13.71
- diluted (cents per share)		15.81	13.54

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

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2021

	Notes	FY21 \$'000	FY20 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	38,208	36,813
Trade and other receivables	4	23,757	29,264
Inventories	5	21,181	24,642
Current tax receivables		-	350
Contract asset		-	277
Other current assets		2,322	2,589
<b>Total current assets</b>		<b>85,468</b>	<b>93,935</b>
<b>Non-current assets</b>			
Plant and equipment	6	25,581	26,787
Right of use assets	7	37,158	39,243
Intangible assets and goodwill	8	112,797	110,454
Deferred tax assets	13	11,238	8,818
<b>Total non-current assets</b>		<b>186,774</b>	<b>185,302</b>
<b>TOTAL ASSETS</b>		<b>272,242</b>	<b>279,237</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	61,956	78,889
Interest bearing loans and borrowings	15	6,241	9,160
Lease liabilities	7	15,620	16,410
Current tax liabilities		3,116	-
Provisions	11	4,737	4,740
Contract and other liabilities	12	3,215	2,195
<b>Total current liabilities</b>		<b>94,885</b>	<b>111,394</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	15	918	3,562
Lease liabilities	7	29,202	30,245
Provisions	11	4,590	5,195
Contract and other liabilities	12	1,549	2,571
<b>Total non-current liabilities</b>		<b>36,259</b>	<b>41,573</b>
<b>TOTAL LIABILITIES</b>		<b>131,144</b>	<b>152,967</b>
<b>NET ASSETS</b>		<b>141,098</b>	<b>126,270</b>
<b>EQUITY</b>			
Contributed equity	24	44,651	43,017
Reserve	24	804	1,284
Retained earnings	24	95,643	81,969
<b>TOTAL EQUITY</b>		<b>141,098</b>	<b>126,270</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Attributable to owners of the parent			
		Contributed equity \$'000	Reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>As at 1 July 2019</b>		<b>41,056</b>	<b>713</b>	<b>67,457</b>	<b>109,226</b>
Adjustment on adoption of AASB 16 (net of tax)		-	-	(1,410)	(1,410)
<b>Restated balance as at 1 July 2019</b>		<b>41,056</b>	<b>713</b>	<b>66,047</b>	<b>107,816</b>
Profit for the year		-	-	22,407	22,407
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>22,407</b>	<b>22,407</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	16	-	-	(6,485)	(6,485)
Dividend reinvestment plan net of costs	24	1,961	-	-	1,961
Employee share schemes - value of employee services	24	-	571	-	571
<b>Total transactions with owners in their capacity as owners</b>		<b>1,961</b>	<b>571</b>	<b>(6,485)</b>	<b>(3,953)</b>
<b>As at 30 June 2020</b>		<b>43,017</b>	<b>1,284</b>	<b>81,969</b>	<b>126,270</b>
<b>As at 1 July 2020</b>		<b>43,017</b>	<b>1,284</b>	<b>81,969</b>	<b>126,270</b>
Profit for the year		-	-	26,338	26,338
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>26,338</b>	<b>26,338</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid	16	-	-	(13,162)	(13,162)
Dividend reinvestment plan net of costs	24	1,331	-	-	1,331
Employee share schemes - exercise of performance rights	24	303	(307)	-	(4)
Employee share schemes - forfeiture of performance rights	24	-	(498)	498	-
Employee share schemes - value of employee services	24	-	325	-	325
<b>Total transactions with owners in their capacity as owners</b>		<b>1,634</b>	<b>(480)</b>	<b>(12,664)</b>	<b>(11,510)</b>
<b>As at 30 June 2021</b>		<b>44,651</b>	<b>804</b>	<b>95,643</b>	<b>141,098</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED ENDED 30 JUNE 2021

	Notes	FY21 \$'000	FY20 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		699,124	860,071
Payments to suppliers and employees (inclusive of GST)		(661,282)	(811,618)
Receipts from government stimulus		21,637	8,094
Interest received		141	238
Finance expenses		(3,604)	(3,237)
Income taxes paid		(9,286)	(12,401)
<b>Net cash inflow from operating activities</b>	<b>14</b>	<b>46,730</b>	<b>41,147</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(8,862)	(13,494)
Proceeds from sale of plant and equipment		15	77
Purchase of intangible assets		(584)	-
Acquisition of businesses and subsidiaries, net of cash acquired	9	(5,786)	(7,546)
Proceeds from sale - Business ICT		4,899	1,900
<b>Net cash (outflow) from investing activities</b>		<b>(10,318)</b>	<b>(19,063)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities	24	1,327	1,961
Proceeds from borrowings		5,161	12,842
Repayment of borrowings		(10,723)	(8,768)
Lease principal payments		(17,620)	(11,493)
Dividends paid	16	(13,162)	(6,485)
<b>Net cash (outflow) from financing activities</b>		<b>(35,017)</b>	<b>(11,943)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,395</b>	<b>10,141</b>
Cash and cash equivalents at the beginning of the year		36,813	26,672
<b>Cash and cash equivalents at end of year</b>	<b>14</b>	<b>38,208</b>	<b>36,813</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

## 1 SEGMENT REPORTING

### Description of segments and principal activities

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Team and the Board, who are responsible for allocating resources and assessing performance of the operating segments. There are two reportable segments for financial statement purposes, being Information and Communication Technology (ICT) and Skin-Health and Wellness (SHAW). The Group operates solely in Australia. The operating segments sell different products and services and as a result have different risk profiles.

#### ICT

Revenue comprises sale of mobile phones and connections to plans, accessories and other technology products.

#### SHAW

Revenue comprises sale of skincare products and treatments.

### Segment information provided to the Executive Team and the Board

The segment information for the year ended 30 June 2021 is as follows:

	FY21 \$'000	FY20 \$'000
<b>ICT</b>		
<b>Revenue from external customers</b>		
Sale of goods	490,449	624,553
Contract revenue	6,204	5,191
Commission revenue	107,617	122,235
<b>Segment revenue</b>	<b>604,270</b>	<b>751,979</b>
<b>SHAW</b>		
<b>Revenue from external customers</b>		
Sale of goods	27,160	19,109
Commission revenue	1,232	955
<b>Segment revenue</b>	<b>28,392</b>	<b>20,064</b>
<b>Total segment revenue</b>	<b>632,662</b>	<b>772,043</b>
Other revenue not allocated	870	1,055
<b>Group revenue</b>	<b>633,532</b>	<b>773,098</b>

Revenues from external customers are derived from the sale of ICT and SHAW products and services as defined above. The revenue from external parties is measured in a manner consistent with that in the statement of comprehensive income.

Revenues of \$158,760,119 (FY20: \$122,234,841) were derived from a single external customer, attributable to the ICT segment.

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

## 1 SEGMENT REPORTING (CONTINUED)

### Other segment information

A reconciliation of EBITDA pre-AASB 16 to Group operating profit before income tax is provided as follows:

	FY21 \$'000	FY20 \$'000
ICT segment EBITDA pre-AASB 16	71,050	84,930
SHAW segment EBITDA pre-AASB 16	1,397	(1,877)
<b>Total reportable segment EBITDA pre-AASB 16</b>	<b>72,447</b>	<b>83,053</b>
ICT depreciation and amortisation	(6,635)	(7,505)
SHAW depreciation and amortisation	(4,325)	(5,487)
ICT AASB 16 lease interest	1,428	1,457
SHAW AASB 16 lease interest	372	380
Other revenue not allocated	871	1,055
Other expenses not allocated	(21,431)	(31,834)
Depreciation and amortisation not allocated	(2,386)	(3,896)
<b>Group EBIT</b>	<b>40,341</b>	<b>37,223</b>
Interest revenue	141	238
Finance costs	(3,735)	(3,682)
<b>Group profit before income tax</b>	<b>36,747</b>	<b>33,779</b>

EBITDA pre-AASB 16 comprises EBITDA less right-of-use asset depreciation plus interest on lease liabilities.

## 2 REVENUE AND OTHER INCOME

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

	FY21 \$'000	FY20 \$'000
<b>Revenue</b>		
Sale of goods <sup>a</sup>	518,479	644,718
Contract revenue <sup>b</sup>	6,204	5,191
Commission revenue <sup>a</sup>	108,849	123,189
<b>Total revenue</b>	<b>633,532</b>	<b>773,098</b>
<b>Other income</b>		
Cooperative advertising income <sup>a</sup>	4,481	5,571
Other miscellaneous income <sup>a</sup>	1,954	1,223
<b>Total other income</b>	<b>6,435</b>	<b>6,794</b>

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

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

### Recognition and measurement

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

Revenue is recognised by reference to the following framework:

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

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

## **2 REVENUE AND OTHER INCOME (CONTINUED)**

### *ICT products and services*

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

Revenue from the sale of technology hardware and accessories is recognised at the point in time the Group transfers control of the assets to the customer. The Group acts as principal in these transactions, and accordingly revenue is recognised on a gross basis.

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

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

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

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

The Group recognises a contract liability where amounts are received in advance of the Group satisfying its performance obligation and may be refundable where performance obligations are not satisfied. These amounts are reported as part of contract and other liabilities in the consolidated balance sheet (see Note 12). If the Group satisfies a performance obligation before it receives the associated consideration, the Group recognises a contract asset in the consolidated balance sheet.

### *Skincare products and treatments*

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

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

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

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

Where consideration has been received in advance of the treatment, the Group recognises a contract liability to the extent of unsatisfied performance obligations. These amounts are reported in contract and other liabilities in the consolidated balance sheet (see Note 12). Revenue is recognised when the Group satisfies these performance obligations.

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

### *Cooperative advertising income*

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

### *Dividend income*

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

## 2 REVENUE AND OTHER INCOME (CONTINUED)

### Significant judgements

Significant judgement is required when evaluating whether the Group is acting as an agent or principal in a sales transaction. In ICT, this relates to the sale of technology hardware and accessories to a customer and/or the connection to a Telstra plan. In SHAW, this applies to the sale of a specific range of skincare products. In making this judgement the Group assesses which party has the primary responsibility to fulfil the promise to provide the specified goods or services to the customer, and whether the Group controls the goods or services prior to transfer.

## 3 EXPENSES

	FY21 \$'000	FY20 \$'000
<b>Net finance expenses</b>		
Finance charges under chattel mortgages	116	97
Interest on term debt	108	162
Provisions: unwinding of discount	131	445
Line facility fee	1,241	721
Interest on lease liabilities	2,139	2,254
Other interest expense	-	3
<b>Total finance expenses</b>	<b>3,735</b>	<b>3,682</b>
Interest revenue on bank deposits	(141)	(238)
<b>Net finance expenses</b>	<b>3,594</b>	<b>3,444</b>

### Depreciation, amortisation and impairment

Plant and equipment	10,522	10,203
Right of use asset	16,897	15,059
Brands	15	223
Customer relationships	386	1,589
Software	420	495
Goodwill	-	1,046
<b>Total depreciation, amortisation and impairment</b>	<b>28,240</b>	<b>28,615</b>

### Employee benefits expenses

Wages and salaries <sup>a</sup>	80,445	97,909
Defined contribution superannuation expense	8,742	9,487
Employee entitlements	4,644	6,016
<b>Total employee benefits expenses</b>	<b>93,831</b>	<b>113,412</b>

<sup>a</sup> Includes JobKeeper income received of \$17,732,650 (FY20: \$11,995,800).

### Expense relating to leases

Expense relating to leases <sup>a</sup>	5,030	8,961
<b>Total expense relating to leases</b>	<b>5,030</b>	<b>8,961</b>

<sup>a</sup> Relates to short-term leases and variable lease payments only. See Note 7 for further details.

### 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.

### **3 EXPENSES (CONTINUED)**

#### **Recognition and measurement (continued)**

##### *Termination benefits*

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

##### *Interest income*

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

##### *Depreciation and amortisation*

The depreciation and amortisation methods used by the Group are disclosed in Note 6, Note 7 and Note 8 respectively.

##### *Government grants*

In March 2020, in response to the COVID-19 pandemic, the Australian government announced a 'JobKeeper' stimulus package essentially providing a wage subsidy plan. To qualify, an employer must satisfy eligibility criteria.

JobKeeper payments are considered government grants and accounted for under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. Government grants are recognised when there is reasonable assurance the Group will comply with the conditions attaching to them and the grant will be received. Grants that compensate the Group for expenses are recognised in profit or loss on a systematic basis in the periods in which the related expenses are recognised.

The Group has recognised \$17,732,650 (FY20: \$11,995,800) JobKeeper income, which is disclosed as a reduction to employee benefits expense in the consolidated statement of comprehensive income.

#### 4 TRADE AND OTHER RECEIVABLES

	FY21 \$'000	FY20 \$'000
Trade receivables	20,805	25,027
Allowance for expected credit losses	(166)	(484)
<b>Net trade receivables</b>	<b>20,639</b>	<b>24,543</b>
Other receivables	3,118	4,721
<b>Net trade and other receivables</b>	<b>23,757</b>	<b>29,264</b>

##### *Allowance for expected credit losses*

As at 30 June 2021, provisions were made against current trade receivables to the value of \$165,592 (FY20: \$484,028).

This analysis excludes amounts relating to revenue adjustments made to the Telstra specific receivable as these amounts represent an estimate of adjustments to revenue rather than uncollected receivables.

The ageing of receivables and allowance for expected credit losses provided for are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	FY21 %	FY20 %	FY21 \$'000	FY20 \$'000	FY21 \$'000	FY20 \$'000
Not overdue	0%	7%	954	1,234	-	82
0 to 3 months overdue	21%	100%	52	212	11	212
3 to 6 months overdue	100%	100%	154	190	155	190
			<b>1,160</b>	<b>1,636</b>	<b>166</b>	<b>484</b>

Movements in allowance for credit losses were as follows:

At 1 July	484	192
Provided for	-	292
(Released)	(318)	-
<b>Balance at 30 June</b>	<b>166</b>	<b>484</b>

##### *Recognition and measurement*

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

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

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

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

##### *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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

#### 5 INVENTORIES

	FY21 \$'000	FY20 \$'000
Finished goods - at cost	23,787	26,915
Allowance for diminution in value	(2,606)	(2,273)
<b>Total inventories</b>	<b>21,181</b>	<b>24,642</b>

Inventories recognised as expense during the year ended 30 June 2021 amounted to \$449,344,564 (FY20: \$560,601,047). This is disclosed as changes in inventories in the consolidated statement of comprehensive income.

Inventory write-downs included in the above totalled \$1,201,702 (FY20: \$3,437,572).

#### Recognition and measurement

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

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

#### 6 PLANT AND EQUIPMENT

	Plant and equipment \$'000
<b>At 1 July 2019</b>	
Cost	74,665
Accumulated depreciation	(50,580)
<b>Opening net book amount</b>	<b>24,085</b>
Opening net book amount	24,085
Additions	13,494
Acquisition through business combination	677
Disposals	(130)
Transfers	(1,136)
Depreciation charge	(10,203)
<b>Closing net book amount</b>	<b>26,787</b>
<b>At 1 July 2020</b>	
Cost	77,060
Accumulated depreciation	(50,273)
<b>Opening net book amount</b>	<b>26,787</b>
Opening net book amount	26,787
Additions	8,863
Acquisition through business combination	706
Disposals	(253)
Depreciation charge	(10,522)
<b>Closing net book amount</b>	<b>25,581</b>
<b>At 30 June 2021</b>	
Cost	74,554
Accumulated depreciation	(48,973)
<b>Closing net book amount</b>	<b>25,581</b>

The net book value of assets held under chattel mortgage agreements amount to \$7,043,266 (FY20: \$7,384,209) and are pledged as security for the related chattel mortgage liabilities.

## 6 PLANT AND EQUIPMENT (CONTINUED)

### *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 depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

### *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 an 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 the consolidated statement of comprehensive income.

### *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 the consolidated statement of comprehensive income.

### *Significant estimates*

The assets' residual values, useful lives and depreciation methods are reviewed at each financial year-end, and adjusted if appropriate, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain information technology and clinical equipment. In regards to leasehold improvements, the uncertainty relates to the timing of expected format changes to the Telstra stores.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

#### 7 LEASING

The Group has lease contracts for the rental of store and clinic outlets and head office premises.

With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of store sales) are excluded from the initial measurement of the lease liability and asset.

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 lease terms are renegotiated.

Right-of-use assets recognised on the consolidated balance sheet are as follows:

	FY21 \$'000	FY20 \$'000
Leasehold property net book value	37,158	39,243

Additions to right-of-use assets, including acquisition through business combinations, during the period amounted to \$24,910,465 (FY20: \$16,228,259). Depreciation of right-of-use assets for the period has been disclosed in Note 3.

Lease liabilities recognised on the consolidated balance sheet are as follows:

	FY21 \$'000	FY20 \$'000
Lease liabilities (current)	15,620	16,410
Lease liabilities (non-current)	29,202	30,245
<b>Total lease liabilities</b>	<b>44,822</b>	<b>46,655</b>

The lease liabilities are secured by the related underlying assets.

Future minimum lease payments relating to lease liabilities at 30 June 2021 are as follows:

	1 year or less \$'000	1 - 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>30 June 2021</b>				
Lease payments	17,257	30,597	364	48,218
Finance charges	(1,637)	(1,751)	(8)	(3,396)
<b>Total lease liabilities</b>	<b>15,620</b>	<b>28,846</b>	<b>356</b>	<b>44,822</b>

#### **Lease payments not recognised as a liability**

The Group has elected not to recognise a lease liability for short-term leases or leases of low value assets. Payments made for these leases are accounted for on a straight-line basis over the lease term. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. Rental concessions received in relation to the COVID-19 pandemic are accounted for in the period received as a reduction to the total lease payments not recognised as a liability.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	FY21 \$'000	FY20 \$'000
Short-term leases (included in other expenses)	3,842	5,997
Lease outgoings and other charges	2,621	3,074
COVID-19 related rent concessions (included in other expenses)	(502)	(89)
Variable lease payments (included in other expenses)	(931)	(21)
<b>Total lease payments not recognised as a liability</b>	<b>5,030</b>	<b>8,961</b>

Variable lease payments include rentals based on revenue from the use of the underlying asset.

At 30 June 2021 the Group had committed to leases that had not yet commenced with total expected future cash outflows of \$nil.

## 7 LEASING (CONTINUED)

### *Recognition and measurement*

#### *The Group as a lessee*

For new contracts entered into the Group considers whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply this definition the Group assesses whether:

- the contract contains an identified asset, which is explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group. If the supplier has a substantive substitution right, then the asset is not identified
- the Group has the right to obtain substantially all economic benefits from use of the asset throughout the period of use
- the Group has the right to direct the use of the asset throughout the period of use
- the Group assesses whether it has the right to direct 'how and for what purpose' the asset is used for.

At lease commencement, the Group recognises a right-of-use asset and a lease liability on the consolidated balance sheet. The right-of-use asset is measured at cost, less any accumulated amortisation and impairment losses, and adjusted for remeasurement of lease liabilities.

The cost of the right-of-use asset comprises the initial measurement of the lease liability, initial direct costs incurred when entering into the lease, an estimate of the costs to be incurred in dismantling and removing the underlying asset and restoring the site to the condition required by the terms and conditions of the lease, lease payments made in advance of the lease commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as per the table below. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Leasehold property	Straight line over 1 to 8 years
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At the commencement date, the Group measures the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

Lease payments comprise fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or in the consolidated statement of comprehensive income if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases (leases with an expected term of 12 months or less) and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these 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 short-term or leases of low-value assets are recognised evenly over the term of the lease.

AASB 2020-4 *Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions* became effective from 1 June 2020. This Standard amends AASB 16 to provide a practical expedient permitting lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications. Instead, a lessee accounts for those rent concessions as if they were not lease modifications.

The Group adopted this practical expedient in the prior financial year. Lease rental concessions received in relation to the COVID-19 pandemic are accounted for in the period received as a reduction to the total lease payments not recognised as a liability in the consolidated statement of comprehensive income.

#### *Impairment*

The carrying values of right-of-use assets are reviewed for impairment 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 an increase to the depreciation charge in that same period.

## **7 LEASING (CONTINUED)**

### **Recognition and measurement (continued)**

*The Group as a lessee (continued)*

*Impairment (continued)*

The recoverable amount of right-of-use assets 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 the consolidated statement of comprehensive income.

*The Group as a lessor*

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and benefits incidental to ownership of the underlying asset, and classified as operating lease if it does not.

### **Significant estimates and judgements**

The Group enters into leases with third-party landlords and the rate implicit in the lease is not always readily determinable. In these cases, the Group uses its incremental borrowing rate as the discount rate for determining its lease liabilities as the lease commencement date. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over similar terms which requires estimations when no observable rates are available. The Group has determined its incremental borrowing rate based on its current cost of funding with its main bankers, adjusted to reflect lease term and type of underlying leased asset.

In determining the lease term judgement is required, at lease inception, as to whether the Group is likely to extend the lease by taking up an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

## 8 INTANGIBLE ASSETS AND GOODWILL

	Brands \$'000	Customer relationships \$'000	Software \$'000	Goodwill \$'000	Total \$'000
<b>At 1 July 2019</b>					
Cost	1,005	1,545	10,463	126,205	139,218
Accumulated amortisation and impairment	(850)	(279)	(9,591)	(21,816)	(32,536)
<b>Opening net book amount</b>	<b>155</b>	<b>1,266</b>	<b>872</b>	<b>104,389</b>	<b>106,682</b>
Opening net book amount	155	1,266	872	104,389	106,682
Additions	-	-	-	-	-
Acquisition through business combination	68	662	-	7,201	7,931
Disposals	-	-	(20)	(786)	(806)
Amortisation charge	(223)	(1,589)	(495)	-	(2,307)
Impairment charge	-	-	-	(1,046)	(1,046)
<b>Closing net book amount</b>	<b>-</b>	<b>339</b>	<b>357</b>	<b>109,758</b>	<b>110,454</b>
<b>At 1 July 2020</b>					
Cost	1,073	2,207	10,317	132,620	146,217
Accumulated amortisation and impairment	(1,073)	(1,868)	(9,960)	(22,862)	(35,763)
<b>Opening net book amount</b>	<b>-</b>	<b>339</b>	<b>357</b>	<b>109,758</b>	<b>110,454</b>
Opening net book amount	-	339	357	109,758	110,454
Additions	-	-	584	-	584
Acquisition through business combination	9 119	475	-	5,259	5,853
Disposals	-	-	-	(3,080)	(3,080)
Other	-	-	-	(193)	(193)
Amortisation charge	(15)	(386)	(420)	-	(821)
<b>Closing net book amount</b>	<b>104</b>	<b>428</b>	<b>521</b>	<b>111,744</b>	<b>112,797</b>
<b>At 30 June 2021</b>					
Cost	1,192	2,674	7,647	134,606	146,119
Accumulated amortisation	(1,088)	(2,246)	(7,126)	(22,862)	(33,322)
<b>Closing net book amount</b>	<b>104</b>	<b>428</b>	<b>521</b>	<b>111,744</b>	<b>112,797</b>

### Recognition and measurement

#### Goodwill

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

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

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

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

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

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

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

For impairment testing of goodwill refer to Note 18.

## **8 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**

### **Recognition and measurement (continued)**

#### *Brand names and customer relationships*

Brand names and customer relationships 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 relationships 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. 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 the consolidated statement of comprehensive income.

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

Brands	Straight line over 1 to 3 years
Customer relationships	Straight line over 1 - 5 years
Software	Straight line over 2.5 - 3 years

### **Significant estimates and judgements**

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

The assets' residual values, useful lives and amortisation methods are reviewed at each financial year-end, and adjusted if appropriate, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of software assets.

## 9 BUSINESS COMBINATIONS

### a) Acquisition of Telstra licensed stores

On 28 August 2020, Fone Zone Pty Ltd (a subsidiary of Vita Group Limited) acquired the business assets and certain liabilities of Telstra Licensed Stores in Glenorchy, Bellerive and Sorell. This acquisition was made to increase profitability through an increase in the number of Telstra Licensed Stores operated by the Group.

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

	\$'000
<b>Purchase consideration</b>	
Cash paid	3,652
<b>Total purchase consideration</b>	<b>3,652</b>

The assets and liabilities recognised are as follows:

	Fair value \$'000
Inventories	107
Prepayments	62
Plant and equipment	420
Right-of-use asset	1,065
Deferred tax asset	45
Lease liability	(1,035)
Provisions	(108)
Employee benefit liabilities	(41)
Deferred tax liability	(10)
<b>Net identifiable assets acquired</b>	<b>505</b>
Add: goodwill	3,147
<b>Net assets acquired</b>	<b>3,652</b>

### Goodwill

Goodwill is primarily related to the expected future profitability of the acquired business. Goodwill has been allocated to cash generating units at 30 June 2021. It is not expected to be deductible for tax purposes except on subsequent disposal.

### Acquisition related costs

Acquisition-related costs of \$7,598 representing legal fees 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 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 \$14,541,295 and EBIT of \$1,060,314 to the Group for the period from acquisition date to 30 June 2021.

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 2020, the contribution to the Group for revenue and EBIT is estimated at \$17,288,511 and \$1,260,634 respectively.

With regards to the estimation of annual results, the estimated amounts are based on actual results and have not been normalised for the impact of lost trade, JobKeeper subsidies received and JobKeeper top ups paid due to the COVID-19 pandemic.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 9 BUSINESS COMBINATIONS (CONTINUED)

#### a) Acquisition of Telstra licensed stores (continued)

##### Revenue and profit contribution\* (continued)

<i>Cash flow information</i>	<b>FY21 \$'000</b>
<b>Outflow of cash to acquire business, net of cash acquired</b>	
Cash consideration	3,652
<b>Total outflow of cash to acquire business, net of cash acquired</b>	<b>3,652</b>

#### b) Acquisition of Skin-Health and Wellness clinics

During the financial year, VTG Artisan Pty Ltd (a subsidiary of Vita Group Limited) acquired the business assets and certain liabilities of the following clinics operating in the Skin-Health and Wellness industry. These acquisitions were made in-line with the Groups strategy to expand its presence in the Skin-Health and Wellness industry.

<b>Location</b>	<b>Settlement date</b>
Coco Skin Laser Health	19 February 2021
Euphoria Cosmedic Clinic	30 April 2021

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

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

	<b>\$'000</b>
<b>Purchase consideration</b>	
Cash paid	2,134
Contingent consideration	716
<b>Total purchase consideration</b>	<b>2,850</b>

The assets and liabilities recognised are as follows:

	<b>Fair value \$'000</b>
Inventories	71
Other assets	4
Plant and equipment	286
Right-of-use asset	557
Intangible assets: brand	119
Intangible assets: customer relationships	475
Deferred tax asset	245
Lease liability	(502)
Provisions	(62)
Contract liability	(232)
Employee benefit liabilities	(20)
Deferred tax liability	(203)
<b>Net identifiable assets acquired</b>	<b>738</b>
Add: goodwill	2,112
<b>Net assets acquired</b>	<b>2,850</b>

#### Goodwill

Goodwill is primarily related to the expected future profitability of the acquired business. Goodwill has been allocated to cash generating units at 30 June 2021. It is not expected to be deductible for tax purposes except on subsequent disposal.

#### Acquisition related costs

Acquisition-related costs of \$22,784 representing stamp duty on the transfer of the business is included in other expenses in the consolidated statement of comprehensive income.

## 9 BUSINESS COMBINATIONS (CONTINUED)

### b) Acquisition of Skin-Health and Wellness clinics (continued)

#### *Contingent consideration*

##### *Earn-Outs*

In the event that certain pre-determined revenue targets are achieved within specified timeframes, additional consideration of up to \$780,000 may be payable over a period from 31 March 2022 to 11 June 2023.

The potential undiscounted amount of all future payments that the Group could be required to make under these arrangements is between \$0 and \$780,000. The fair value of the contingent consideration arrangement of \$720,560 is based on a discounted assumed probability of achievement to the revenue targets.

#### *Acquired receivables*

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

#### *Revenue and profit contribution\**

Coco Skin Laser Health contributed revenue of \$1,095,281 and EBIT of \$363,359 to the Group for the period from acquisition date to 30 June 2021. On the basis of these results, had the business been acquired on 1 July 2020, the contribution to the Group for revenue and EBIT is estimated at \$3,028,619 and \$1,004,742 respectively.

Euphoria Cosmedic Clinic was an acquisition of capability, a customer database and cosmetic machinery, and was rolled into the existing Artisan-branded clinic in Hope Island Road. Due to the combination of these clinics, revenue and profit contribution relating to the acquired clinic is impracticable to reliably estimate and has therefore not been included.

The COVID-19 pandemic resulted in clinics closing in line with government guidance, dependent on the State. With regards to the estimation of annual results, the estimated amounts are based on actual results and have not been normalised for the impact of lost trade, JobKeeper subsidies received and JobKeeper top ups paid.

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

	<b>FY21 \$'000</b>
<b>Outflow of cash to acquire business, net of cash acquired</b>	
Cash consideration	<b>2,134</b>
<b>Total outflow of cash to acquire business, net of cash acquired</b>	<b>2,134</b>

#### *Significant estimates and judgements*

Judgement is required when identifying whether a transaction represents a 'business combination' as defined in AASB 3 Business Combinations. When making this evaluation, Management assess whether the Group obtains control over the acquiree's business, whether the acquiree's assets and liabilities constitute a business and whether the transaction falls within the scope of AASB 3.

Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration, brand and customer relationships are dependent on a number of variables including the acquiree's future profitability, appropriate discount rate determination, royalty rate selection (brands and customer relationships) and an estimate relating to customer retention (customer relationships).



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 10 TRADE AND OTHER PAYABLES

	FY21 \$'000	FY20 \$'000
<b>Current</b>		
Trade payables	36,874	37,244
Other payables and accruals	17,146	30,322
Income in advance	1,721	4,830
Annual leave accrual	6,215	6,493
<b>Total current trade and other payables</b>	<b>61,956</b>	<b>78,889</b>
<b>Non-current</b>		
<b>Total non-current trade and other payables</b>	<b>-</b>	<b>-</b>
<b>Total trade and other payables</b>	<b>61,956</b>	<b>78,889</b>

#### Recognition and measurement

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

#### Fair value

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

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

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

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

### 11 PROVISIONS

	FY21			FY20		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Employee benefits	1,625	1,943	3,568	1,478	2,119	3,597
Legal provision	-	-	-	298	-	298
Make good provision	3,112	2,647	5,759	2,964	3,076	6,040
<b>Total provisions</b>	<b>4,737</b>	<b>4,590</b>	<b>9,327</b>	<b>4,740</b>	<b>5,195</b>	<b>9,935</b>

	Make good provision \$'000	Total \$'000
<b>Movement in provisions:</b>		
Carrying amount at start of year	6,040	6,040
Acquired through business combination	170	170
Additional provision charged to right-of-use asset	437	437
Unused amounts reversed	(514)	(514)
Amounts used during the year	(427)	(427)
Unwinding of discount	53	53
<b>Carrying amount at end of year</b>	<b>5,759</b>	<b>5,759</b>

## **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 some of its retail stores, technology business centres, clinics and head office to their original condition at the end of the respective lease terms. The Group estimates its liability to provide for the restoration by reference to historical data and by specific estimates on a premise-by-premise basis. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of the right-of-use asset and are amortised over the shorter of its estimated useful life and the lease term. 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***

To the extent leases have not been recognised as lease liabilities as permitted by AASB 16 *Leases*, the Group estimates 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 is recognised for the present value of the estimated commitment.

### ***Significant estimates and judgements***

Managements estimate of the long service leave liability is based on a number of critical underlying assumptions such as standard rates of inflation, discount rate and anticipation of future salary increases and on costs. Variation in these assumptions may significantly impact the long service leave liability amount and related expense in the statement of comprehensive income.

Judgement is required in determining the discount rate applied and estimated costs used in determining the net present value of lease make good obligations. Estimates are based on historical spend, physical size of the premises and any location specific factors.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 12 CONTRACT AND OTHER LIABILITIES

	FY21 \$'000	FY20 \$'000
<b>Current</b>		
Contract liability	1,587	868
Contingent consideration	1,628	1,327
<b>Total contract and other liabilities</b>	<b>3,215</b>	<b>2,195</b>
<b>Non-current</b>		
Contingent consideration	1,549	2,571
<b>Total non-current contract and other liabilities</b>	<b>1,549</b>	<b>2,571</b>
<b>Total contract and other liabilities</b>	<b>4,764</b>	<b>4,766</b>

#### *Recognition and measurement*

##### *Unearned revenue*

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

##### *Contingent consideration*

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

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

These fair values are reviewed at each reporting period with any changes recognised in the consolidated statement of comprehensive income.

### 13 DEFERRED TAX ASSET

	FY21 \$'000	FY20 \$'000
<b>Deferred income tax in the consolidated balance sheet relates to the following:</b>		
Provisions	723	(81)
Inventory	867	734
Provision for employee benefits	2,935	3,027
Lease make good provision	1,728	1,901
Income in advance	302	377
Contract liability	476	260
Lease liability	13,447	13,297
Plant and equipment	(10,682)	(11,219)
Right-of-use assets	794	(61)
Intangible assets	648	583
<b>Net deferred tax assets</b>	<b>11,238</b>	<b>8,818</b>

	FY21 \$'000	FY20 \$'000
<b>Movement in deferred tax assets</b>		
Opening balance	8,818	8,757
<b>Debited/(credited):</b>		
- to profit or loss	2,343	(639)
- directly to equity	-	605
- acquisitions	77	95
<b>Balance at 30 June</b>	<b>11,238</b>	<b>8,818</b>

#### **Recognition and measurement**

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

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 13 DEFERRED TAX ASSET (CONTINUED)

#### Recognition and measurement (continued)

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.

#### Significant estimates

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised.

### 14 CASH AND CASH EQUIVALENTS

	FY21 \$'000	FY20 \$'000
<b>Cash at bank and on hand</b>	<b>38,208</b>	<b>36,813</b>
<b><i>Reconciliation of net profit after tax to net cash flows from operations</i></b>		
Profit for the year	26,338	22,407
<i>Adjustments for</i>		
Depreciation	27,419	25,262
Amortisation	821	2,307
Impairment of goodwill	-	1,046
Government grant accrued income	3,902	(3,902)
Share-based payments expense	325	571
Doubtful debt provision	(318)	292
Inventory obsolescence provision	329	286
Make good provision	(941)	(883)
Onerous lease provision	-	(57)
Litigation provision	(298)	298
Contingent consideration	(372)	1,626
Net (profit)/loss on disposal of plant and equipment	239	53
(Profit) on store divestment	(2,387)	(1,114)
Lease liability interest	2,139	2,254
Unwinding of discount: make good provision	53	61
Unwinding of discount: onerous lease provision	-	1
Unwinding of discount: contingent consideration	79	383
Write down of goodwill on clinic closure	193	-
<i>Change in operating assets and liabilities:</i>		
(Increase) in trade and other receivables	4,123	(3,210)
(Increase) in inventory	3,096	(371)
(Increase) decrease in contract assets	277	176
(Increase) decrease in prepayments	327	885
Decrease/(increase) in deferred tax assets	(2,343)	639
(Decrease) increase in current tax liability	3,466	(1,667)
(Decrease) increase in trade, other payables and accruals	(15,642)	(4,610)
Increase/(decrease) in income in advance	(3,109)	1,198
(Decrease) increase in contract and other liabilities	(658)	(1,220)
(Decrease) increase in provisions	(328)	(1,564)
<b>Net cash inflow from operating activities</b>	<b>46,730</b>	<b>41,147</b>

During the year, the Group acquired two Skin-Health and Wellness clinics (refer to Note 9). The purchase consideration included contingent payment arrangements amounting to \$716,455 (FY20: \$1,247,569) as at acquisition date. The initial recognition of these liabilities and the subsequent unwinding of the discount of \$78,601 (FY20: \$61,439) 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.

## 14 CASH AND CASH EQUIVALENTS (CONTINUED)

### Recognition and measurement (continued)

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.

## 15 INTEREST BEARING LOANS AND BORROWINGS

	FY21 \$'000	FY20 \$'000
<b>Current</b>		
Obligations under chattel mortgage	3,185	4,509
Term debt	3,056	4,651
<b>Total current debt</b>	<b>6,241</b>	<b>9,160</b>
<b>Non-current</b>		
Obligations under chattel mortgage	481	2,358
Term debt	437	1,204
<b>Total non-current debt</b>	<b>918</b>	<b>3,562</b>
<b>Total debt</b>	<b>7,159</b>	<b>12,722</b>

Current interest bearing loans and borrowings mature during the year ended 30 June 2022, non-current interest bearing loans and borrowings mature after 30 June 2022. 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 \$7,043,266 (FY20: \$7,384,209). The interest rates charged on the chattel mortgages were between 1.85% and 3.37% (FY20: 1.85% and 4.71%).

### Term debt

The interest rate and facility fee charged on the term debt at 30 June 2021 was between 1.46% and 2.30% (FY20: 1.54% and 2.56%).

The Group's loan and lease facilities are secured under the Group's Deed of Cross Guarantee, detailed in Note 20.

### Fair values

The fair values have been calculated by discounting the expected future cash flows at prevailing risk adjusted market interest rates at 1.46% (FY20: 1.54%).

	2021		2020	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Obligations under chattel mortgage	3,666	3,613	6,867	6,763
Term debt	3,493	3,437	5,855	5,748
<b>Balance at 30 June</b>	<b>7,159</b>	<b>7,050</b>	<b>12,722</b>	<b>12,511</b>

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

### Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in Note 17.

### 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. The facilities are subject to financial and reporting covenants.

The Group has an asset finance facility with the Bank of Queensland for the acquisition of equipment in the SHAW segment.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

#### 15 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

##### Financial facilities (continued)

At balance sheet date, the Group has available approximately \$24.9 million (FY20: \$19.3 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 (FY20: \$3.0 million).

##### 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).

#### 16 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 sheet dates.

	FY21 \$'000	FY20 \$'000
Final dividend for FY20 2.4 cents per share (FY19: 4.0)	3,941	6,485
Interim dividend for FY21 5.6 cents per share (FY20: nil)	9,221	-
<b>Total dividends provided and paid</b>	<b>13,162</b>	<b>6,485</b>

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

In addition to the above dividends, since year-end the Directors have determined to pay a final dividend of 2.4 cents per share (FY20: 2.4), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividends expected to be paid in September 2021 out of retained earnings at 30 June 2021 but not recognised as a liability at year end, is \$3,974,507.

	FY21 \$'000	FY20 \$'000
<b>Total dividends not recognised as a liability at year end</b>	<b>3,975</b>	<b>3,941</b>

##### Franking dividends

The franked portions of the final dividends approved after 30 June 2021 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 2022.

Franking credits available for subsequent financial years based on a tax rate of 30% (FY20: 30%):

	FY21 \$'000	FY20 \$'000
<b>Franking credits remaining at balance sheet date</b>	<b>77,574</b>	<b>69,783</b>

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

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

The impact on the franking account of the dividend approved by the Directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of \$1,703,360 (FY20: \$1,684,353).

## 17 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise lease liabilities, 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 15.

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

	FY21 \$'000	FY20 \$'000
<b>Financial assets</b>		
Cash	38,208	36,813
<b>Total financial assets</b>	<b>38,208</b>	<b>36,813</b>
<b>Financial liabilities</b>		
Term debt	2,209	2,618
<b>Total financial liabilities</b>	<b>2,209</b>	<b>2,618</b>
<b>Net asset/(exposure)</b>	<b>35,999</b>	<b>34,195</b>

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2021, 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:	FY21 \$'000	FY20 \$'000
+ 1% (100 basis points)	252	239
- 1% (100 basis points)	(252)	(239)

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

### Credit risk

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 17 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 2021 other than lease liabilities which are disclosed in Note 7. 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 2021.

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

	1 year or less \$'000	1 - 5 years \$'000	Over 5 years \$'000	Total contractual flows \$'000	Carrying Amount \$'000
<b>Financial assets</b>					
At 30 June 2021					
Trade and other receivables	20,805	-	-	20,805	21,660
<b>Total financial assets</b>	<b>20,805</b>	<b>-</b>	<b>-</b>	<b>20,805</b>	<b>21,660</b>
At 30 June 2020					
Trade and other receivables	25,027	-	-	25,027	29,264
<b>Total financial assets</b>	<b>25,027</b>	<b>-</b>	<b>-</b>	<b>25,027</b>	<b>29,264</b>
<b>Financial liabilities</b>					
At 30 June 2021					
Trade and other payables	36,874	-	-	36,874	54,020
Borrowings	6,312	924	-	7,236	7,159
Contingent consideration	1,665	1,705	-	3,370	3,177
<b>Total financial liabilities</b>	<b>44,851</b>	<b>2,629</b>	<b>-</b>	<b>47,480</b>	<b>64,356</b>
At 30 June 2020					
Trade and other payables	37,244	-	-	37,244	67,566
Borrowings	9,345	3,572	-	12,917	12,722
Contingent consideration	1,425	2,875	-	4,300	3,898
<b>Total financial liabilities</b>	<b>48,014</b>	<b>6,447</b>	<b>-</b>	<b>54,461</b>	<b>84,186</b>

## 18 IMPAIRMENT TESTING OF GOODWILL AND OTHER ASSETS

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

	FY21 \$'000	FY20 \$'000
<b>Goodwill CGU</b>		
Information and Communication Technology (ICT)	89,861	87,228
Skin-Health and Wellness (SHAW)	21,883	22,530
<b>Balance at 30 June</b>	<b>111,744</b>	<b>109,758</b>

### Determination of CGU's

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

In SHAW, 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 amount of the ICT CGU was determined based on a value-in-use calculation, reflecting management's budgets for the first year and longer range projections for years two to four. Cash flows beyond the fourth year have not been included as the current Master License Agreement with Telstra expires in June 2025, and instead the terminal value is based on an expected amount to recover from the transition of stores to Telstra. The remaining assumptions used are consistent with the previous period and represent management's current projected growth expectations following on from FY21's achievements. In determining such assumptions, factors such as competitive dynamics and the evolving maturity of stores were all contemplated.

The recoverable amount of the SHAW CGU was determined based on a value-in-use calculation, reflecting management's 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 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. Assumptions represent management's current projected growth expectations based on FY21 performance, industry growth rates and the evolving maturity of individual clinics.

For both CGU's the Group has not assumed any economic impact relating to COVID-19 including government assistance packages in its growth expectations.

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 period of models use implied compound annual growth rates as follows:

	FY21	FY20
<b>ICT</b>		
Revenue	(2.7%)	0.0%
Cost of goods sold	(2.4%)	0.0%
Operating expenses	(0.7%)	1.2%
Pre-tax weighted average cost of capital (WACC)	9.77%	8.7%
Terminal growth rate	-*	2.0%
<b>SHAW</b>		
Revenue	22.2%	13.8%
Cost of goods sold	17.8%	13.4%
Operating expenses	11.5%	12.8%
Pre-tax weighted average cost of capital (WACC)	9.77%	8.7%
Terminal growth rate	3.0%	2.0%

\* A terminal growth rate has not been considered for the current financial year due to the expected non-renewal of the Group's dealer agreement with Telstra on 30 June 2025. Instead a range of terminal values has been considered representing expected amounts to be recovered from the transition of stores to Telstra, with the mid-point of those ranges forming the basis of assessment.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 18 IMPAIRMENT TESTING OF GOODWILL AND OTHER ASSETS (CONTINUED)

#### Key assumptions used for value-in-use calculations (continued)

##### Sensitivity to changes in assumptions

For ICT, due to the business not trading beyond 30 June 2025 (refer Note 29), the Group considered a range of trading outcomes, capital investment scenarios and terminal value outcomes between now and license expiry. Due to the nature of these scenarios, each input cannot be considered independently from the others and, as a result, the sensitivities relating to individual changes have not been separately disclosed. As discussions with Telstra proceed, management will seek to optimise the outcome based on the expected value to be received as a result of these discussions by altering the capital investment and other expenditure over the period through to the end of the licence arrangements. In addition, given the fixed end date, a portion of the value of the CGU is expected to be recovered in each period of operation through to the ultimate end date of the license arrangements.

For SHAW, the sensitivities detailed below represent the minimum extent to which the measure need change before the respective CGU's goodwill would be impaired with all other assumptions remaining constant:

Sensitivity	Change
<b>SHAW</b>	
Reduction in projected revenues in all years	(0.4%)
Increase in projected expenses in all years	1.1%
Basis point increase in pre-tax weighted average cost of capital (WACC)	38 bps
Reduction in terminal growth rate	(0.5%)

Management believes that other reasonable changes in the key assumptions on which the respective recoverable amount of the CGU's are based would not cause the CGU's carrying amount to exceed its recoverable amount.

### 19 PARENT ENTITY DISCLOSURES

	FY21 \$'000	FY20 \$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Profit/(loss) for the year	83,249	196
<b>Total comprehensive income for the year</b>	<b>83,249</b>	<b>196</b>
<b>Statement of financial position</b>		
Current assets	123,461	48,595
Non-current assets	21,053	21,062
<b>Total assets</b>	<b>144,514</b>	<b>69,657</b>
Current liabilities	3,116	-
Non-current liabilities	(1)	-
<b>Total liabilities</b>	<b>3,115</b>	<b>-</b>
<b>Net assets</b>	<b>141,399</b>	<b>69,657</b>
<b>Total equity of the parent comprising of:</b>		
Share capital	54,462	52,828
Reserve		
Share-based payments	804	1,284
Retained earnings	86,133	15,545
<b>Total equity</b>	<b>141,399</b>	<b>69,657</b>

During the financial year ended 30 June 2021, Vita Group Limited declared and paid fully franked dividends of \$9,220,781.

#### 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.

## 19 PARENT ENTITY DISCLOSURES (CONTINUED)

### Parent entity contingencies (continued)

	FY21 \$'000	FY20 \$'000
<b>Guarantees held for:</b>		
Leasing commitments	1,037	1,086
<b>Total guarantees held</b>	<b>1,037</b>	<b>1,086</b>

There were no other contingencies as at reporting date (FY20: 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 20.

### *Capital commitments*

The parent entity had not committed to any capital commitments at reporting date (FY20: 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.

#### *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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 20 RELATED PARTY DISCLOSURES

#### Controlled Entities

Name	Country of incorporation	Percentage of Equity Interest Held	
		FY21 %	FY20 %
Fone Zone Pty Ltd	Australia	100	100
Communique Holdings Pty Ltd	Australia	100	100
Next Byte Holdings Pty Ltd	Australia	100	100
Vita People Pty Ltd	Australia	100	100
SQD Global Pty Ltd	Australia	100	100
Artisan Aesthetics Group Pty Ltd	Australia	100	100
System 7 Laboratories Pty Ltd	Australia	100	100
Cosmedcloud Pty Ltd	Australia	100	100
<b>Subsidiaries of Fone Zone Pty Ltd:</b>			
The Mobile Phone Shop 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	100
Kan Tel Pty Ltd	Australia	100	100
Sales Comms Pty Ltd	Australia	100	100
<b>Subsidiaries of Communique Holdings Pty Ltd:</b>			
Sprout Corporation Pty Ltd	Australia	100	100
<b>Subsidiaries of Next Byte Holdings Pty Ltd:</b>			
Next Byte Pty Ltd (As trustee for Next Byte Unit Trust)	Australia	100	100
Next Byte Unit Trust	Australia	100	100
<b>Subsidiaries of Artisan Aesthetics Group Pty Ltd:</b>			
VTG CC Pty Ltd	Australia	100	100
VTG Artisan Pty Ltd	Australia	100	100

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

## **20 RELATED PARTY DISCLOSURES (CONTINUED)**

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial guarantees held by the parent on behalf of other Group entities are detailed in Note 19.

Key Management Personnel disclosures for the Group are detailed in Note 28.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

## 21 COMMITMENTS AND CONTINGENCIES

### *Lease commitments - Group as lessee*

The Group has entered into commercial leases for the rental of various items of equipment. These are accounted for as short-term leases and not capitalised under AASB 16 (refer to Note 7 for leases capitalised under AASB 16).

There are no restrictions placed upon the lessee by entering into these leases. On renewal, the terms of the leases are renegotiated. Under the terms of certain computer equipment leases, the Group has the option to acquire the leased assets for their agreed fair value on expiry of the leases.

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

	FY21 \$'000	FY20 \$'000
Within one year	5	63
Later than one year but not later than five years	-	5
<b>Total operating lease commitments</b>	<b>5</b>	<b>68</b>

### *Capital commitments*

Capital expenditure relating to store refits contracted for at the reporting date but not recognised as liabilities amounted to \$nil (FY20: \$853,877).

### *Contingencies*

#### *Contingent liability*

The Group is currently subject to a Goods and Services Tax (GST) audit by the Australian Tax Office (ATO), which is disputing certain input credits claimed by Vita for the period FY16 to the current financial year. The Group has obtained technical advice from independent GST tax advisors and the expert opinion of a GST barrister, and believe the correct amount of GST has been remitted. As such, the Group considers it to be probable that the judgement will be in its favour and therefore has not recognised a provision in relation to this dispute. The potential undiscounted amount of the total payments the Group could be required to make if there was an adverse decision is estimated to be approximately \$4.5m at 30 June 2021 plus interest and penalties if applicable.

#### *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.

	FY21 \$'000	FY20 \$'000
Leasing commitments	1,101	1,132
Other supplier arrangements	15,000	15,000
<b>Total guarantees held</b>	<b>16,101</b>	<b>16,132</b>

## 22 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.

## 23 EARNINGS PER SHARE

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

	FY21 \$'000	FY20 \$'000
<b>Profit/(loss) attributable to the ordinary equity holders of the parent</b>	<b>26,338</b>	<b>22,407</b>
	<b>Thousands</b>	<b>Thousands</b>
Weighted average number of ordinary shares for basic earnings per share	164,819	163,483
<i>Adjustments for calculation of diluted earnings per share:</i>		
Weighted average number of performance rights for diluted earnings per share	1,816	2,056
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>166,635</b>	<b>165,539</b>
Basic earnings per share (cents)	15.98	13.71
Diluted earnings per share (cents)	15.81	13.54

### 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 of 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 of 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.

## 24 CONTRIBUTED EQUITY, RESERVES AND RETAINED EARNINGS

	FY21 \$'000	FY20 \$'000
<b>Contributed equity</b>		
<b>Ordinary shares</b>		
Ordinary shares		
<b>Issued and fully paid</b>	<b>44,651</b>	<b>43,017</b>

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 24 CONTRIBUTED EQUITY, RESERVES AND RETAINED EARNINGS (CONTINUED)

<i>Movements in contributed equity:</i>	Number of shares	\$'000
At 1 July 2019	162,114,719	41,056
<b>Dividend reinvestment plan:</b>		
1,641,804 new shares issued at \$1.1942 per share	1,641,804	1,961
<b>At 30 June 2020</b>	<b>163,756,523</b>	<b>43,017</b>
441,210 performance rights issued as new shares at \$0.6947	441,210	303
459,071 new shares issued at \$1.0487 under dividend reinvestment plan	459,071	481
947,649 new shares issued at \$0.8971 under dividend reinvestment plan	947,649	850
<b>At 30 June 2021</b>	<b>165,604,453</b>	<b>44,651</b>

#### Share-based payments reserve

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

<i>Movements in share-based payments reserve:</i>	FY21 \$'000	FY20 \$'000
At 1 July	1,284	713
Performance rights expense	325	571
Performance rights exercised	(307)	-
Performance rights forfeited	(498)	-
<b>At 30 June</b>	<b>804</b>	<b>1,284</b>

#### Retained earnings

<i>Movements in retained earnings:</i>	FY21 \$'000	FY20 \$'000
Opening balance	81,969	67,457
Adjustment on adoption of AASB 16 (net of tax)	-	(1,410)
<b>Restated at 1 July</b>	<b>81,969</b>	<b>66,047</b>
Net profit for the period	26,338	22,407
Dividends	(13,162)	(6,485)
Performance rights forfeited	498	-
<b>At 30 June</b>	<b>95,643</b>	<b>81,969</b>

#### Capital management

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

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

During FY21, dividends of \$13,161,526 were paid to shareholders (FY20: \$6,484,589).

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 2021 and 2020 were as follows:

	FY21 \$'000	FY20 \$'000
Total borrowings*	7,159	12,722
Less: Cash and cash equivalents and short term investments	(38,208)	(36,813)
<b>Net debt</b>	<b>(31,049)</b>	<b>(24,091)</b>
Total equity	141,098	126,270
<b>Net debt plus equity</b>	<b>110,049</b>	<b>102,179</b>
<b>Net debt / (Net debt plus equity) ratio</b>	<b>(28.2%)</b>	<b>(23.6%)</b>

\* Total borrowings comprise interest bearing loans and borrowings and excludes lease liabilities

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

## 24 CONTRIBUTED EQUITY, RESERVES AND RETAINED EARNINGS (CONTINUED)

### 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.

## 25 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 is settled in equity.

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

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

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

Performance rights issued under the Plan may not be transferred unless approved by the Board. The table below summarises performance rights granted under the plan. No performance rights were exercisable at 30 June 2021 in relation to the FY19 Plan B. However following completion of the FY19 Plan A performance period on 30 June 2020, the Board has assessed the degree of satisfaction of the conditions of the plan and approved the exercising of 441,210 performance rights in August 2020.

#### Number of performance rights

	Opening balance	Granted during the year (a)	Exercised during the year	Forfeited during the year	Closing balance
<b>FY21</b>					
Number of rights outstanding	2,041,441	651,063	(441,210)	(586,856)	1,664,438
	<b>2,041,441</b>	<b>651,063</b>	<b>(441,210)</b>	<b>(586,856)</b>	<b>1,664,438</b>
<b>FY20</b>					
Number of rights outstanding	1,723,197	496,701	-	(178,457)	2,041,441
	<b>1,723,197</b>	<b>496,701</b>	<b>-</b>	<b>(178,457)</b>	<b>2,041,441</b>

(a) Refer to the Key Management Personnel Transactions disclosed in the Remuneration Report for the grant date and fair value at grant date

#### Fair value of performance rights granted

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

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

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

	FY21 \$'000	FY20 \$'000
Executive performance rights	325	571
<b>Total executive performance rights</b>	<b>325</b>	<b>571</b>

#### Recognition and measurement

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 25 SHARE-BASED PAYMENTS (CONTINUED)

#### Recognition and measurement (continued)

The fair value is calculated using an option pricing model and excludes the impact of any non-market vesting conditions (for example earnings per share 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 performance rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if performance rights ultimately exercised are different to that estimated on vesting.

### 26 INCOME TAX

	Notes	FY21 \$'000	FY20 \$'000
The major components of income tax expense are:			
<i>Current income tax:</i>			
Current tax on profits for the year		12,263	10,936
Adjustments for current tax of prior periods		489	(203)
<i>Deferred income tax</i>			
Relating to origination and reversal of temporary differences	13	(2,343)	639
<b>Income tax expense reported in the statement of comprehensive income</b>		<b>10,409</b>	<b>11,372</b>
Income tax expense is attributable to:			
Profit from operations		10,409	11,372
<b>Income tax expense reported in the statement of comprehensive income</b>		<b>10,409</b>	<b>11,372</b>
A reconciliation between tax expense and the profit before income tax multiplied by the Group's applicable income tax rate is as follows:			
<b>Profit before income tax</b>		<b>36,747</b>	<b>33,779</b>
At the Group's statutory income tax rate of 30% (FY20: 30%)		11,024	10,134
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:			
Other items		1,157	1,687
<b>Accounting expenses not deductible for income tax purposes</b>		<b>1,157</b>	<b>1,687</b>
Adjustments for current tax of prior periods		489	(203)
Tax effect of use of capital losses		(1,653)	(548)
Adjustments for deferred tax of prior periods		(608)	302
<b>Aggregate income tax expense</b>		<b>10,409</b>	<b>11,372</b>

Note 13 provides information on deferred tax assets and liabilities.

## 27 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.

	FY21 \$	FY20 \$
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	206,000	206,000
Other assurance services	7,000	7,000
Other services in relation to the entity and any other entity in the consolidated Group:		
Tax compliance and consulting services	149,614	106,000
<b>Total auditor remuneration</b>	<b>362,614</b>	<b>319,000</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

### 28 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
Paul Wilson	Independent Non-Executive Director
Paul Mirabelle	Independent Non-Executive Director

##### (ii) Executives

Andrew Leyden	Chief Financial Officer (resigned 31 October 2020)
Andrew Ryan	Chief Financial Officer (appointed 1 November 2020)
George Southgate	Chief Legal and Risk Officer (appointed 1 November 2020)
Justin Maskey	Chief Technology Officer (appointed 1 November 2020)
Kendra Hammond	Chief People Officer
Peter Connors	Chief Operations Officer
Rebecca McLeod	Chief Strategy and Communications Officer (appointed 1 November 2020)

Additional executive positions were created during the year, forming part of the KMP, with Rebecca McLeod appointed as Chief Strategy and Communications Officer, Justin Maskey appointed as Chief Technology Officer and George Southgate appointed as Chief Legal and Risk Officer. These appointments were effective from 1 November 2020.

#### Compensation of CEO and Executives

	FY21 \$	FY20 \$
Short-term employee benefits	3,473,870	3,956,202
Post-employment benefits	132,684	70,787
Long-term benefits	63,347	(7,827)
Share-based payments	327,025	571,058
Termination benefits	-	220,509
<b>Total compensation</b>	<b>3,996,926</b>	<b>4,810,729</b>

Detailed remuneration disclosures are provided in the Remuneration Report on page 8 to 20.

#### Compensation options: granted during the year

During the financial year no share options were granted as equity compensation benefits (FY20: nil).

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

During the financial year 651,063 performance rights were granted (FY20: 496,701), refer to Note 25 for further information.

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

During the financial year 586,856 performance rights were forfeited (FY20: 178,457), refer to Note 25 for further information.

#### Loans to Key Management Personnel

There were no loans provided to KMP during the financial year (FY20: nil).

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

Details of other transactions with KMP are in Note 20 Related party disclosure.

## **29 SUMMARY OF OTHER ACCOUNTING POLICIES**

### ***Corporate Information***

The financial report of the Group for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of directors on 20 August 2021. The Directors have the power to amend and reissue the financial statements. 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.

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

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

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

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

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

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

Comparative information has been restated where applicable to enhance comparability.

#### ***Going Concern***

The Group had a net profit of \$26.3 million for the year ended 30 June 2021 (FY20: \$22.4 million) and the Group had current liabilities in excess of current assets at 30 June 2021 amounting to \$8.7 million (FY20: \$17.5 million). The net current liability position includes the current portion of contract liabilities of \$1.6 million (FY20: \$0.9 million) which represents deferred income 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 \$24.9 million (FY20: \$19.3 million) (as detailed in Note 15) and forecast net cash inflows from operating activities are sufficient to cover current liabilities of the Group (FY21 actual cash inflows from operating activities: \$46.7 million). The Director's believe the use of the going concern basis of accounting is appropriate and supportable.

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

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

#### ***New Standards adopted***

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2020:

- AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material [AASB 101 and AASB 108]
- AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business [AASB 3]
- AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia [AASB 1054]

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## **29 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)**

### **Basis of preparation (continued)**

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

##### *Early adoption of standards*

The Group has reviewed the Standards and amendments that are not yet effective and has elected not to early adopt in the annual reporting period beginning 1 July 2020. These amendments are not expected to have a significant impact on the current or future periods.

##### *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.

## 29 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:

<i>Note 2</i>	<i>Revenue</i>	<i>Note 9</i>	<i>Business Combinations</i>
<i>Note 6</i>	<i>Plant and Equipment</i>	<i>Note 11</i>	<i>Provisions</i>
<i>Note 7</i>	<i>Leasing</i>	<i>Note 12</i>	<i>Contract and other liabilities</i>
<i>Note 8</i>	<i>Intangible Assets and Goodwill</i>	<i>Note 18</i>	<i>Impairment Testing of Goodwill</i>

### *Coronavirus (COVID-19)*

The impact of the COVID-19 pandemic is ongoing and it is not practical to estimate the potential impact positive or negative after the reporting date.

### *Transition of Telstra branded retail store network*

On 11 February 2021 Telstra announced its intention to transition the Telstra branded retail store network to a full corporate ownership model. Following this announcement, the Group confirmed this means the conclusion of its current dealership agreement with Telstra on 30 June 2025. This has been reflected in the assessment of the recoverable amount of relevant assets (Note 18). Vita and Telstra have since entered discussions to ensure that the transition arrangements are suitable for both parties, shareholders and team members. Vita is working collaboratively with Telstra to finalise these arrangements as soon as possible. In the absence of an agreement being reached, it is the intention of management to continue operations until the conclusion of the agreement on 30 June 2025. As at 30 June 2021 and at the date of signing this report, these discussions remain ongoing and management determined that any potential transaction was not 'highly probable' and as such the Telstra branded retail store network does not qualify as available for sale as at 30 June 2021.

Judgement is required in evaluating whether a particular line of business represents a 'discontinued operation', whether the asset or disposal group is available for immediate sale and whether the sale is highly probable at the reporting date.

In determining if the transaction qualifies as a 'discontinued operation' management considers whether the impacted operations can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the business and whether it represents a separate major line of business or geographical area of operations.

In evaluating whether the asset (or disposal group) is available for immediate sale in its present condition and if a sale is highly probable, management considers:

- if the appropriate level of management is committed to a plan to sell the asset (or disposal group),
- if an active programme to locate a buyer and complete the plan has been initiated by the reporting date,
- if the asset (or disposal group) is actively marketed for sale at a price that is reasonable in relation to its current fair value,
- if a completed sale will result within one year from the date of classification,
- if actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn, and
- the probability of shareholders approval.

### *Derecognition of financial instruments*

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

### *Foreign currency translation*

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

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

##### ***Goods and Services Tax (GST)***

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

##### ***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 23 to 67 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 2021 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 29 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  
20 August 2021



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](mailto:info.qld@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## 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 balance sheet as at 30 June 2021, the consolidated statement of 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 2021 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 (including Independence Standards)* (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.



## 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
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### Revenue Recognition – Note 2

The Group's revenue of \$633,532,000 is the largest item in the Statement of Comprehensive Income.

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.

### Goodwill impairment – Note 8 and 18

As at 30 June 2021, the carrying value of goodwill was \$112,797,000

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.

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

Elements of the value-in-use calculations requiring particular attention, due to the extent of uncertainty in estimates and judgements, include:

- The extent to which future cash flows may be impacted by the ongoing economic impact of COVID 19;
- The extent to which the group may receive cash flows from the Job Keeper stimulus program;
- The Telstra announcement of its intention to transition the Telstra branded retail stores network to a full corporate ownership model which means the conclusion of the Group's current dealer agreement with Telstra on 30 June 2025; and
- The determination of an appropriate risk beta in the calculation of the discount rate to account for potential cash flow uncertainties.

Our procedures included, amongst others:

- Considering the application of the requirements of AASB 136 to the Group's impairment testing methodology and model;
- Assessing the Group's determination of cash generating units (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 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;
- Consulting with our internal valuation expert to assist in the evaluation of the models, inputs and assumptions; and
- Assessing the adequacy of the Group's disclosures in the financial statements in respect of AASB 136 and the requirements therein.

### Telstra branded retail store network – Note 29

In February 2021, Telstra announced its intention to transition the Telstra branded retail store network to a full corporate ownership model which meant the conclusion of the Group's current dealer agreement with Telstra on 30 June 2025.

AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requires non-current assets held for sale be measured at the lower of carrying amount and fair value less costs to sell if management is committed to a plan to sell the disposal group, in its present condition, as at 30 June 2021. AASB 5 also requires the presentation of discontinued operations in such circumstances.

This is a key audit matter due to the material nature of the transition and the judgements required in determining the accounting requirements in accordance with AASB 5 and the impact of classification as held for sale on financial statement presentation.

Our procedures included, amongst others:

- Evaluating management's position paper regarding the transition;
- Assessing management's application of the requirements of AASB 5 in determining the date at which a transaction was highly probable; and
- Assessing the adequacy of the Group's disclosures in the financial statements in respect of AASB 5 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 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

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

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

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

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

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.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 20 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Vita Group Limited, for the year ended 30 June 2021 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.

A stylized, handwritten signature in black ink, appearing to read "Grant Thornton".

Grant Thornton Audit Pty Ltd  
Chartered Accountants

A stylized, handwritten signature in black ink, appearing to read "A F Newman".

A F Newman  
Partner – Audit & Assurance  
Brisbane, 20 August 2021

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 2021.

**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	1,121	586,437	0.35%
1,001 - 5,000	1,456	4,231,156	2.55%
5,001 - 10,000	723	5,762,803	3.48%
10,001 - 100,000	1,056	31,250,159	18.87%
100,001 and over	121	123,773,898	74.74%
	<b>4,477</b>	<b>165,604,453</b>	<b>99.99%</b>

**Shareholdings of less than a marketable parcel**

Holdings of less than 500 shares	539	120,200	0.07%
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**B. Twenty largest holders of quoted equity securities**

Ordinary Shareholders	Fully paid	
	Number	Percentage
CITICORP NOMINEES PTY LTD	22,920,862	13.84%
FZIC PTY LTD <MCMAHON FAMILY A/C>	19,678,707	11.88%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,586,046	11.22%
JP MORGAN NOMINEES AUSTRALIA LIMITED	13,493,155	8.15%
MCMAHON SUPERANNUATION PTY LTD <MCMAHON SUPER FUND A/C>	7,120,014	4.30%
MISS MAXINE JOAN HORNE	2,765,773	1.67%
NATIONAL NOMINEES LIMITED	2,519,828	1.52%
BNP PARIBAS NOMS PTY LTD <DRP>	2,506,267	1.51%
NGE CAPITAL LIMITED	2,410,136	1.46%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,597,487	0.96%
BISHOP FAMILY COMPANY PTY LTD <BISHOP FAMILY A/C>	1,330,212	0.80%
SANDHURST TRUSTEES LTD <CYAN C3G FUND A/C>	1,316,550	0.79%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,242,815	0.75%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,204,360	0.73%
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	897,747	0.54%
MRS VESNA KRAUS	882,085	0.53%
DOOHAN SUPERANNUATION PTY LTD <MICHAEL DOOHAN S/F A/C>	826,000	0.50%
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	614,676	0.37%
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	584,360	0.35%
WORKING DOG INVESTMENTS PTY LTD <WORKING DOG SUPER FUND A/C>	558,280	0.34%
	<b>103,055,360</b>	<b>62.21%</b>

**C. Substantial Shareholders**

The number of shares held by substantial Shareholders and their associates as disclosed in substantial shareholding notices given to the company as at August 2021 were:

	Fully paid	
	Number held	Percentage
<b>Ordinary Shareholders</b>		
MAXINE HORNE	29,673,966	17.92%
SPHERIA ASSET MANAGEMENT PTY LTD	20,807,502	12.56%
RYDER CAPITAL	8,390,500	5.07%
<b>TOTAL</b>	<b>58,871,968</b>	<b>35.55%</b>