

## ASX ANNOUNCEMENT



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

20 October 2022

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

### ELECTRONIC LODGEMENT

Dear Sir or Madam

#### **Vita Group Limited (ASX: VTG) – 2022 Annual Report**

In accordance with the Listing Rules, please find attached Vita Group's 2022 Annual Report for release to the market.

This announcement has been authorised for lodgement by Vita's Chairman.

Yours sincerely

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

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

#### **Further enquiries:**

Andrew Ryan  
Chief Financial Officer  
Mob: 0417 644 756

George Southgate  
Chief Legal and Risk Officer / Company Secretary  
Mob: 0412 514 030



# ANNUAL REPORT

Approved for release by Vita's Chairman 2022



# CORPORATE DIRECTORY

CORPORATE GOVERNANCE AND INFORMATION  
ABN 62 113 178 519

The annual report for Vita Group Limited and its controlled entities (referred to hereafter as the Group) is presented in Australian dollars, being the Group's functional and presentation currency. Vita Group's corporate governance policies and practices are publicly available in the corporate governance charter on the Group's website at <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.

## **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:

Paul Mirabelle, Independent Non-Executive Chairman  
Dick Simpson, Independent Non-Executive Chairman (resigned 26 November 2021)  
Maxine Horne, Non-Executive Director  
Neil Osborne, Independent Non-Executive Director (resigned 26 November 2021)  
Paul Wilson, Independent Non-Executive Director  
Peter Connors, Chief Executive Officer (appointed 12 November 2021)

## **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 3709 1444  
Website: [www.vitagroup.com.au](http://www.vitagroup.com.au)

## **Share Registry**

Computershare Investor Services Pty Limited  
Level 1, 200 Mary street  
Brisbane QLD  
Australia  
Telephone: 1300 552 270 (Toll-free within Australia)  
Telephone: +61 7 3237 2100  
Facsimile: fff+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

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Vita Group Limited is committed to doing its part for the environment.  
As such, printed copies are delivered only to shareholders who have  
elected to receive a printed copy.

# CHAIRMAN'S LETTER

FY22 was an extraordinary and transformational year for Vita Group (Vita). Vita continued to navigate COVID-19 related impacts on the business, finalised the divestment of its ICT business, including its Sprout accessories business, and significantly progressed the development and evolution of Artisan's business model.

Revenues from continuing operations for the year ended 30 June 2022 were \$24.6 million, a 13 per cent decrease on prior year. EBITDA<sup>1</sup> from continuing operations was a loss of \$8.8 million. After excluding business stand-up costs incurred in the period, legacy ICT<sup>2</sup> insurance requirements<sup>3</sup>, and non-recurring items<sup>4</sup>, underlying EBITDA was a loss of \$8.4 million. Group NPAT<sup>5</sup> was a loss of \$7.4 million, which included NPAT from discontinued operations of \$1.2 million. NPAT from discontinued operations included a gain on sale of the ICT business of \$2.2 million.

In addition to the FY21 fully franked final dividend of \$4.0 million, equating to \$0.024 cents per share, fully franked Special Dividends in the amount of \$86 million was paid to eligible shareholders in two tranches, the first on 26 November 2021 (First Tranche), being \$64.6 million equating to \$0.39 cents per share, and the second on 13 May 2022 (Final Tranche), being \$22 million equating to \$0.133 cents per share.

Following the divestment of the ICT business, and with management focused solely on the Artisan business, the team significantly progressed the development and evolution of Artisan's business model, maintaining its priority on growing Artisan organically and sustainably.

Realising Artisan's growth ambitions requires continued investment in the Artisan brand and delivery of Artisan's brand promise: Master the Artistry of You<sup>®</sup>. To achieve this consistently, Vita has continued with its brand standardisation program, whilst concurrently developing and implementing operational frameworks that are intended to support an evolved, repeatable, and scalable business model.

Vita is encouraged by early positive indications from the implementation of Artisan's organic growth programs within its evolved business model. In an environment of continued uncertainty, Vita believes it is prudent to maintain its focus on organic growth via execution of programs within Artisan's evolved business model, whilst increasing marketing investment, to capitalise on available capacity within the existing network.

Paul Mirabelle



1. Earnings before interest, tax, depreciation, and amortisation (including lease occupancy expenses). A pre-AASB 16 measure.  
 2. Information and Communication Technology, includes accessory business Sprout and other related entities.  
 3. Vita is required to maintain certain insurance policies commensurate with the size and scale of the business at the time of divestment of its ICT business.  
 4. Includes gain on contingent consideration and redundancy and restructure costs.  
 5. Net profit / (loss) after tax.

# FY22 OVERVIEW

## CONTINUING OPERATIONS

Revenues \$24.6m

Underlying EBITDA<sup>6</sup> (\$8.4m)

NPAT<sup>7</sup> (\$8.7m)

## DISCONTINUED OPERATIONS

1 July - 12 November 2021

Revenues \$178.3m

NPAT \$1.2m (includes gain on sale of ICT business of \$2.2m)

## GROUP

REVENUES  
\$202.9m

NPAT  
(\$7.4m)

## CASH CONSIDERATION ICT DIVESTMENT

**\$107.4m**

- \$110m cash consideration, less net working capital, net debt-adjustments, and includes tax exit consideration
- Locked box mechanism calculated at 30 September 2021

## DIVIDENDS

### \$90.6m paid to shareholders

- FY21 fully-franked dividend [\$0.024cps | \$4.0m]
- First tranche fully-franked Special Dividend [\$0.39cps | \$64.6m]
- Final tranche fully-franked Special Dividend [\$0.133cps | \$22.0m]
- No FY22 final dividend in order to utilise Vita's current cash position to invest in the Artisan business

## Corporate Governance Statement

<https://vitagroup.com.au/shareholders/corporate-governance/>

6. Earnings before interest, tax, depreciation, and amortisation (including lease occupancy expenses).  
A pre-AASB 16 measure. Excludes business stand-up costs, legacy ICT insurance requirements, gain on contingent consideration, and redundancy and restructure costs.

7. Net profit / (loss) after tax

# ABOUT VITA GROUP

Our purpose articulates why we exist: **To enhance our clients' lives through expert consulting, creating value across everything we do. Throughout the history of Vita Group, our core competency has always been consulting to deliver value for all.**

These elements of our strategy together enable our team to achieve our vision, which is to make Vita Group a Great Place to Be.

We have three pillars of growth that describe our operational priorities in our business.

In order of priority, they are:

1. Organically grow Artisan
2. Expand Artisan's footprint
3. Explore new opportunities

We create high performing teams and we enable them through innovative systems, products, and processes. This is about the engine of our business: our people. We know that success comes from building highly capable teams, and supporting those teams with the right mechanics (systems, tools, and operating processes), and the right dynamics (agreed behaviour frameworks, strong professional relationships, and genuine conversations).

We execute through our CARE (Clients are really everything) framework: where every thought and action matters. Everything we do is executed across our business through:

- Planning, coaching, and development;
- Personalised service (i.e. consulting); and
- Engagement with our internal and external communities



OUR BRAND PROMISE





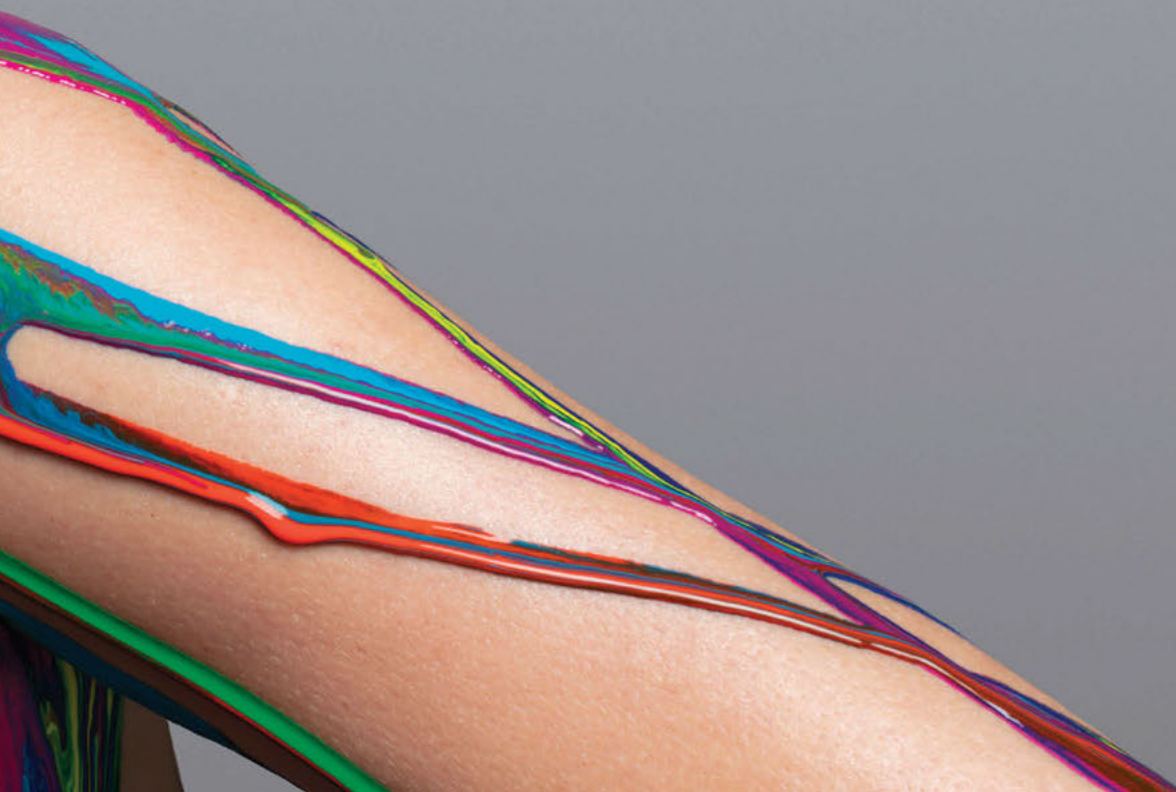
# ARTISAN AESTHETIC CLINICS

Our brand promise

## MASTER THE ARTISTRY OF YOU.®

Real beauty is a form of artistry achieved by feeling truly confident in who you are. Combining artistry with experience, we provide a truly tailored and safe experience, working with you to achieve the very best results. Guided by expert hands in a bespoke and caring environment, we empower you to look and feel your confident best. We Master the Artistry of You®.

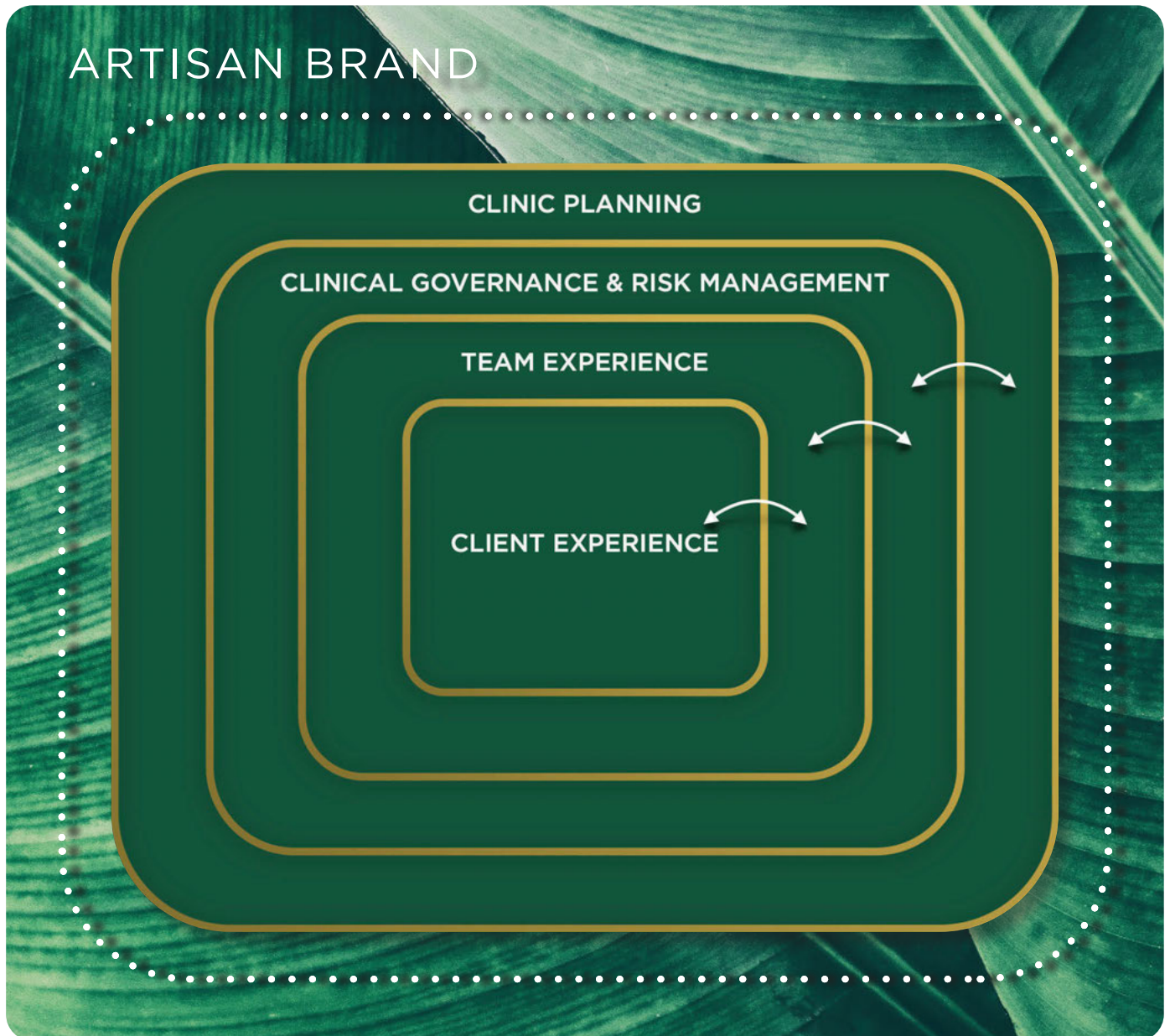
This statement is a collective aspiration, where every modality, to the extent that they are relevant or appropriate, and the collective wisdom of our clinic teams is on offer in every single interaction we have with our clients.

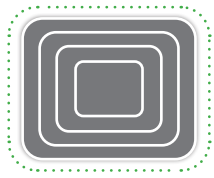




# THE EVOLVED ARTISAN BUSINESS MODEL

In order to deliver Artisan's brand promise consistently, meeting the varying needs of clients, Vita has continued with its ongoing brand standardisation and optimisation program, whilst concurrently developing and implementing operational frameworks that are intended to support an evolved, repeatable and scalable business model.





# BRAND STANDARDISATION AND OPTIMISATION

Vita continued to standardise Artisan's pricing, modality, and product offering. The clinic network was optimised to 18 clinics by the consolidation of two non-branded clinics on the Gold Coast into one new larger Artisan-branded clinic in June 2022, as well as the consolidation of two close proximity Artisan branded clinics in July 2022, with consolidation costs accounted for in June 2022.



ARTISAN ROBINA  
CLIENT LOUNGE



ARTISAN ROBINA  
FRONT DESK



ARTISAN ROBINA  
TREATMENT ROOM

OUR CLIENTS  
ARE LOVING  
THE ARTISAN  
EXPERIENCE



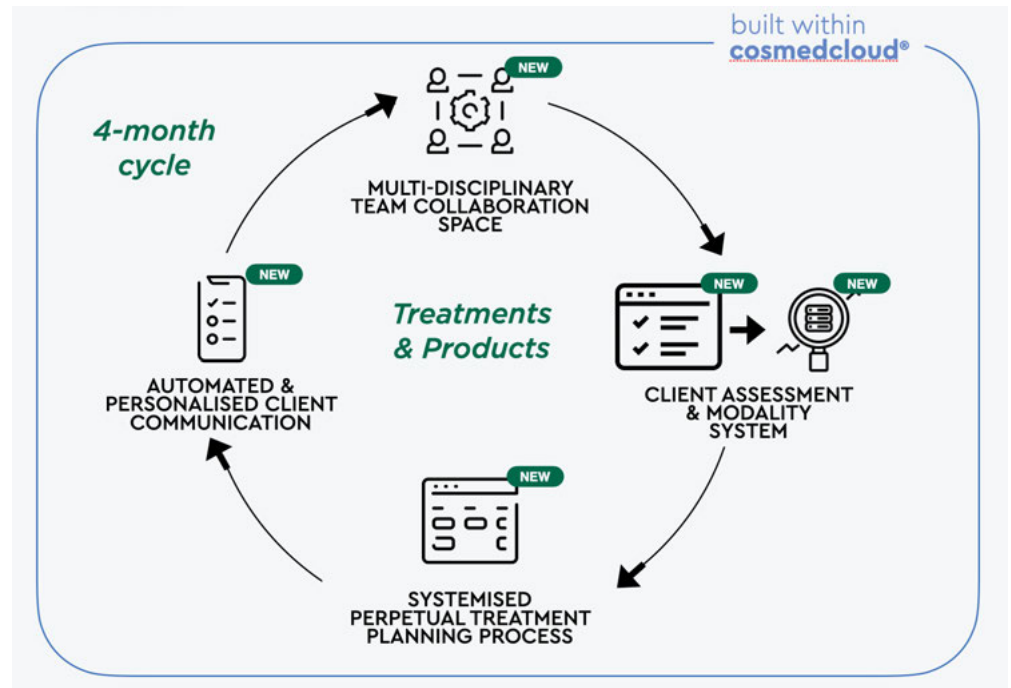
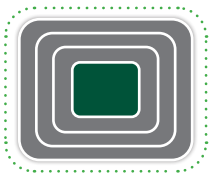
Chantelle  
CLINIC DEVELOPMENT MANAGER  
ARTISAN ROBINA

The ongoing process of standardisation enables:

1. Focus on the promotion and strengthening of the Artisan brand
2. The development of operational frameworks within the evolving business model
3. Efficiencies in operations and partner engagement
4. Consistency in client and team experience, who may visit or work across multiple locations







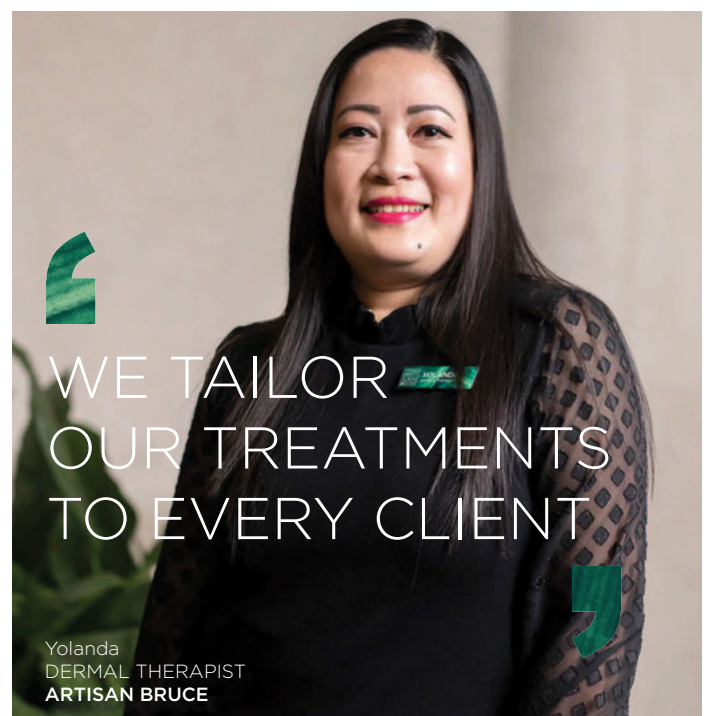
# IN-CLINIC CLIENT EXPERIENCE

Across all but one clinic, Vita has been working to develop, systemise, and embed an evolved in-clinic client experience process built within its proprietary software cosmedcloud®. This new process was progressively rolled out from late April to June, following a test and learn pilot.

This process includes:

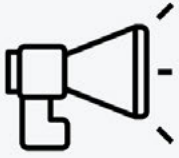
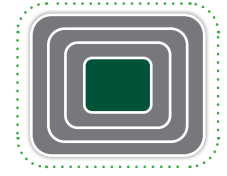
- a multi-disciplinary team collaboration space, enabling both in-clinic and cross-clinic collaboration on treatment optionality, for the benefit of clients
- a client assessment and modality system, which enables client goal alignment and ease of clinician modality selection
- a systemised, perpetual treatment planning process, enabling clinicians to build individualised and calendarised plans in partnership with their clients; and
- an automated and personalised client treatment plan communication with embedded online booking functionality and modality information links

This process is intended to repeat approximately every four months, ensuring that Artisan's clients have a continuous value-building journey – no matter which clinic or clinician they see.





# OUTSIDE-OF-CLINIC CLIENT EXPERIENCE



## STRENGTHENED MARKETING

- Local events
- Social presence
- Referral initiatives
- Loyalty programs



## MARKETING AUTOMATION

- Launched in late August '22
- Systemise tailored and personalised client digital journeys and offering
- Tailored via integration with [cosmedcloud®](#)



## CONCIERGE HUB

- Launched in June '22
- Centralised function
  - initially managing new client social media leads
  - will increasingly support client re-engagement activities

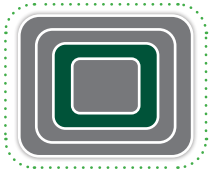
Within Artisan's outside of clinic client experience program, Vita has continued to invest in and strengthen Artisan's marketing campaigns, which include local events, focus on social presence, referral initiatives and loyalty program, as well as develop marketing automation, with the initial phase recently launched in late August 2022. This program will progressively systemise the way personalised client digital journeys

and offerings are professionally managed and tailored, integrated with cosmedcloud.

Additionally, in June 2022, Vita launched Artisan's Concierge Hub, a centralised function, initially managing new client social media leads with plans to also support client reengagement activities, allowing Artisan's clinic teams to focus on the in-clinic client experience.



Dr Chloe  
TREATING DOCTOR  
ARTISAN GASWORKS



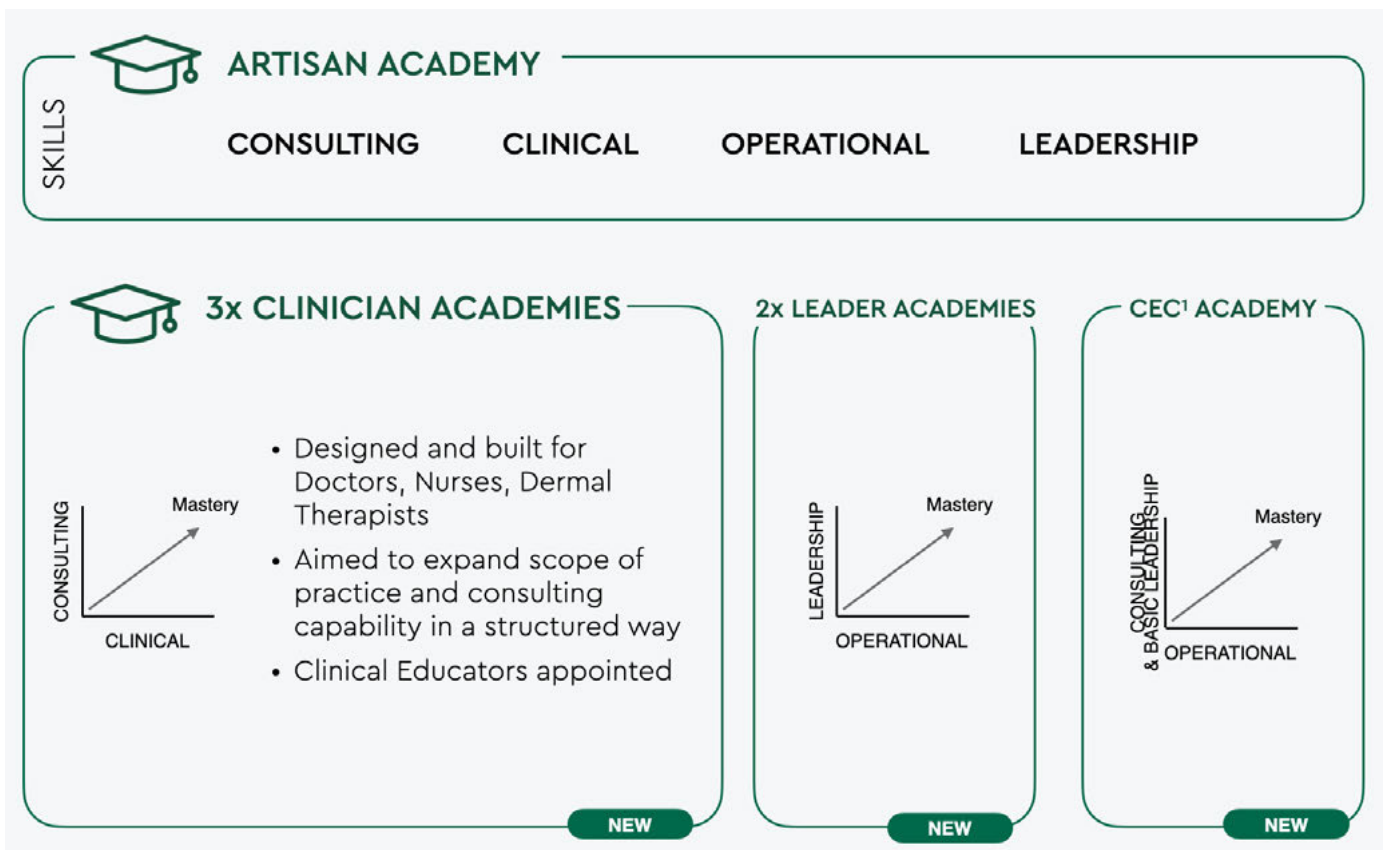
# TEAM MEMBER EXPERIENCE

The Artisan team member experience includes a capability development pathway for repeatable roles, which we call the Artisan Academies.

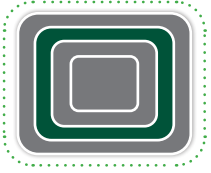
Within the Academy program, Vita has developed Clinical Academies, designed for Doctors, Nurses, and Dermal Therapists. These academies aim to progress team members to mastery by expanding their scope of practice and consulting capability in a structured way.

To help facilitate each clinician's progression, an internal team of Clinical Educators was appointed, each a highly skilled and practicing clinician, geographically dispersed within Artisan's clinic network.

Vita has also been developing Operational Academies, designed for Artisan's Area Managers, Clinic Development Managers, and Client Experience Consultants.

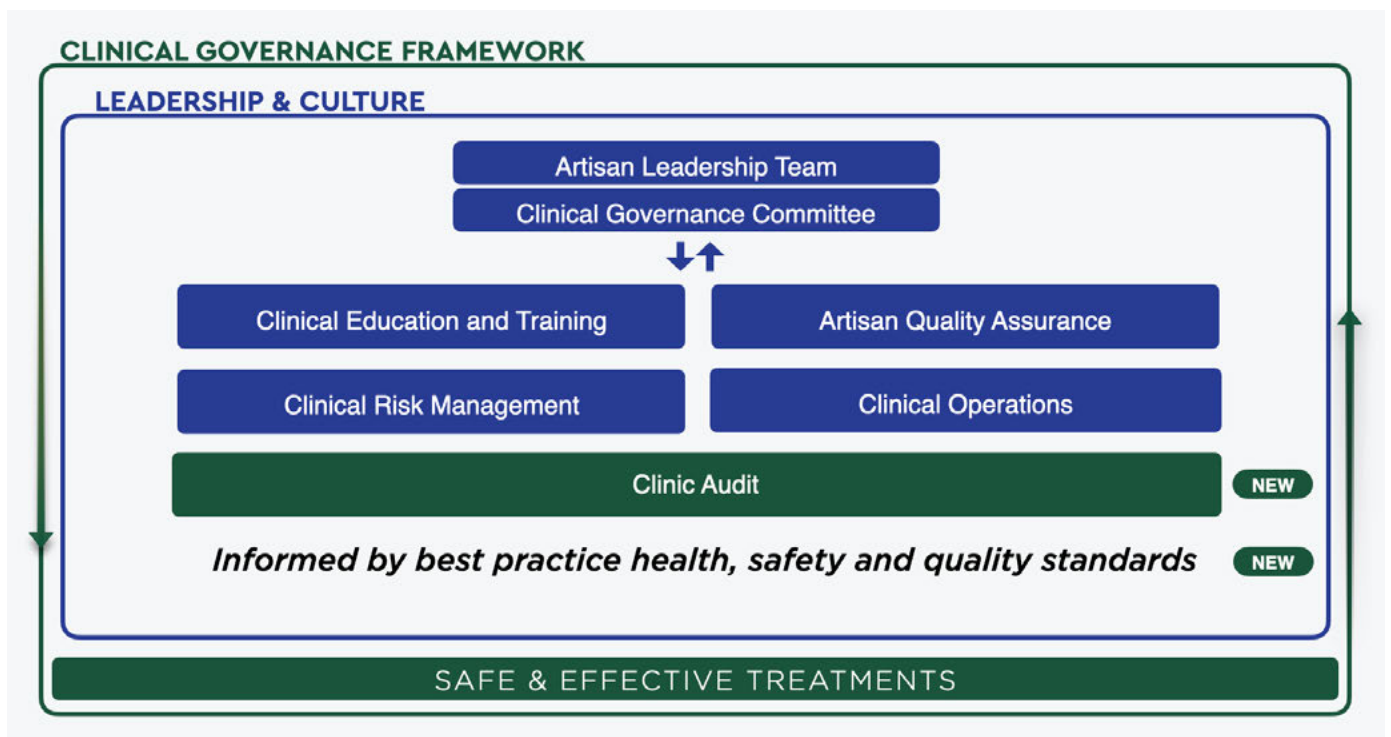






# CLINICAL GOVERNANCE AND RISK MANAGEMENT

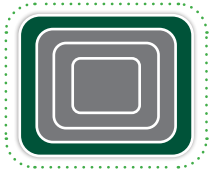
Vita has enhanced Artisan's clinical governance and risk management frameworks, including developing bespoke quality and safety standards and a clinic audit program tailored specifically for the aesthetic industry, informed by the National Safety and Quality Primary and Community Standards and the Royal Australian College of General Practitioners Accreditation Healthcare Standards. Artisan's enhanced frameworks will continue to support clinicians to provide treatments safely and effectively.



OUR CLIENTS CAN  
BE CONFIDENT  
THEY ARE ALWAYS  
IN SAFE HANDS  
AT ARTISAN

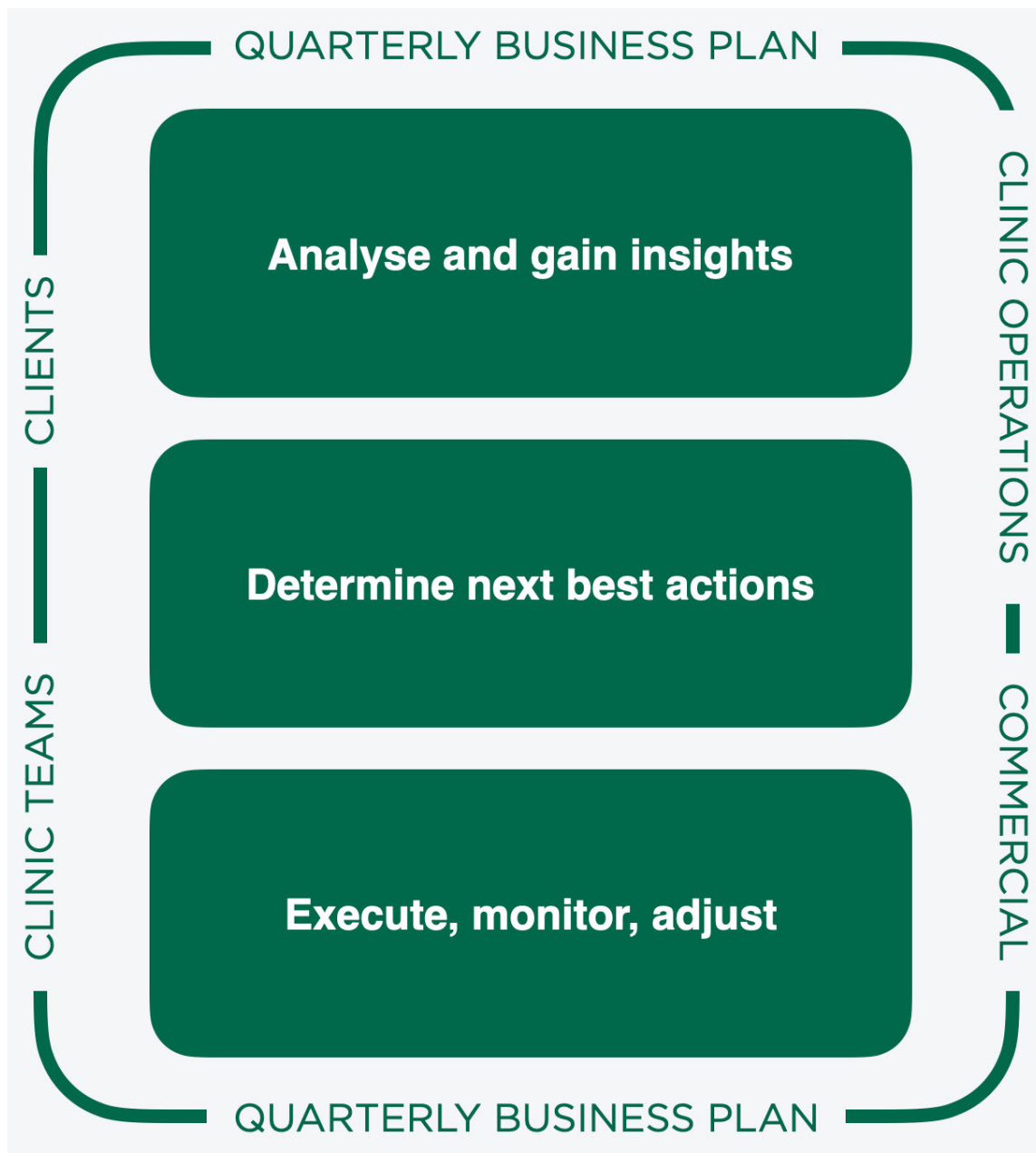


Dr. Andreas Fox  
MEDICAL DIRECTOR  
ARTISAN



# CLINIC-LEVEL PLANNING

The final element of Artisan's business model is Clinic-Level Planning. Within this program, Vita has leveraged proprietary software and intellectual property retained from Vita's ICT business.



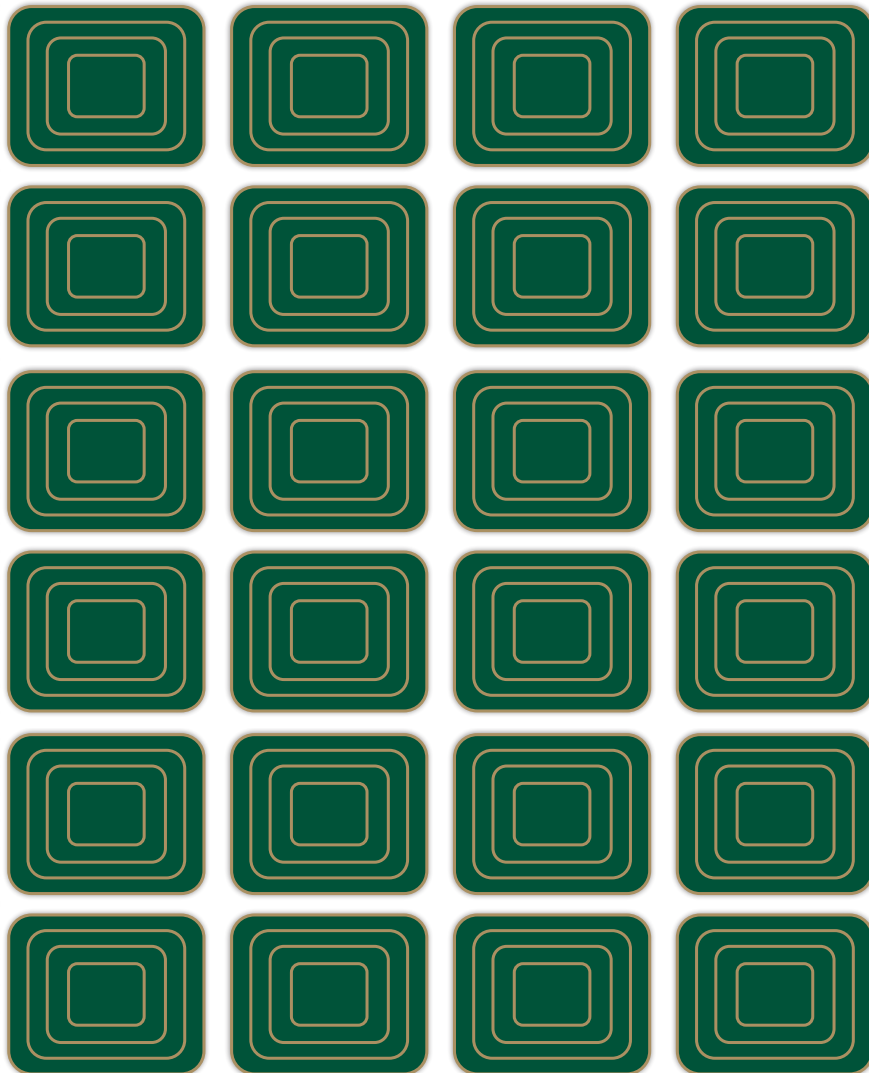
# EVOLVED BUSINESS MODEL

Repeatable and scalable frameworks applied at a clinic level within a standardised brand environment, enabling organic growth, best practice benchmarking, and clinic network expansion.

Artisan's evolved business model incorporates systematic, repeatable and scalable programs and frameworks, applied within a standardised brand environment, that are intended to enable organic growth, best practice benchmarking, and facilitate future clinic network expansion.

## ARTISAN BRAND

Business model applied within each clinic





“ I LOVE HELPING  
MY TEAM GROW  
BOTH PERSONALLY  
& PROFESSIONALLY ”





**Vita Group Limited**

**ABN 62 113 178 519**

**Financial Report**

**for the year ended 30 June 2022**



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## CORPORATE GOVERNANCE AND INFORMATION

ABN 62 113 178 519

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A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Report on page 5 to 8.

### 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:

Paul Mirabelle, Independent Non-Executive Chairman  
Dick Simpson, Independent Non-Executive Chairman (resigned 26 November 2021)  
Maxine Horne, Non-Executive Director  
Neil Osborne, Independent Non-Executive Director (resigned 26 November 2021)  
Paul Wilson, Independent Non-Executive Director  
Peter Connors, Chief Executive Officer (appointed 12 November 2021)

### 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 3709 1444  
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 2022

---

Your Directors submit their report for the year ended 30 June 2022.

### 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:

Paul Mirabelle, Independent Non-Executive Chairman  
Dick Simpson, Independent Non-Executive Chairman (resigned 26 November 2021)  
Maxine Horne, Non-Executive Director  
Neil Osborne, Independent Non-Executive Director (resigned 26 November 2021)  
Paul Wilson, Independent Non-Executive Director  
Peter Connors, Chief Executive Officer (appointed 12 November 2021)

Maxine Horne resigned as Chief Executive Officer and Managing Director on 12 November 2021 and was appointed Non-Executive Director on 12 November 2021.

Paul Mirabelle was Independent Non-Executive Director for the full term and appointed Independent Non-Executive Chairman on 26 November 2021.

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

#### **Peter Connors** **Chief Executive Officer**

Peter Connors became Chief Executive Officer on 12 November 2021 following the divestment of Vita's Retail ICT businesses, including Sprout Accessories. As CEO, Peter leads Vita Group's leadership team and is responsible for the strategic direction of the business.

Peter joined Vita Group in 2008 and previously held the role of Chief Operating Officer. In that role Peter led the ICT businesses (retail, SMB, and enterprise) and Sprout Accessories divisions, which at the time was one of Australia's largest independent ICT businesses.

Prior to joining Vita Group, Peter held various general management roles in large manufacturing and product development organisations within ASSA ABLOY Australia, EGR, and GWA Caroma.

Peter holds a Bachelor of Commerce from the University of Melbourne, and is a graduate of the Australian Institute of Company Directors.

#### **Paul Mirabelle** **Independent Non-Executive Chairman**

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 is a Non-Executive Director of Healthshare Pty Ltd, Greencross 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 was Chairman of the Remuneration and Nomination Committee until 12 November 2021.

## **DIRECTORS' REPORT**

30 JUNE 2022 (CONTINUED)

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### **DIRECTORS (CONTINUED)**

#### **Paul Wilson Independent 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 (ASX: SDR); Director of Straker Translations (ASX: STG) 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, is a member of the Remuneration and Nomination Committee, and is Chair of the Audit, Compliance and Risk Committee.

#### **Maxine Horne Non-Executive Director**

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

After founding Fone Zone (now 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 led the leadership team and was responsible for the strategic direction of the Group, including operational leadership of the company's skin-health and wellness channel until 12 November 2021 when she stepped down as CEO and Managing Director and was appointed as a Non-Executive Director and Chair of the Remuneration and Nomination Committee.

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.

In November 2021, after stepping down as Vita Group CEO, Maxine became a Non-Executive Director of the Group, is a member of the Audit, Compliance and Risk Committee, and is Chair of the Remuneration and Nominations Committee.

## DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

### DIRECTORS' MEETINGS

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

The members of each Committee during the year were:

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

(a) = Paul Wilson was appointed Chair on 26 November 2021

(b) = Maxine Horne was appointed Chair on 12 November 2021

(c) = Maxine Horne was appointed as a member on the 26 November 2021

(d) = Dick Simpson and Neil Osborne ceased their membership of the Audit, Compliance and Risk Committee and the Remuneration and Nominations Committee following their retirement from the Board on 26 November 2021.

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

<b>Name</b>	<b>Vita Group Board</b>		<b>Audit, Compliance &amp; Risk Committee</b>		<b>Remuneration &amp; Nomination Committee</b>	
	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>	<b>A</b>	<b>B</b>
Dick Simpson	23	23	2	2	1	1
Maxine Horne	39	37	2	2	2	2
Neil Osborne	23	22	2	2	1	1
Paul Wilson	39	37	4	4	3	3
Paul Mirabelle	39	39	4	4	3	3
Peter Connors	20	19	*	*	*	*

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 GAICD AGIA ACG** **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 22 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 a Graduate of the Australian Institute of Company Directors and an Associate Member of the Australian Governance Institute of Australia.

## DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

### DIVIDENDS

	Cents	\$'000
Final dividend for the year ended 30 June 2021 - on ordinary shares	2.4	3,975
First tranche of Special dividend - on ordinary shares	39.0	64,586
Second tranche of Special dividend - on ordinary shares	13.3	22,024
		<b>90,585</b>

Since the end of the financial year, the Directors determined not to pay a final ordinary dividend in relation to FY22 (FY21: \$3,974,507).

### 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 included 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. The Telstra ICT business was divested during the period with completion occurring on 12 November 2021.

### OPERATING AND FINANCIAL REVIEW

#### Group results

The Group reported revenues from continuing operations of \$24.6 million for the year ended 30 June 2022, a 13 per cent decrease on prior year. EBITDA<sup>1</sup> from continuing operations was a loss of \$8.8 million. After excluding business stand-up costs incurred in the period, legacy ICT<sup>2</sup> insurance requirements<sup>3</sup> and non-recurring items<sup>4</sup>, underlying EBITDA was a loss of \$8.4 million. Group NPAT<sup>5</sup> was a loss of \$7.4 million, which included NPAT from discontinued operations of \$1.2 million. NPAT from discontinued operations included a gain on sale of the ICT business of \$2.2 million.

A reconciliation of underlying EBITDA (including lease occupancy expense) to the reported profit/(loss) before tax in the consolidated statement of comprehensive income is tabled below:

	2022 \$M	2021 \$M
<b>Profit/(loss) before tax from continuing operations</b>	<b>(12.6)</b>	<b>(11.9)</b>
Add: net finance costs	0.6	0.9
Less: AASB 16 lease interest	(0.4)	(0.5)
Add: depreciation and amortisation	6.0	8.2
Less: AASB 16 lease depreciation (excluding lease make good depreciation)	(2.4)	(3.5)
<b>EBITDA (including lease occupancy expense)</b>	<b>(8.8)</b>	<b>(6.8)</b>
Less: JobKeeper subsidies (net of top-ups)	-	(1.7)
Less: non-recurring items	(0.4)	0.5
Add: business stand-up and ICT legacy costs	0.8	-
<b>Underlying EBITDA (including lease occupancy expense)</b>	<b>(8.4)</b>	<b>(8.0)</b>

#### Year in review

The Artisan business was challenged by COVID-19 related impacts including clinic closures and lockdowns, client and team member vaccination policies and requirements, team member health-related absenteeism, plus increased levels of client cancellations and rescheduling. Artisan also experienced annualised impacts resulting from higher than expected turnover, including some founders from acquired clinics. Severe weather events and flood related issues in Queensland and New South Wales also impacted the business.

Significant resources were devoted to the divestment of Vita's ICT business to Telstra Corporation Limited (completed in November 2021), and then to transitional services, establishing an ERP for the Artisan business, and associated business processes throughout the balance of the year. Following the divestment, with management focused on the Artisan business, the team significantly progressed the development and evolution of Artisan's business model.

## DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Year in review (continued)

Realising Artisan's growth ambitions requires continued investment in the Artisan brand and delivery of Artisan's brand promise - *Master the Artistry of You*®. To achieve this consistently, Vita has continued with its brand standardisation program, whilst concurrently developing and implementing operational frameworks that support an evolved, repeatable, and scalable business model. Progress on key elements of Artisan's evolved business model include:

Progress on Organic Growth Programs	
<b>Brand Standardisation and Optimisation</b>	<ul style="list-style-type: none"><li>• Continued to standardise pricing, modality, and product offering</li><li>• Optimised network size to 18 clinics via consolidation of two non-branded clinics into a new larger Artisan branded clinic on the Gold Coast in June '22, and consolidation of two close proximity Artisan clinics into one clinic in July '22, with consolidation costs accounted for in June '22</li></ul>
<b>Client Experience</b>	<ul style="list-style-type: none"><li>• Developed and embedded into proprietary software cosmedcloud® (into all but one clinic):<ul style="list-style-type: none"><li>◦ Multi-disciplinary team collaboration space</li><li>◦ Client assessment and modality system</li><li>◦ Systemised and perpetual treatment planning process</li><li>◦ Automated personalised client treatment plan communication process</li></ul></li><li>• Strengthened marketing initiatives</li><li>• Developed marketing automation to create personalised client digital journeys</li><li>• Launched centralised management of client social media leads</li></ul>
<b>Team Member Experience</b>	<ul style="list-style-type: none"><li>• Developed Clinical Academies for Doctors, Nurses, and Dermal Therapists, aiming to progress team members' expertise by expanding their scope of practice and consulting capability</li><li>• Developed three Artisan Operational Academies for Clinic Development Managers, Client Experience Consultants and Area Managers, with each Academy aiming to progress team members to mastery by expanding their operational and leadership skills</li></ul>
<b>Clinical Governance and Risk Management</b>	<ul style="list-style-type: none"><li>• Continued work on enhanced clinical governance and risk management frameworks</li><li>• Developed Artisan quality and safety standards and clinic audit program, informed by the National Safety and Quality Primary and Community Healthcare Standards and the Royal Australian College of General Practitioners Standards for general practices</li></ul>
<b>Clinic Planning</b>	<ul style="list-style-type: none"><li>• Leveraged proprietary software and intellectual property retained from Vita's ICT business</li></ul>

It is intended that Artisan's evolved business model will enable organic growth, assist with best practice benchmarking, and facilitate future clinic network expansion.

Vita ended the period with net cash of \$16.4 million. Operating cash outflows from continuing operations after tax were \$8.8 million. Investing cash outflows included \$2.2 million of capital expenditure for Artisan branded fit-outs and the purchase of clinic equipment, and \$2.0 million placed as a security term deposit. Net financing cash outflows were \$91.1 million, reflecting lease payments of \$3.6 million, net debt drawdowns of \$0.2 million, and dividends paid of \$90.6 million offset by proceeds received from the dividend reinvestment plan of \$2.9 million. Net cash inflows from discontinued operations including the proceeds from sale amounted to \$84.0 million.

#### Dividends

The Board has determined not to pay a final dividend for FY22, electing to utilise Vita's current cash position for ongoing investment in the Artisan business.

# DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Outlook

Despite the headwinds experienced, Vita is encouraged by early positive indications from the implementation of Artisan's growth programs within its evolved business model. These include:

<b>New Clients</b>	<ul style="list-style-type: none"><li>On a like-for-like social media campaign basis, the centralised new client lead program is delivering up to 2x the conversion rate compared to those leads managed in-clinic</li></ul>
<b>Client Retention</b>	<ul style="list-style-type: none"><li>Since late April '22, total future bookings from clinics in the enhanced client experience program has collectively seen an approximately 25% increase. Bookings in Artisan's single clinic not on the program have remained stable</li><li>Approximately 59% of clients visiting clinics in the enhanced client experience program during the week beginning 22 August '22 had a systemised treatment plan</li><li>Clients with a systemised treatment plan<sup>6</sup> have approximately 20% higher rebooking rates than those without</li></ul>
<b>Client Visits</b>	<ul style="list-style-type: none"><li>Whilst it is too early to ascertain the proportion of increased total future bookings that will lead to incremental client visits, due to factors such as ongoing COVID-19 impacts including unclear seasonality, Vita has observed a positive trend in weekly client visits<sup>7</sup></li></ul>

In an environment of continued uncertainty, Vita believes it is prudent to maintain its focus on organic growth via execution of programs within Artisan's evolved business model, whilst increasing marketing investment, to capitalise on available capacity within the existing clinic network. Once Vita is satisfied that Artisan is consistently delivering on its organic growth expectations, it plans to recommence expansion of the Artisan branded clinic network (currently 18 clinics, including 4 non-Artisan branded clinics).

As Vita invests in roles that directly support revenue generation, it will continue to review clinic operations<sup>8</sup> and indirect support overhead<sup>9</sup> efficiencies. Indirect support overhead efficiency initiatives taken during FY22 and early FY23 are expected to contribute a reduction of approximately \$2.2 million annualised net employment savings, excluding restructure costs.

While Artisan's evolved business model has delivered early positive indications, significant work remains to realise outcomes from best practice execution. Subject to successful execution of growth programs and reduced headwinds, Vita is targeting monthly underlying EBITDA<sup>10</sup> from continuing operations to break-even during FY24.

<sup>1</sup> Earnings before interest, tax, depreciation, and amortisation (including lease occupancy expenses). A pre-AASB-16 measure.

<sup>2</sup> Information and communication technology, includes accessory business Sprout and other related entities

<sup>3</sup> The Group is required to maintain certain insurance policies commensurate with the size and scale of the business at the time of divestment of its ICT business.

<sup>4</sup> Includes gains on contingent consideration and redundancy and restructure costs.

<sup>5</sup> Net profit/(loss) after tax.

<sup>6</sup> Based on rolling 3-month cohorts of clients, between March 2022 and July 2022.

<sup>7</sup> Based on rolling 4-week visits per trading day, since April 2022, excluding single clinic not in program.

<sup>8</sup> Includes clinic and clinic teams, field management, clinical educators, concierge hub, and telehealth.

<sup>9</sup> Includes Senior Management, Legal & Risk, Information Technology, Finance & Property, People & Culture, and Operations functions, and Marketing team.

<sup>10</sup> Excludes estimated annual incremental costs associated with legacy ICT insurance and head office lease obligations.

### Shareholder Returns

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

	FY22	FY21
Basic earnings per share (cents)	(4.44)	15.98
Net debt / (net debt plus equity)*	(67.5%)	(28.2%)

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

The share price at 30 June 2022 was \$0.19 (FY21: \$0.95)

## DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Review of Financial Condition

The consolidated statement of cash flows shows an operating cash flow from continuing operations of (\$8.8) million, compared to the previous year of (\$2.6 million). Cash and cash equivalents at 30 June 2022 were \$18.0 million, compared to \$38.2 million at the end of the previous year.

#### Profile of debts

	FY22 \$'000	FY21 \$'000
<b>Current</b>		
Obligations under chattel mortgage	1,315	3,185
Term debt	-	3,056
<b>Total current debt</b>	<b>1,315</b>	<b>6,241</b>
<b>Non-current</b>		
Obligations under chattel mortgage	275	481
Term debt	-	437
<b>Total non-current debt</b>	<b>275</b>	<b>918</b>
<b>Total debt</b>	<b>1,590</b>	<b>7,159</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 (67.5%) to be within acceptable limits.

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

#### SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no 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 2022 (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 2022.

### 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 2022 were:

Key Management Personnel	Position
<b>Directors</b>	
Paul Mirabelle (appointed 26 November 2021)	Chairman (Independent Non-Executive Chairman)
Peter Connors (appointed 12 November 2021)	Chief Executive Officer and Managing Director
Maxine Horne (appointed 12 November 2021)	Director (Non-Executive)
Maxine Horne (resigned 12 November 2021)	Chief Executive Officer and Managing Director
Paul Wilson	Director (Independent Non-Executive)
Neil Osborne (resigned 26 November 2021)	Director (Independent Non-Executive)
Dick Simpson (resigned 26 November 2021)	Chairman (Independent Non-Executive Chairman)
<b>Executives</b>	
Andrew Ryan	Chief Financial Officer
George Southgate	Chief Legal and Risk Officer
Justin Maskey (resigned 22 July 2022)	Chief Technology Officer
Kendra Hammond (employment ceased on 12 November 2021)	Chief People Officer
Vik Mahajan (appointed 12 November 2021; resigned 31 March 2022)	Chief People Officer
Rebecca McLeod (employment ceased on 12 November 2021)	Chief Strategy and Communications Officer

Vik Mahajan was appointed to the position of Chief People Officer on 12 November 2021 following the divestment of Vita's Retail ICT businesses, including Sprout Accessories. Vik Mahajan resigned as Chief People Officer on 31 March 2022. Mr Mahajan's role has not been replaced.

Justin Maskey resigned as Chief Technology Officer on 22 July 2022. The role of Chief Technology Officer has not been replaced.

Paul Mirabelle was Independent Non-Executive Director for the full term and appointed Independent Non-Executive Chairman on 26 November 2021.

### 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 three (3) Non-Executive Directors including the Committee Chair. 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 Legal and Risk Officer, while other Executives have attended as appropriate from time to time.

## DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### 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>

#### 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 98.10% of "FOR" votes on its FY21 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:

	FY22 \$M	FY21 \$M	FY20 \$M	FY19 \$M	FY18 \$M
Revenue	202.9	633.5	773.1	753.7	684.5
Revenue from continuing operations	24.6	28.4	-	-	-
Revenue from discontinued operations	178.3	605.1	-	-	-
Profit for the year attributable to owners	(7.4)	26.3	22.4	24.3	22.0
Dividends	cents	cents	cents	cents	cents
Ordinary (cps)	2.4	8.0	2.4	9.2	9.1
Special (cps)	52.3	-	-	-	-
<b>Total dividends</b>	<b>54.7</b>	<b>8.0</b>	<b>2.4</b>	<b>9.2</b>	<b>9.1</b>
	cents	cents	cents	cents	cents
Basic earnings per share (cents)	(4.44)	15.98	13.71	15.04	14.13
Diluted earnings per share (cents)	(4.44)	15.98	13.54	14.88	14.11
<b>Total shareholder return</b>	\$	\$	\$	\$	\$
Share price beginning of year	0.95	0.97	1.31	0.98	1.11
Share price end of year	0.19	0.95	0.97	1.31	0.98
Dividends paid per share	0.55	0.08	0.02	0.09	0.09
Total shareholder return %	(22%)	7%	(24%)	43%	(4%)

The discontinued operation is included in the above table.

# DIRECTORS' REPORT

30 JUNE 2022 (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 13 of this report.</p>
<b>Loan Funded Share Plan (LFSP)</b>	<p>The LFSP was approved at the Group's 2021 AGM and is intended to reward and incentivise the Group's executive team to grow the Artisan business following the divestment of the Group's Retail ICT business.</p> <p>The LFSP seeks to reward and incentivise executives through an arrangement where employees are provided with a limited recourse loan for the sole purpose of acquiring fully paid ordinary shares in the Company (Shares).</p> <p>The LFSP facilitates immediate share ownership and Shares under the Plan (Loan Funded Shares), which are offered at market value such that the incentive is linked to the increase in value over and above the acquisition price and so aligns participating executives to the risks and rewards of a Shareholder.</p> <p>Grants of Loan Funded Shares under the LFSP are intended to be made to individual executives on a one-off basis rather than annually, and vesting is subject to Company performance over a 5-year vesting period, so participants are focused on the Company's growth and performance over the long term.</p> <p>Further details are presented on page 15 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>

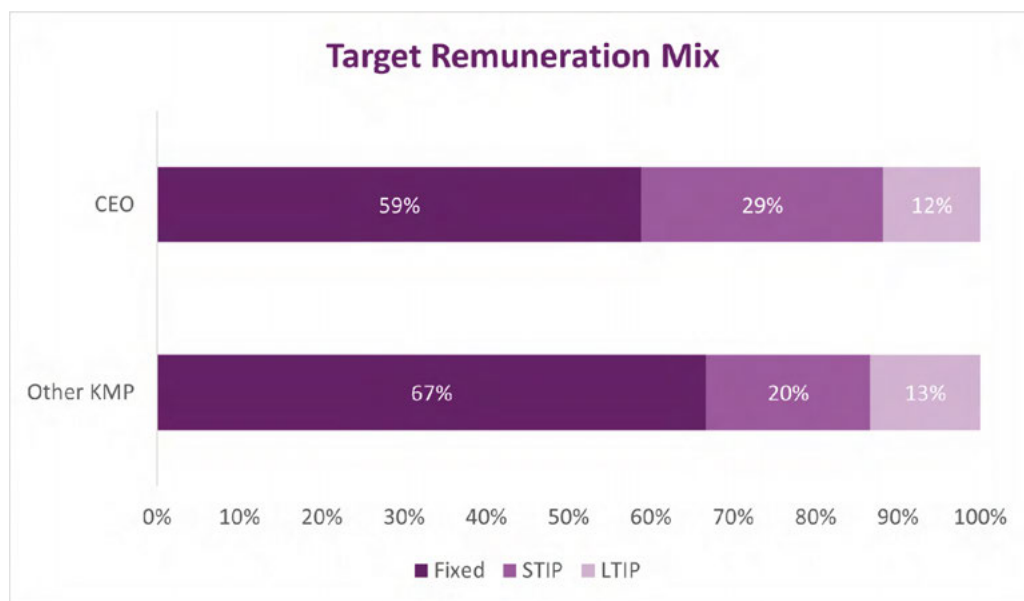
# DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

## 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.

### 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 - FY22	
<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* Other KMP: 30% of FAR*
<b>Performance Period</b>	1 July 2021 - 30 June 2022
<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.
	Threshold Group NPAT is 95% of the target.
<b>Gateway</b>	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.

From 1 July 2021 to 12 November 2021 the COO had an opportunity of 40% of FAR

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

## DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Short Term Incentive Plan (STIP) (continued)

##### 2022 STIP Outcomes

For the 2022 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 FY22 performance will be paid in FY23, if payable.

In FY22, the Board reviewed both Group and individual performance for FY21 and was satisfied that STI payments made in FY22 reflected the Group's FY21 results and appropriately rewarded executives for their performance.

The table below outlines the STI payments made in FY22 for each KMP relating to FY21 performance.

KMP Name	Target STIP Opportunity \$	Actual Achievement \$	STIP Forfeited %
Maxine Horne (a)	319,730	319,730	0%
Kendra Hammond (b)	107,625	107,625	0%
Peter Connors	237,391	237,391	0%
Andrew Ryan	59,819	59,819	0%
George Southgate	59,517	59,517	0%
Justin Maskey (c)	60,051	60,051	0%
Rebecca McLeod (b)	50,469	50,469	0%

(a) Maxine Horne ceased in the role of Chief Executive Officer and Managing Director on 12 November 2021.

(b) Kendra Hammond and Rebecca McLeod ceased employment on 12 November 2021.

(c) Justin Maskey resigned 22 July 2022.

(d) Vik Mahajan was appointed on 12 November 2021 as KMP and therefore did not receive any STIP payments in FY22 for FY21 performance as a KMP. He subsequently resigned on 31 March 2022.

The table below outlines the STI payments made in FY21 relating to FY20 performance, for each KMP in that period.

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

#### Retention

For the 2022 financial year, the Board implemented a cash-based retention bonus scheme to a group of key senior executives. The Board considered that such bonuses were appropriate given the uncertainty at the time regarding the future of Vita Group following Telstra's announcement on 11 February 2021 that it intends to transition all Telstra retail branded stores to a corporate ownership model and the need to motivate and retain high calibre employees. Payment of lump sum bonus was subject to participating executives remaining employed by the Group until 7 November 2021 and satisfactory performance as determined by the Board. The amounts of the retention bonuses paid are included in the statutory remuneration table at page 17 below.

## **DIRECTORS' REPORT**

30 JUNE 2022 (CONTINUED)

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

#### **Long Term Incentive Plan (LTIP)**

The LTIP ceased on 19 August 2021 and was replaced by the Group's Loan Funded Share Plan on 16 November 2021. All outstanding Performance Rights under the LTIP have either lapsed due to performance hurdles not being met and/or upon cessation of employment or cancelled for no consideration by agreement between Vita and the relevant participant. Where cancelled the remaining expense was recognised.

#### **Loan Funded Share Plan (LFSP)**

The LFSP was approved by shareholders at Groups 2021 AGM. The LFSP seeks to reward and incentivise executives through an arrangement where employees are provided with a limited recourse loan for the sole purpose of acquiring fully paid ordinary shares in the Company.

Set out below is a summary of the key terms of the Vita Groups LFSP. No grants of LFSP shares have been made under the LFSP during the reporting period. A grant of 6,634,278 LFSP shares under the LFSP to Peter Connors was approved at the Group's 2021 AGM. As at the date of this report this grant has not occurred.

# DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Loan Funded Share Plan (LFSP) (continued)

LFSP Component	
Eligibility	The Board has the discretion to determine which employees are eligible to participate in the Plan, and the number of Loan Funded Shares that they will be offered. The definition of an employee under the Plan includes any full-time or part-time employee or executive or director of the Company or any of its subsidiaries.
Class of shares	Shares granted under the Plan will be fully paid ordinary shares in the Company and rank equally with existing shares.
Acquisition price	<p>Loan Funded Shares will be allocated at a price per share equal to the 10-day VWAP for the period immediately prior to the date of grant, unless otherwise determined by the Board (Market Value).</p> <p>A loan will be provided by the Company to the participant to fund the acquisition price of the Loan Funded Shares. The value of the loan will be equal to the aggregate Market Value of the Loan Funded Shares. The key terms of the loan are outlined below.</p>
Vesting conditions	<p>Loan Funded Shares granted under the Plan which have not been forfeited under the Plan will vest if and when any applicable vesting conditions have been satisfied or waived by the Board.</p> <p>Unless otherwise specified in an invitation, on vesting, Shares will cease to be subject to disposal restrictions. However, any proceeds of disposal will be required to be applied to repay the outstanding loan balance.</p>
Loan Terms	<p>Loans provided to participants will be:</p> <ul style="list-style-type: none"><li>• interest-free;</li><li>• limited in recourse (i.e. a participant's outstanding loan balance will be limited to the value of their Loan Funded Shares);</li><li>• repayable on the earlier of:<ul style="list-style-type: none"><li>◦ the date Loan Funded Shares are forfeited under the Plan;</li><li>◦ the date the shares are sold;</li><li>◦ any other date agreed between the Company and the participant.</li></ul></li><li>• Where vesting conditions are not met, or a portion of Loan Funded Shares do not vest for any other reason, the Loan Funded Shares will be forfeited and surrendered in satisfaction of the corresponding portion of the loan.</li></ul>
Expiry of loan	9.5 years from the grant date (i.e. 5 year performance period and an additional 4.5 years to repay loan).
Repayment of loan	<ul style="list-style-type: none"><li>• Any after-tax dividends received prior to full repayment of the loan will be applied to the outstanding loan balance.</li><li>• Any after-tax proceeds from the disposal of vested shares will be applied to the outstanding loan.</li><li>• Where the loan balance is not repaid at the expiry of the loan (i.e. 9.5 years), the Company will sell some or all of the participant's shares to satisfy the outstanding loan balance.</li><li>• Participants may also self-fund the repayment of the outstanding loan balance.</li></ul>
Dividend and voting rights	Loan Funded Shares will rank equally in all respects with all entitlements for other Shares (including dividend and voting rights), subject to the requirement to apply after-tax dividends to repay the loan.
Quotation	The Company will apply for official quotation of any Shares issued under the Plan, in accordance with the ASX Listing Rules.

# DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Loan Funded Share Plan (LFSP) (continued)

<b>Forfeiture</b>	<p>Unless otherwise determined by the Board, Loan Funded Shares will be forfeited in certain circumstances, including:</p> <ul style="list-style-type: none"><li>• if the participant breaches any term of loan;</li><li>• if the participant purports to dispose of the Loan Funded Shares in breach of the Plan;</li><li>• in certain circumstances if the participant ceases employment;</li><li>• if the Board determines that the Loan Funded Shares are liable to clawback;</li><li>• if the Loan Funded Shares are forfeited on a change of control; or</li><li>• if the Board determines that any of the Vesting Conditions applicable to the Loan Funded Shares have not been or cannot be satisfied.</li></ul>
<b>Cessation of employment</b>	<p>Unless the Board determines otherwise, if a participant's employment with the Group is terminated during the relevant performance period as a 'good leaver' (i.e. as a result of death, ill-health, total and permanent disablement, redundancy, retirement or any other reason as determined by the Board), his or her unvested Loan Funded Shares will remain on-foot to be performance tested at the end of the performance period. Any unvested shares will be forfeited and surrendered in repayment of the portion of the loan to which they relate.</p> <p>If employment with the Group is terminated during the performance period in circumstances where the participant is not considered a good leaver, the participant's unvested Loan Funded Shares will be forfeited on termination and surrendered in full satisfaction of the loan, unless the Board determines otherwise.</p> <p>The Board retains absolute discretion to determine a different treatment for unvested Loan Funded Shares on cessation of employment to that outlined above.</p> <p>Where employment ceases after the end of the performance period but before the loan is repaid, the participant will be entitled to retain his or her vested Loan Funded Shares but will be required to repay the loan on or before the earlier of 30 days following the date of termination and the expiry date of the loan.</p>
<b>Change of Control</b>	<p>Unless the Board determines otherwise in its absolute discretion, in the event of a change in control of the Company:</p> <ul style="list-style-type: none"><li>• within 2.5 years from the grant date, 50% of Loan Funded Shares will vest immediately and the remaining 50% will be forfeited; and</li><li>• 2.5 years or more from the grant date, 100% of Loan Funded Shares vest immediately.</li></ul> <p>The loan is repayable within 30 days following vesting.</p>
<b>Malus and clawback provisions</b>	<p>If the Board becomes aware of a material misstatement in the Company's financial statements, that a participant has committed an act of fraud, negligence or gross misconduct or failed to comply with any restrictive covenant or that some other event has occurred which, as a result, means that a participant's Loan Funded Shares should be reduced or extinguished, or should not vest, then the Board may clawback or adjust any such award at its discretion to ensure no unfair benefit is derived by the participant.</p>
<b>Trading restriction</b>	<p>A disposal restriction on the Loan Funded Shares applies until they vest at the end of the performance period. Following vesting, a participant will be able to dispose of his or her Shares (subject to compliance with the Company's securities trading policy and applicable law) but must apply any after-tax proceeds to repay any outstanding loan balance.</p>
<b>Trust</b>	<p>The Company may establish a share trust for the purposes of the Plan.</p>



# DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Statutory Disclosures

Following the divestment of the retail ICT in 2021, salaries for all KMP were re-evaluated. This review resulted in the new CEO's base salary being reduced to \$350,000 plus on costs which, in addition to the CEO's participation in the LFSP as approved by shareholders at the 2021 AGM, is considered to better reflect the size and scale of the ongoing business.

Name	Short-Term Employee Benefits			Post Employment Benefits	Long Term Benefits	Termination Payments (m)	Share Based Payments (e)	Total
	Cash Salary and Fees	Cash Bonus (b)	Other (c)	Superannuation	Long Service Leave		Performance Rights	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive Director</b>								
<b>Maxine Horne (f)</b>								
FY22	174,112	319,730	-	15,747	4,100	718,289	(170,276)	1,061,702
FY21	710,045	336,538	-	25,289	11,066	-	189,051	1,271,989
<b>Peter Connors (f)</b>								
FY22	471,845	237,391	363,636	33,033	8,165	229,698	72,294	1,416,062
<b>Other Group KMP</b>								
<b>Andrew Leyden (g)</b>								
FY22	-	-	-	-	-	-	-	-
FY21	201,290	178,350	-	-	-	-	(95,363)	284,277
<b>Andrew Ryan (h)</b>								
FY22	269,671	59,819	28,598	26,574	4,951	110,203	11,994	511,810
FY21	184,921	-	-	15,130	11,612	-	11,994	223,657
<b>George Southgate (h)</b>								
FY22	274,596	59,517	28,249	26,537	4,757	108,860	11,848	514,364
FY21	181,782	-	-	15,295	5,108	-	11,848	214,033
<b>Justin Maskey (h,i)</b>								
FY22	269,072	60,051	27,906	26,474	5,063	107,537	11,704	507,807
FY21	178,767	-	-	14,098	15,485	-	11,704	220,054
<b>Kendra Hammond (i)</b>								
FY22	75,862	107,625	36,558	13,701	2,263	235,068	(62,560)	408,517
FY21	343,679	107,625	-	23,693	6,339	-	62,901	544,237
<b>Mark Anning (k)</b>								
FY22	-	-	-	-	-	-	-	-
FY21	-	-	-	-	-	-	18,191	18,191
<b>Peter Connors</b>								
FY21	572,495	285,360	-	23,693	10,517	-	104,266	996,331
<b>Rebecca McLeod (h,i)</b>								
FY22	85,037	50,469	29,643	11,784	(3,220)	155,783	(12,433)	317,063
FY21	193,018	-	-	15,486	3,220	-	12,433	224,157
<b>Vik Mahajan (j)</b>								
FY22	72,438	-	-	24,576	(17,804)	-	-	79,210
FY21	-	-	-	-	-	-	-	-
<b>Total Compensation</b>								
FY22	1,692,633	894,602	514,590	178,426	8,275	1,665,438	(137,429)	4,816,535
FY21	2,565,997	907,873	-	132,684	63,347	-	327,025	3,996,926

- (a) No non-monetary benefits were provided during the current or prior financial years.
- (b) This report reflects STI bonuses paid in FY22 relating to FY21 entitlements. The annual bonus in FY21 reflects bonus paid in FY21 relating to FY20 entitlements.
- (c) Reflects retention bonus paid during the year (refer to above for details)
- (d) No amounts for LTI cash bonuses were payable in the current and prior financial years.

## DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Statutory Disclosures (continued)

- (e) Share based payments represents estimated entitlements accrued but not yet vested including amounts relating to the cancelled Long Term Incentive Plan (LTIP) which have been forfeited.
- (f) Maxine Horne resigned as Chief Executive Officer and Managing Director on 12 November 2021 and was replaced by Peter Connors.
- (g) 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.
- (h) Following Andrew Leydens' resignation, Andrew Ryan was 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.
- (i) Kendra Hammond and Rebecca McLeod ceased employment on 12 November 2021.
- (j) Vik Mahajan was appointed Chief People Officer on 12 November 2021 and resigned on 31 March 2022.
- (k) Mark Anning resigned from the position of Group Company Secretary and General Counsel on 19 July 2019.
- (l) Justin Maskey resigned 22 July 2022.
- (m) This reflects termination payments to KMP that exited the business and the restructure payments made to KMP relate to those roles being made redundant because of a Major Workplace Change associated with the sale of several Vita Group Limited entities to Telstra Corporation Limited, including the employing entity for those KMP being Vita People Pty Ltd.

#### 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	
	2022 %	2021 %	2022 %	2021 %
<b>Executive Director</b>				
Maxine Horne (a)	86%	59%	14%	41%
Peter Connors (a)	52%	-%	48%	-%
<b>Other Key Management Personnel</b>				
Kendra Hammond (b)	80%	69%	20%	31%
Andrew Ryan	80%	95%	20%	5%
George Southgate	81%	94%	19%	6%
Justin Maskey (c)	80%	95%	20%	5%
Peter Connors (a)	-%	61%	-%	39%
Rebecca McLeod (b)	79%	94%	21%	6%
Vik Mahajan (d)	100%	-%	-%	-%
Andrew Leyden (e)	-%	71%	-%	29%

- (a) Maxine Horne resigned as Chief Executive Officer and Managing Director on 12 November and was replaced by Peter Connors.
- (b) Kendra Hammond and Rebecca McLeod exited the business on 12 November 2021.
- (c) Justin Maskey resigned 22 July 2022.
- (d) Vik Mahajan was appointed Chief People Officer on 12 November 2021 and resigned on 31 March 2022.
- (e) Andrew Leyden resigned on 31 October 2020.

#### 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 (other than Non-Executive Directors whose transactions are disclosed separately below), is as follows:

## DIRECTORS' REPORT

30 JUNE 2022 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Key Management Personnel Transactions (continued)

Name	At 30 June 2021	Granted as remuneration	Net purchased/ (sold)	Dividends reinvested	Other (a)	At 30 June 2022
Maxine Horne (b)	29,673,966	-	3,000,000	-	-	32,673,966
Andrew Ryan	30,509	-	-	-	-	30,509
George Southgate	-	-	252,911	-	-	252,911
Justin Maskey (d)	1,000	-	-	-	-	1,000
Kendra Hammond (c)	-	-	-	-	-	-
Rebecca McLeod (c)	4,735	-	-	-	(4,735)	-
Peter Connors (b)	193,439	-	-	-	-	193,439
Vik Mahajan (e)	-	-	-	-	-	-
<b>Total</b>	<b>29,903,649</b>	<b>-</b>	<b>3,252,911</b>	<b>-</b>	<b>(4,735)</b>	<b>33,151,825</b>

(a) Other represents the shares on exit from the business

(b) Maxine Horne resigned as Chief Executive Officer and Managing Director on 12 November 2021 and was replaced by Peter Connors.

(c) Kendra Hammond and Rebecca McLeod exited the business on 23 November 2021.

(d) Justin Maskey resigned 22 July 2022.

(e) Vik Mahajan was appointed Chief People Officer on 12 November 2021 and resigned on 31 March 2022.

#### 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 (other than Non-Executive Directors whose transactions are disclosed separately on page 22), is as per the table below.

Name	At 30 June 2021	Granted as remuneration	Vested and exercised	Forfeited/ cancelled	At 30 June 2022
Maxine Horne (a)	752,927	-	-	(752,927)	-
Andrew Ryan	43,198	-	-	(43,198)	-
George Southgate	42,672	-	-	(42,672)	-
Justin Maskey (c)	42,153	-	-	(42,153)	-
Kendra Hammond (b)	246,920	-	-	(246,920)	-
Peter Connors (a)	409,291	-	-	(409,291)	-
Rebecca McLeod (b)	44,777	-	-	(44,777)	-
Vik Mahajan (d)	-	-	-	-	-
<b>Total</b>	<b>1,581,938</b>	<b>-</b>	<b>-</b>	<b>(1,581,938)</b>	<b>-</b>

(a) Maxine Horne resigned as Chief Executive Officer and Managing Director on 12 November 2021 and was replaced by Peter Connors.

(b) Kendra Hammond and Rebecca McLeod ceased employment on 12 November 2021.

(c) Justin Maskey resigned 22 July 2022.

(d) Vik Mahajan was appointed Chief People Officer on 23 November 2021 and resigned on 31 March 2022.

(e) The number of performance rights forfeited/lapsed represents those rights which lapsed due to performance hurdles not being met and/or upon cessation of employment or cancelled for no consideration.

## DIRECTORS' REPORT

30 JUNE 2022 (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 forfeited/cancelled	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	-	-	318,750	100%
	01-Jul-19	191,929	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	191,929	-	0%
Andrew Leyden	01-Jul-20	242,248	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	242,248	-	0%
	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	-	0%
Andrew Ryan	01-Jul-19	117,076	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	117,076	-	0%
	01-Jul-20	43,198	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	43,198	-	0%
George Southgate	01-Jul-20	42,672	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	42,672	-	0%
Justin Maskey	01-Jul-20	42,153	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	42,153	-	0%
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	-	-	87,500	100%
	01-Jul-19	70,620	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	70,620	-	0%
Peter Connors	01-Jul-20	88,800	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	88,800	-	0%
	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	-	-	145,000	100%
Rebecca McLeod	01-Jul-19	117,076	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	117,076	-	0%
	01-Jul-20	147,215	\$0.83	\$1.01	30-Jun-22	31-Aug-23	-	147,215	-	0%

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

#### Executive Contractual Terms

Name	Agreement Commence	Agreement Expiry	Notice of Termination by Company	Employee Notice	Other
Peter Connors	Standard Contract updated November 2021	No expiry, continuous agreement	26 weeks (or payment in lieu of notice)	26 weeks	The Group may terminate the Contract any time without notice if serious misconduct has occurred.
Other KMP	Standard Contract updated November 2021	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.

## DIRECTORS' REPORT

30 JUNE 2022 (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	179,000	80,000
Audit & Risk Committee	10,000	n/a
Remuneration & Nomination Committee	10,000	n/a

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

Name	Short-Term Employee Benefits			Post Employment Benefits	Long Term Benefits		Total
	Cash Salary and Fees	Non- monetary Benefits	Cash Bonus	Superannuation	Cash Bonus	Long Service Leave	
	\$	\$	\$	\$	\$	\$	
<b>Dick Simpson (c)</b>							
FY22	71,159	-	-	7,591	-	-	78,750
FY21	171,430	-	-	18,219	-	-	189,649
<b>Neil Osborne (c)</b>							
FY22	35,959	-	-	3,596	-	-	39,555
FY21	86,301	-	-	8,199	-	-	94,500
<b>Paul Wilson (a)</b>							
FY22	91,813	-	-	-	-	-	91,813
FY21	94,500	-	-	-	-	-	94,500
<b>Maxine Horne (b)</b>							
FY22	60,000	-	-	6,000	-	-	66,000
<b>Paul Mirabelle (c)</b>							
FY22	140,375	-	-	14,038	-	-	154,413
FY21	93,134	-	-	1,366	-	-	94,500
<b>Total Compensation</b>							
FY22	399,306	-	-	31,225	-	-	430,531
FY21	445,365	-	-	27,784	-	-	473,149

- 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.
- Maxine Horne was appointed as Independent Non-Executive Director on 12 November 2021.
- Dick Simpson and Neil Osborne retired as Directors and Paul Mirabelle was appointed as Chairman on 26 November 2022.
- No termination payment or share-based payments were made to Non-Executive Directors.



## DIRECTORS' REPORT

30 JUNE 2022 (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 2021	Granted as remuneration	Net purchased/(sold)	Dividends reinvested	Other (c)	Number held at 30 June 2022
Dick Simpson (a)	120,543	-	-	-	(120,543)	-
Neil Osborne (b)	267,039	-	-	-	(267,039)	-
Paul Wilson	73,375	-	177,000	-	-	250,375
Paul Mirabelle	25,575	-	975,000	-	-	1,000,575
Maxine Horne (a)	29,673,966	-	3,000,000	-	-	32,673,966

- (a) Maxine Horne was appointed as Independent Non-Executive Director on 12 November 2021.  
(b) Dick Simpson and Neil Osborne retired as Directors on 26 November 2021.  
(c) Other represents shares on exit from the business.

##### Non-executive performance rights

Name	Number held at 30 June 2021	Granted as remuneration	Vested and exercised	Lapsed (a)	Number held at 30 June 2022
Dick Simpson (c)	-	-	-	-	-
Neil Osborne (c)	-	-	-	-	-
Paul Wilson	-	-	-	-	-
Paul Mirabelle	-	-	-	-	-
Maxine Horne (b)	-	-	-	-	-

- (a) The number of performance rights lapsed represents those rights which lapsed due to performance hurdles not being met and/or upon cessation of employment.  
(b) Maxine Horne had performance rights held in her capacity as Chief Executive Officer and Managing Director. For details refer to Page 19.  
(c) Dick Simpson and Neil Osborne retired as Directors on 26 November 2021.

(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 2022 (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 24.

##### 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:

	2022 \$	2021 \$
Grant Thornton Audit Pty Ltd and its related entities:		
Tax compliance and consulting services	282,499	149,614
Administration services	19,500	-
<b>Total non-audit services</b>	<b>301,999</b>	<b>149,614</b>

Signed in accordance with a resolution of Directors.



Paul Mirabelle  
Chairman



Peter Connors  
Director and Chief Executive Officer

Brisbane  
30 August 2022

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**Grant Thornton Audit Pty Ltd**

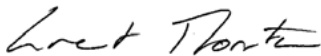
King George Central  
Level 18  
145 Ann Street  
Brisbane QLD 4000  
GPO Box 1008  
Brisbane QLD 4001  
T +61 7 3222 0200

## 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 2022, 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, 30 August 2022

**[www.grantthornton.com.au](http://www.grantthornton.com.au)**  
ACN-130 913 594

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 \$'000	2021 \$'000
Revenue	3	24,619	28,392
Changes in inventories		(6,427)	(7,134)
		18,192	21,258
Other income	3	855	70
Employee benefits expense	4	(18,806)	(17,957)
Marketing expense		(534)	(498)
Other expenses	4	(5,742)	(5,649)
Depreciation and amortisation expense	4	(6,013)	(8,207)
		(12,048)	(10,983)
Finance income		67	42
Finance expenses		(624)	(920)
<b>Net finance costs</b>	4	<b>(557)</b>	<b>(878)</b>
<b>Loss before income tax</b>		<b>(12,605)</b>	<b>(11,861)</b>
Income tax expense	27	3,952	3,558
<b>Loss for the year from continuing operations</b>		<b>(8,653)</b>	<b>(8,303)</b>
Profit/(loss) from discontinued operation (net of tax)	2	1,227	34,641
<b>(Loss)/profit for the year</b>		<b>(7,426)</b>	<b>26,338</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>(7,426)</b>	<b>26,338</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company</b>	24		
Basic earnings per share (cents) from continuing operations		(5.17)	(5.04)
Diluted earnings per share (cents) from continuing operations		(5.17)	(5.04)
<b>Earnings per share for profit from discontinued operations attributable to the ordinary equity holders of the company</b>	24		
Basic earnings per share (cents) from discontinued operations		0.73	21.02
Diluted earnings per share (cents) from discontinued operations		0.73	21.02

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

## CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2022

	Notes	2022 \$'000	2021 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	18,030	38,208
Trade and other receivables	5	1,612	23,757
Inventories	6	1,233	21,181
Current tax receivables		2,396	-
Other current assets		876	2,322
<b>Total current assets</b>		<b>24,147</b>	<b>85,468</b>
<b>Non-current assets</b>			
Term deposits	15	2,025	-
Plant and equipment	7	7,888	25,581
Right of use assets	8	6,224	37,158
Intangible assets and goodwill	9	24,786	112,797
Deferred tax assets	13	4,563	11,238
<b>Total non-current assets</b>		<b>45,486</b>	<b>186,774</b>
<b>TOTAL ASSETS</b>		<b>69,633</b>	<b>272,242</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	4,196	61,956
Interest bearing loans and borrowings	16	1,315	6,241
Lease liabilities	8	3,392	15,620
Current tax liabilities		-	3,116
Provisions	11	1,261	4,737
Contract and other liabilities	12	2,552	3,215
<b>Total current liabilities</b>		<b>12,716</b>	<b>94,885</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	16	275	918
Lease liabilities	8	7,894	29,202
Provisions	11	1,887	4,590
Contract and other liabilities	12	1,037	1,549
<b>Total non-current liabilities</b>		<b>11,093</b>	<b>36,259</b>
<b>TOTAL LIABILITIES</b>		<b>23,809</b>	<b>131,144</b>
<b>NET ASSETS</b>		<b>45,824</b>	<b>141,098</b>
<b>EQUITY</b>			
Contributed equity	25	47,526	44,651
Reserve	25	-	804
Retained earnings	25	(1,702)	95,643
<b>TOTAL EQUITY</b>		<b>45,824</b>	<b>141,098</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 2022

	Notes	Attributable to owners of the parent			Total equity \$'000
		Contributed equity \$'000	Reserve \$'000	Retained earnings \$'000	
<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 provided for or paid	17	-	-	(13,162)	(13,162)
Dividend reinvestment plan net of costs	25	1,331	-	-	1,331
Employee share schemes - exercise of performance rights	25	303	(307)	-	(4)
Employee share schemes - forfeiture of performance rights	25	-	(498)	498	-
Employee share schemes - value of employee services	25	-	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>
<b>As at 1 July 2021</b>		<b>44,651</b>	<b>804</b>	<b>95,643</b>	<b>141,098</b>
(Loss) for the year		-	-	(7,426)	(7,426)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>(7,426)</b>	<b>(7,426)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid	17	-	-	(90,585)	(90,585)
Dividend reinvestment plan net of costs	25	2,875	-	-	2,875
Employee share schemes - forfeiture of performance rights	25	-	(666)	666	-
Employee share schemes - value of employee services	25	-	(138)	-	(138)
<b>Total transactions with owners in their capacity as owners</b>		<b>2,875</b>	<b>(804)</b>	<b>(89,919)</b>	<b>(87,848)</b>
<b>As at 30 June 2022</b>		<b>47,526</b>	<b>-</b>	<b>(1,702)</b>	<b>45,824</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 2022

	Notes	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		27,434	32,899
Payments to suppliers and employees (inclusive of GST)		(34,970)	(36,989)
Receipts from government stimulus		-	2,286
Interest received		67	42
Finance expenses		(676)	(825)
Income taxes paid		(700)	-
<b>Net cash flows from/(used in) continuing operations</b>		<b>(8,845)</b>	<b>(2,587)</b>
Net cash flows from discontinued operations		15,682	49,316
<b>Net cash inflow from operating activities</b>		<b>6,837</b>	<b>46,729</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(2,248)	(2,419)
Purchase of intangible assets		1	-
Acquisition of businesses and subsidiaries, net of cash acquired		-	(2,134)
Proceeds from sale of plant and equipment		6	5
Investment in term deposit		(2,025)	-
<b>Net cash flows from/(used in) continuing operations</b>		<b>(4,266)</b>	<b>(4,548)</b>
Net cash flows from/(used in) discontinued operations		(407)	(5,770)
Proceeds from sale - ICT, net of cash and cash equivalents disposed	2	79,809	-
<b>Net cash inflow (outflow) from investing activities</b>		<b>75,136</b>	<b>(10,318)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares	25	2,875	1,327
Proceeds from borrowings		1,662	1,661
Repayment of borrowings		(1,497)	(2,091)
Lease principal payments		(3,558)	(2,902)
Dividends paid	17	(90,586)	(13,162)
<b>Net cash flows/(used in) continuing operations</b>		<b>(91,104)</b>	<b>(15,167)</b>
Net cash flows (used in) discontinued operations		(11,047)	(19,849)
<b>Net cash (outflow) from financing activities</b>		<b>(102,151)</b>	<b>(35,016)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(20,178)</b>	1,395
Cash and cash equivalents at the beginning of the year		38,208	36,813
<b>Cash and cash equivalents at end of year</b>	14	<b>18,030</b>	<b>38,208</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 2022

## 1 SEGMENT REPORTING

### Description of segments and principal activities

As announced to the market on 12 November 2021 the Group sold its ICT business to Telstra on 12 November 2021. The Group has one reportable segment under AASB 8.

Financial information relating to the discontinued operation for the period ending 30 June 2022, and corresponding prior period are set out in Note 2. These amounts have been eliminated from the profit of the Group's continued operations and are shown as a single line on the face of the consolidated statement of comprehensive income.

## 2 DISCONTINUED OPERATIONS

On 11 February 2021 Telstra announced its intention to transition the Telstra branded retail network to a full corporate ownership model. This was completed on 12 November 2021, with the Group disposing of the ICT business to Telstra.

A discontinued operation is a component of the Group that has been disposed of. The financial information relating to the discontinued operation for the period ending 30 June 2022, and corresponding prior period are set out below. These amounts have been eliminated from the profit of the Group's continued operations and are shown as a single line on the face of the consolidated statement of comprehensive income.

Discontinued operations include ICT, including Retail ICT, Business ICT and Sprout (previously disclosed as the ICT segment) as well as SQD Athletica in the prior year (previously not disclosed as discontinued operation due to materiality).

	2022 \$'000	2021 \$'000
Revenue	178,343	605,140
Other income	1,606	6,464
Expenses <sup>a</sup>	(181,365)	(562,996)
<b>(Loss)/profit before income tax</b>	<b>(1,416)</b>	<b>48,608</b>
Income tax benefit/(expense)	425	(13,967)
<b>(Loss)/profit from discontinued operations</b>	<b>(991)</b>	<b>34,641</b>
Gain on sale of discontinued operation after income tax	2,218	-
<b>Profit from discontinued operations</b>	<b>1,227</b>	<b>34,641</b>

<sup>a</sup> Includes Jobkeeper of \$nil (30 June 2021 \$15,848k)

Net cash flows from the discontinued operation are disclosed in the consolidated statement of cash flows.

The disposal of the ICT business to Telstra was for cash consideration of \$110 million, subject to a net working capital and net-debt adjustments calculated as at 30 September 2021.

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. Following the disposal of the ICT business, an impairment adjustment has been recorded in the amount of \$2.6m in relation to the right-of-use asset of the Group's head office. Significant judgements were used when estimating the impairment value regarding the ability to sublease the premises.

The gain on sale of the ICT Business included in the discontinued operations after income tax, includes nil tax given the transaction is of capital nature and the Group has retained capital losses that offset the capital gain from the disposal.

### Significant judgements

The overhead costs for the Group have been allocated to the continuing operations based on managements judgement of the relative time, effort and associated cost of individuals to operate the continuing operation, except where a more specific and appropriate allocation was available.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

**2 DISCONTINUED OPERATIONS (CONTINUED)**

Details of the gain on disposal of the ICT business are listed below:

	<b>\$'000</b>
Consideration received or receivable:	
Gross proceeds	110,000
Settlement cash adjustments	(4,392)
Tax exit consideration	1,778
<b>Total disposal consideration (cash)</b>	<b>107,386</b>
Carrying amount of net assets sold	(103,853)
<b>Gross gain on sale before transaction and settlement costs</b>	<b>3,533</b>
Transaction costs	(1,251)
Settlement adjustments	(64)
<b>Gain on sale before income tax</b>	<b>2,218</b>
Income tax expense on gain	-
<b>Gain on sale after income tax</b>	<b>2,218</b>

The carrying amounts of assets and liabilities as at the date of sale (12 November 2021) were:

	<b>12 November 2021 \$'000</b>
Cash and cash equivalents	27,577
Trade and other receivables	15,319
Inventories	23,168
Other assets	1,198
Property, plant and equipment	14,541
Right of use assets	22,060
Intangible assets and goodwill	87,677
Deferred tax assets	6,242
<b>Total assets</b>	<b>197,782</b>
Trade and other payables	(61,519)
Provisions	(6,296)
Lease liabilities	(26,114)
<b>Total liabilities</b>	<b>(93,929)</b>
<b>Net assets</b>	<b>103,853</b>

The remaining net assets as at 30 June 2022 are \$nil.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 3 REVENUE AND OTHER INCOME

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

	2022 \$'000	2021 \$'000
<b>Revenue</b>		
Sale of goods <sup>a</sup>	1,722	2,335
Commission revenue <sup>a</sup>	1,077	1,232
Treatment sales <sup>a</sup>	21,820	24,825
<b>Total revenue</b>	<b>24,619</b>	<b>28,392</b>
<b>Other income</b>		
Other miscellaneous income	855	70

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

#### Recognition and measurement

Revenue arises primarily from 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.

#### 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 at the point in time the 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 (including multiple visit packages and gift cards), 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

**3 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. 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.

The Group recognises the expected non-redemption (breakage) amount relating to unredeemed gift cards and loyalty points as revenue using historical client retention data and applying a probability of future redemption.

**4 EXPENSES**

	2022 \$'000	2021 \$'000
<b>Net finance expenses</b>		
Finance charges under chattel mortgages	51	23
Interest on term debt	4	17
Provisions: unwinding of discount	64	94
Line facility fee	91	320
Interest on lease liabilities	414	466
<b>Total finance expenses</b>	<b>624</b>	<b>920</b>
Interest revenue on bank deposits	(67)	(42)
<b>Net finance expenses</b>	<b>557</b>	<b>878</b>

**Depreciation, amortisation and impairment**

Plant and equipment	3,182	3,999
Right of use asset	2,630	3,807
Brands	40	15
Customer relationships	159	386
Software	2	-
<b>Total depreciation, amortisation and impairment</b>	<b>6,013</b>	<b>8,207</b>

**Employee benefits expenses**

Wages and salaries <sup>a</sup>	15,646	13,864
Defined contribution superannuation expense	1,474	1,228
Employee entitlements	1,686	2,865
<b>Total employee benefits expenses</b>	<b>18,806</b>	<b>17,957</b>

<sup>a</sup> Includes JobKeeper income received of \$nil (FY21: \$1,884k)

**Other expenses**

Insurance expenses	1,597	1,567
IT contracts expenses	1,421	1,436
Other expenses	2,818	2,149
Rental expense relating to operating leases <sup>(a)</sup>	(94)	497
<b>Other expenses</b>	<b>5,742</b>	<b>5,649</b>

<sup>a</sup> Relates to short-term leases and variable lease payments only. See Note 8 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 4 EXPENSES (CONTINUED)

#### Recognition and measurement (continued)

##### Retirement benefit obligations

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

##### Termination benefits

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

##### Interest income

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

##### Depreciation and amortisation

The depreciation and amortisation methods used by the Group are disclosed in Note 7, Note 8 and Note 9 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.

### 5 TRADE AND OTHER RECEIVABLES

	2022 \$'000	2021 \$'000
Trade receivables	1,400	20,805
Allowance for expected credit losses	(121)	(166)
<b>Net trade receivables</b>	<b>1,279</b>	<b>20,639</b>
Other receivables	333	3,118
<b>Net trade and other receivables</b>	<b>1,612</b>	<b>23,757</b>

#### Allowance for expected credit losses

As at 30 June 2022, provisions were made against current trade receivables to the value of \$121,320 (FY21: \$165,592).

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	
	FY22 %	FY21 %	FY22 \$'000	FY21 \$'000	FY22 \$'000	FY21 \$'000
Not overdue	0%	0%	-	954	-	-
0 to 3 months overdue	0%	21%	-	52	-	11
3 to 6 months overdue	97%	100%	126	154	121	155
			<b>126</b>	<b>1,160</b>	<b>121</b>	<b>166</b>

## 5 TRADE AND OTHER RECEIVABLES (CONTINUED)

### Allowance for expected credit losses (continued)

Movements in allowance for credit losses were as follows:

At 1 July	166	484
(Released)	(45)	(318)
<b>Balance at 30 June</b>	<b>121</b>	<b>166</b>

### Recognition and measurement

Trade receivables are non-interest bearing. 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.

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.

## 6 INVENTORIES

	2022 \$'000	2021 \$'000
Finished goods - at cost	1,319	23,787
Allowance for diminution in value	(86)	(2,606)
<b>Total inventories</b>	<b>1,233</b>	<b>21,181</b>

Inventories recognised as expense during the year ended 30 June 2022 amounted to \$6,427,457 (FY21: \$7,133,564). This is disclosed as changes in inventories in the consolidated statement of comprehensive income.

Inventory write-downs included in the above totalled \$271,773 (FY21: -\$12,625).

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 7 PLANT AND EQUIPMENT

	Plant and equipment \$'000
<b>At 1 July 2020</b>	
Cost	77,060
Accumulated depreciation and impairment	(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 1 July 2021</b>	
Cost	74,554
Accumulated depreciation and impairment	(48,973)
<b>Opening net book amount</b>	<b>25,581</b>
Opening net book amount	25,581
Additions	2,551
Disposals	(100)
Disposals through sale of ICT business	(14,541)
Depreciation charge	(5,603)
<b>Closing net book amount</b>	<b>7,888</b>
<b>At 30 June 2022</b>	
Cost	20,628
Accumulated depreciation and impairment	(12,740)
<b>Closing net book amount</b>	<b>7,888</b>

The net book value of assets held under chattel mortgage agreements amount to \$2,464,578 (FY21: \$7,043,266) and are pledged as security for the related chattel mortgage liabilities.

#### **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
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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.

## 7 PLANT AND EQUIPMENT (CONTINUED)

### Recognition and measurement (continued)

#### *Impairment (continued)*

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.

## 8 LEASING

The Group has lease contracts for the rental of 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:

	2022 \$'000	2021 \$'000
Leasehold property net book value	6,224	37,158
		<b>Right-of-Use Asset \$'000</b>
<b>Movement in asset</b>		
Opening net book amount		37,158
Additions		2,426
Disposals		(1,247)
Amortisation		(7,634)
Impairment		(2,419)
Disposal through sale of ICT business		(22,060)
<b>Total</b>		<b>6,224</b>

Additions to right-of-use assets, including acquisition through business combinations, during the period amounted to \$2,426,280 (FY21: \$24,910,465). Depreciation of right-of-use assets for the period has been disclosed in Note 4.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 8 LEASING (CONTINUED)

	2022 \$'000	2021 \$'000
Lease liabilities (current)	3,392	15,620
Lease liabilities (non-current)	7,894	29,202
<b>Total lease liabilities</b>	<b>11,286</b>	<b>44,822</b>

The lease liabilities are secured by the related underlying assets.

Future minimum lease payments relating to lease liabilities at 30 June 2022 are as follows:

	1 year or less \$'000	1 - 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>30 June 2022</b>				
Lease payments	3,857	8,212	290	12,359
Finance charges	(465)	(594)	(14)	(1,073)
<b>Total lease liabilities</b>	<b>3,392</b>	<b>7,618</b>	<b>276</b>	<b>11,286</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:

	2022 \$'000	2021 \$'000
Short-term leases	1	32
Lease outgoing and other charges	45	567
Variable lease payments	(140)	(102)
<b>Total lease payments not recognised as a liability</b>	<b>(94)</b>	<b>497</b>

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

At 30 June 2022 the Group had committed to leases that had not yet commenced with total expected future cash outflows of \$nil.

#### **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.



## 8 LEASING (CONTINUED)

### Recognition and measurement (continued)

#### *The Group as a lessee (continued)*

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
--------------------	---------------------------------

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 years. 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 8 LEASING (CONTINUED)

#### 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.

### 9 INTANGIBLE ASSETS AND GOODWILL

	Brands \$'000	Customer relationships \$'000	Software \$'000	Goodwill \$'000	Total \$'000
<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	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 1 July 2021</b>					
Cost	1,192	2,674	7,647	134,606	146,119
Accumulated amortisation and impairment	(1,088)	(2,246)	(7,126)	(22,862)	(33,322)
<b>Opening net book amount</b>	<b>104</b>	<b>428</b>	<b>521</b>	<b>111,744</b>	<b>112,797</b>
Opening net book amount	104	428	521	111,744	112,797
Additions	-	-	-	-	-
Amortisation charge	(40)	(158)	(136)	-	(334)
Disposal through sale of ICT business	-	-	(382)	(87,295)	(87,677)
<b>Closing net book amount</b>	<b>64</b>	<b>270</b>	<b>3</b>	<b>24,449</b>	<b>24,786</b>
<b>At 30 June 2022</b>					
Cost	1,192	2,674	152	24,449	28,467
Accumulated amortisation	(1,128)	(2,404)	(149)	-	(3,681)
<b>Closing net book amount</b>	<b>64</b>	<b>270</b>	<b>3</b>	<b>24,449</b>	<b>24,786</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.

## 9 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

### Recognition and measurement (continued)

#### *Goodwill (continued)*

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 19.

#### *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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 10 TRADE AND OTHER PAYABLES

	2022 \$'000	2021 \$'000
<b>Current</b>		
Trade payables	1,022	36,874
Other payables and accruals	2,202	17,146
Income in advance	-	1,721
Annual leave accrual	972	6,215
<b>Total current trade and other payables</b>	<b>4,196</b>	<b>61,956</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 7 to 60 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

	2022			2021		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee benefits	606	277	883	1,625	1,943	3,568
Make good provision	541	1,369	1,910	3,112	2,647	5,759
Other	114	241	355	-	-	-
<b>Total provisions</b>	<b>1,261</b>	<b>1,887</b>	<b>3,148</b>	<b>4,737</b>	<b>4,590</b>	<b>9,327</b>

	Make good provision \$'000	Total \$'000
<b>Movement in provisions:</b>		
Carrying amount at start of year	5,759	5,759
Additional provision charged to right-of-use asset	76	76
Unused amounts reversed	(50)	(50)
Amounts used during the year	(193)	(193)
Unwinding of discount	32	32
Disposed as part of ICT divestment	(3,714)	(3,714)
<b>Carrying amount at end of year</b>	<b>1,910</b>	<b>1,910</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 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.

### *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.

## 12 CONTRACT AND OTHER LIABILITIES

	2022 \$'000	2021 \$'000
<b>Current</b>		
Contract liability	1,835	1,587
Contingent consideration	717	1,628
<b>Total contract and other liabilities</b>	<b>2,552</b>	<b>3,215</b>
<b>Non-current</b>		
Contingent consideration	1,037	1,549
<b>Total non-current contract and other liabilities</b>	<b>1,037</b>	<b>1,549</b>
<b>Total contract and other liabilities</b>	<b>3,589</b>	<b>4,764</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 12 CONTRACT AND OTHER LIABILITIES (CONTINUED)

#### Recognition and measurement

##### Contract Liability

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. For timing of revenue recognition refer to Note 3

##### Contingent consideration

The Group has agreed contingent consideration arrangements with acquired clinics 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

	2022 \$'000	2021 \$'000
<b>Deferred income tax in the consolidated balance sheet relates to the following:</b>		
Provisions	251	723
Inventory	26	867
Provision for employee benefits	557	2,935
Lease make good provision	573	1,728
Income in advance	-	302
Contract liability	551	476
Lease liability	3,385	13,447
Plant and equipment	(1,986)	(10,682)
Right-of-use assets	560	794
Intangible assets	646	648
<b>Net deferred tax assets</b>	<b>4,563</b>	<b>11,238</b>

	2022 \$'000	2021 \$'000
<b>Movement in deferred tax assets</b>		
Opening balance	11,239	8,818
<b>Debited/(credited):</b>		
- to profit or loss	(435)	2,343
- acquisitions	-	77
- divestment	(6,241)	-
<b>Balance at 30 June</b>	<b>4,563</b>	<b>11,238</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



### **13 DEFERRED TAX ASSET (CONTINUED)**

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

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

#### ***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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 14 CASH AND CASH EQUIVALENTS

	2022 \$'000	2021 \$'000
<b>Cash at bank and on hand</b>	<b>18,030</b>	<b>38,208</b>
<b>Reconciliation of net profit after tax to net cash flows from operations</b>		
Profit/(loss) for the year	(7,426)	26,338
<i>Adjustments for</i>		
Depreciation	15,632	27,251
Amortisation	332	821
Government grant accrued income	-	3,902
Share-based payments expense	(137)	325
Doubtful debt provision	16	(318)
Inventory obsolescence provision	(225)	329
Make good provision	(275)	(941)
Litigation provision	-	(298)
Contingent consideration - reversal	(585)	(372)
Net (profit)/loss on disposal of plant and equipment	58	239
(Profit) on divestment of retail ICT	(3,533)	-
(Profit) on divestment of business ICT	-	(1,702)
Unwinding of discount: make good provision	32	53
Unwinding of discount: contingent consideration	53	79
Write down of goodwill on clinic closure	-	193
Other provision	355	-
<i>Change in operating assets and liabilities:</i>		
(Increase) in trade and other receivables	5,077	4,123
(Increase) in inventory	(2,902)	3,096
(Increase) decrease in contract assets	-	277
(Increase) decrease in prepayments	249	327
Decrease in right of-use assets	-	1,622
Decrease/(increase) in deferred tax assets	436	(2,343)
(Decrease) increase in current tax liability	(5,513)	3,466
(Decrease) increase in trade, other payables and accruals	6,966	(15,642)
Increase/(decrease) in income in advance	(1,696)	(3,109)
(Decrease) increase in contract and other liabilities	(642)	(658)
(Decrease) increase in provisions	565	(329)
<b>Net cash inflow from operating activities</b>	<b>6,837</b>	<b>46,729</b>

#### Recognition and measurement

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

**15 TERM DEPOSITS**

	2022 \$'000	2021 \$'000
<b>Term deposits</b>		
Non-current	2,025	-
<b>Total</b>	<b>2,025</b>	<b>-</b>

The Group has a term deposit which is held as security over its bank guarantee and corporate credit card facility. The term deposits have a maturity of greater than three months and is held at amortised cost.

Interest rates on term deposits are 2.70% (FY21: nil)

**16 INTEREST BEARING LOANS AND BORROWINGS**

	2022 \$'000	2021 \$'000
<b>Current</b>		
Obligations under chattel mortgage	1,315	3,185
Term debt	-	3,056
<b>Total current debt</b>	<b>1,315</b>	<b>6,241</b>
<b>Non-current</b>		
Obligations under chattel mortgage	275	481
Term debt	-	437
<b>Total non-current debt</b>	<b>275</b>	<b>918</b>
<b>Total debt</b>	<b>1,590</b>	<b>7,159</b>

Current interest bearing loans and borrowings mature during the year ended 30 June 2023, non-current interest bearing loans and borrowings mature after 30 June 2023. 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 \$2,464,578 (FY21: \$7,043,266). The interest rates charged on the chattel mortgages were between 2.63% and 3.42% (FY21: 1.85% and 3.37%).

***Term debt***

The interest rate and facility fee charged on the term debt at 30 June 2022 were nil (FY21: 1.46% and 2.30%).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

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

#### *Fair values*

The fair values have been calculated by discounting the expected future cash flows at prevailing risk adjusted market interest rates at 1.19% (FY21: 1.46%).

	2022		2021	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Obligations under chattel mortgage	1,590	1,567	3,666	3,613
Term debt	-	-	3,493	3,437
<b>Balance at 30 June</b>	<b>1,590</b>	<b>1,567</b>	<b>7,159</b>	<b>7,050</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 18.

#### *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 Group has an asset finance facility with the Bank of Queensland for the acquisition of equipment.

At balance sheet date, the Group has available approximately \$0.8 million (FY21: \$24.9 million) of unused master asset finance facilities available for its immediate use.

#### *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).

### 17 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.

	2022 \$'000	2021 \$'000
Final dividend for FY21 2.4 cents per share (FY20: 2.4)	3,975	3,941
Special dividend for FY22 39.0 cents per share (FY21: nil)	64,586	-
Special dividend for FY22 13.3 cents per share (FY21: nil)	22,024	-
Interim dividend for FY22 nil cents per share (FY21: 5.6)	-	9,221
<b>Total dividends provided and paid</b>	<b>90,585</b>	<b>13,162</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

**17 DIVIDENDS PAID AND PROPOSED (CONTINUED)**

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

The Board determined not to pay a fully franked final dividend subsequent to the financial year end (FY21: 2.4 cents per share). The aggregate amount of the proposed dividends expected to be paid subsequent to financial year end out of retained earnings at 30 June 2022 but not recognised as a liability at year end, is nil.

	2022 \$'000	2021 \$'000
<b>Total dividends not recognised as a liability at year end</b>	-	3,975

*Franking dividends*

Franking credits available for subsequent financial years based on a tax rate of 30% (FY21: 30%):

	2022 \$'000	2021 \$'000
<b>Franking credits remaining at balance sheet date</b>	33,939	77,574

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

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

The impact on the franking account of the dividend approved by the Directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of \$ nil (FY21: \$1,703,360).

**18 FINANCIAL RISK MANAGEMENT**

The Group's principal financial instruments comprise lease liabilities, 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 16.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 18 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Interest rate risk (continued)

	2022 \$'000	2021 \$'000
<b>Financial assets</b>		
Cash	18,030	38,208
<b>Total financial assets</b>	<b>18,030</b>	<b>38,208</b>
<b>Financial liabilities</b>		
Term debt	-	2,209
<b>Total financial liabilities</b>	<b>-</b>	<b>2,209</b>
<b>Net asset/(exposure)</b>	<b>18,030</b>	<b>35,999</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 2022, 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:	2022 \$'000	2021 \$'000
+ 1% (100 basis points)	126	252
- 1% (100 basis points)	(126)	(252)

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.

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.

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 2022 other than lease liabilities which are disclosed in Note 8. 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 2022.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

**18 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (continued)**

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 2022					
Trade and other receivables	1,612	-	-	1,612	1,612
Term deposits	-	2,025	-	2,025	2,025
<b>Total financial assets</b>	<b>1,612</b>	<b>2,025</b>	<b>-</b>	<b>3,637</b>	<b>3,637</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>
<b>Financial liabilities</b>					
At 30 June 2022					
Trade and other payables	2,734	-	-	2,734	2,734
Borrowings	1,345	281	-	1,626	1,590
Contingent consideration	765	1,140	-	1,905	1,754
<b>Total financial liabilities</b>	<b>4,844</b>	<b>1,421</b>	<b>-</b>	<b>6,265</b>	<b>6,078</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>

**19 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.

Following the ICT divestment all remaining goodwill relates to the SHAW segment.

**Determination of CGU's**

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 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 FY22 performance, industry growth rates and the evolving maturity of individual clinics.

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

Cash flow projections for the business for the period of models use implied compound annual growth rates as follows:

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

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

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

	FY22	FY21
<b>ARTISAN AESTHETIC CLINICS</b>		
Revenue	34.9%	22.2%
Pre-tax weighted average cost of capital (WACC)	11.2%	9.8%
Terminal growth rate	3.0%	3.0%

Projected revenue growth includes assumptions about increased room utilisation in the existing clinic network. Growth rates are calculated off a COVID-19 impacted result in FY22 and are therefore larger as a result of the lower base year.

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

#### Sensitivity to changes in assumptions

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>ARTISAN AESTHETIC CLINICS</b>	
Reduction in projected revenues in each and every year	(15.8%)
Basis point increase in pre-tax weighted average cost of capital (WACC)	1700 bps
Reduction in terminal growth rate	(1.0%)

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.

### 20 PARENT ENTITY DISCLOSURES

	2022 \$'000	2021 \$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Profit/(loss) for the year	1,887	83,249
<b>Total comprehensive income for the year</b>	-	83,249
<b>Statement of financial position</b>		
Current assets	59,701	123,461
Non-current assets	13,032	21,053
<b>Total assets</b>	<b>72,733</b>	<b>144,514</b>
Current liabilities	817	3,116
Non-current liabilities	3,382	(1)
<b>Total liabilities</b>	<b>4,199</b>	<b>3,115</b>
<b>Net assets</b>	<b>68,534</b>	<b>141,399</b>
<b>Total equity of the parent comprising of:</b>		
Share capital	47,526	54,462
Reserve		
Share-based payments	-	804
Retained earnings	21,008	86,133
<b>Total equity</b>	<b>68,534</b>	<b>141,399</b>

During the financial year ended 30 June 2022, Vita Group Limited declared and paid fully franked dividends of \$90,585,637.

#### 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.

**20 PARENT ENTITY DISCLOSURES (CONTINUED)**

**Parent entity contingencies (continued)**

	2022 \$'000	2021 \$'000
<b>Guarantees held for:</b>		
Leasing commitments	1,070	1,037
<b>Total guarantees held</b>	<b>1,070</b>	<b>1,037</b>

There were no other contingencies as at reporting date (FY21: 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 21.

***Capital commitments***

The parent entity had not committed to any capital commitments at reporting date (FY21: 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 2022 (CONTINUED)

### 21 RELATED PARTY DISCLOSURES

#### Controlled Entities

Name	Country of incorporation	Percentage of Equity Interest Held	
		2022 %	2021 %
Fone Zone Pty Ltd ^	Australia	-	100
Communique Holdings Pty Ltd	Australia	100	100
Next Byte Holdings Pty Ltd	Australia	100	100
Vita People Pty Ltd ***	Australia	-	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
Sprout Corporation Pty Ltd **** / ^	Australia	-	-
<b>Subsidiaries of Fone Zone Pty Ltd:</b>			
One Zero Communications Pty Ltd ^	Australia	-	100
One Xerro TLS (Bundaberg) Pty Ltd ^	Australia	-	100
One Zero TCS (Warwick) Pty Ltd ^	Australia	-	100
Kel 2000 Pty Ltd ^	Australia	-	100
Kel 2010 Pty Ltd ^	Australia	-	100
Tribal Accessories Pty Ltd *	Australia	-	100
Camelon ICT Solutions Pty Ltd *	Australia	-	100
TCB Comms Pty Ltd *	Australia	-	100
Kan Tel Pty Ltd *	Australia	-	100
Sales Comms Pty Ltd *	Australia	-	100
The Mobile Phone Shop Pty Ltd*	Australia	-	100
Sprout Corporation Pty Ltd **** / ^	Australia	-	-
Vita People Pty Ltd *** / ^	Australia	-	-
<b>Subsidiaries of Communique Holdings Pty Ltd:</b>			
Sprout Corporation Pty Ltd ****	Australia	-	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 One Zero Communications Pty Ltd:</b>			
Geek Squad Pty Ltd **	Australia	-	100
Geek Squad Australia Pty Ltd ^	Australia	-	100
Computer Geek Squad Pty Ltd ^	Australia	-	100
<b>Subsidiaries of Artisan Aesthetics Group Pty Ltd:</b>			
VTG CC Pty Ltd	Australia	100	100
VTG Artisan Pty Ltd	Australia	100	100
<b>Subsidiaries of SQD Global Pty Ltd:</b>			
Geek Squad Pty Ltd **	Australia	100	-
Tribal Accessories Pty Ltd *	Australia	100	-
Camelon ICT Solutions Pty Ltd *	Australia	100	-
TCB Comms Pty Ltd *	Australia	100	-
Kan Tel Pty Ltd *	Australia	100	-
Sales Comms Pty Ltd *	Australia	100	-
The Mobile Phone Shop Pty Ltd *	Australia	100	-

\* The Mobile Phone Shop Pty Ltd, Tribal Accessories Pty Ltd, Camelon ICT Solutions Pty Ltd, TCB Comms Pty Ltd, Kan Tel Pty Ltd and Sales Comms Pty Ltd were transferred from Fone Zone Pty Ltd to SQD Global Pty Ltd during FY22.

## 21 RELATED PARTY DISCLOSURES (CONTINUED)

### Controlled Entities (continued)

\*\* Geek Squad Pty Ltd was transferred from One Zero Communications Pty Ltd to SQD Global Pty Ltd during FY22.

\*\*\* Vita People Pty Ltd was transferred from Vita Group Limited to Fone Zone Pty Ltd during FY22.

\*\*\*\* Sprout Corporation Pty Ltd was transferred from Communique Holdings Pty Ltd to Vita Group Limited and from Vita Group Limited to Fone Zone Pty Ltd during FY22.

^ On 12 November 2021, Fone Zone Pty Ltd (together with its wholly owned subsidiaries Sprout Corporation Pty Ltd, Vita People Pty Ltd, One Zero Communications Pty Ltd, One Xerro TLS (Bundaberg) Pty Ltd, One Zero TCS (Warwick) Pty Ltd, Kel 2000 Pty Ltd, Kel 2010 Pty Ltd, Geek Squad Australia Pty Ltd and Computer Geek Squad Pty Ltd) were sold to Telstra Corporation Limited.

The above entities are providers of medical grade skincare treatments and products.

### *Deed of cross guarantee*

Pursuant to ASIC Corporations (wholly-owned companies) Instrument 2016/785, (previously ASIC Class Order 98/1418 Wholly-owned entities) (ASIC Instrument), Vita Group Limited, Fone Zone Pty Ltd and others, 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 25 May 2009. The purpose of entering into this deed was so that certain wholly owned subsidiaries of Vita Group Limited could be eligible to obtain relief from the requirements under the Corporations Act 2001 to prepare and lodge audited financial reports.

The general effect of the deed is that each group entity that is a party to the deed (group entity) has guaranteed to pay in full any debt or claim that is now or at any future time admissible to proof in the winding up of a group entity.

On 12 November 2021, each of Sprout Corporation Pty Ltd, Vita People Pty Ltd, Kel 2000 Pty Ltd, Kel 2010 Pty Ltd, One Zero Communications Pty Ltd, One Xerro TLS (Bundaberg) Pty Ltd, Geek Squad Australia Pty Ltd, Computer Geek Squad Pty Ltd and One Zero TCS (Warwick) Pty Ltd ceased to be a member of the Closed Group by reason of the sale of Fone Zone Pty Ltd to Telstra Corporation Limited.

As at the end of the year, Vita Group Limited and Communique Holdings Pty Ltd, Next Byte Pty Ltd, Next Byte Holdings Pty Ltd, The Mobile Phone Shop Pty Ltd, Tribal Accessories Pty Ltd (formerly Let's Talk Communications Pty Ltd) and Geek Squad Pty Ltd (formerly One Xerro TLS (Gladstone) Pty Ltd) are party to the above Deed of Cross Guarantee. However, none of these entities are seeking to rely on the relief available under the ASIC Instrument in respect of FY22.

### *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 20.

Key Management Personnel disclosures for the Group are detailed in Note 29.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 22 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 8 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.

The Group currently has a lease commitment in place relating to its head office premises amounting to \$5.5m undiscounted, excluding outgoings, exit and make good costs. The size of the Group's legacy head office is larger than is required for continuing operations. The group is actively exploring all opportunities to reduce this lease commitment.

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

	2022 \$'000	2021 \$'000
Within one year	-	5

#### *Capital commitments*

Capital expenditure relating to store refits contracted for at the reporting date but not recognised as liabilities amounted to \$nil (FY21: \$nil).

#### *Other*

Vita is required to maintain certain insurance policies commensurate with the size and scale of the business at the time of divestment of its ICT business. The value of this annual incremental requirement, not recognised as a liability, is estimated at approximately \$0.4m.

#### *Contingencies*

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 the Group for the period FY16 to FY21. The Group has obtained technical advice from independent GST 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. As part of the sale of the ICT business, the funds have been settled with the purchaser, the consideration has been adjusted to account for the contingency. Should the judgement be granted in the Group's favour, the settlement adjustment amount of \$5.3m will be paid back to the Group by the purchaser. Should an adverse decision be reached, no additional amount is payable by the Group other than legal costs that may be incurred.

#### *Guarantees*

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

	2022 \$'000	2021 \$'000
Leasing commitments	1,070	1,101
Other supplier arrangements	-	15,000
<b>Total guarantees held</b>	<b>1,070</b>	<b>16,101</b>

### 23 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

**24 EARNINGS PER SHARE**

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

	2022 \$'000	2021 \$'000
<b>Profit/(loss) attributable to the ordinary equity holders of the parent</b>		
From continuing operations	(8,653)	(8,303)
From discontinued operation	1,227	34,641
<b>Profit/(loss) attributable to the ordinary equity holders of the parent</b>	<b>(7,426)</b>	<b>26,338</b>
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	167,316	164,819
<i>Adjustments for calculation of diluted earnings per share:</i>		
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>167,316</b>	<b>164,819</b>
Basic earnings per share (cents) from continuing operations	(5.17)	(5.04)
Basic earnings per share (cents) from discontinued operations	0.73	21.02
Basic earnings per share (cents)	(4.44)	15.98
Diluted earnings per share (cents) from continuing operations	(5.17)	(5.04)
Diluted earnings per share (cents) from discontinued operations	0.73	21.02
Diluted earnings per share (cents)	(4.44)	15.98

**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.

On the basis that the Group made losses from continuing operations in the current and prior years the outstanding performance rights of 30 June 2022 and 30 June 2021 were considered anti-dilutive and therefore excluded from weighted average number of ordinary shares calculation.

**25 CONTRIBUTED EQUITY, RESERVES AND RETAINED EARNINGS**

	2022 \$'000	2021 \$'000
<b>Contributed equity</b>		
<b>Ordinary shares</b>		
Ordinary shares		
<b>Issued and fully paid</b>	<b>47,526</b>	<b>44,651</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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

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

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

<i>Movements in contributed equity:</i>	Number of shares	\$'000
At 1 July 2020	163,756,523	43,017
<b>Dividend reinvestment plan:</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>
10,267,379 new shares issued at \$0.28 per share under dividend reinvestment plan	10,267,379	2,875
<b>At 30 June 2022</b>	<b>175,871,832</b>	<b>47,526</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>	2022 \$'000	2021 \$'000
At 1 July	804	1,284
Performance rights expense	(138)	325
Performance rights exercised	-	(307)
Performance rights forfeited/cancelled	(666)	(498)
<b>At 30 June</b>	<b>-</b>	<b>804</b>

#### Retained earnings

<i>Movements in retained earnings:</i>	2022 \$'000	2021 \$'000
At 1 July	95,643	81,969
Net profit for the period	(7,426)	26,338
Dividends	(90,585)	(13,162)
Performance rights forfeited/cancelled	666	498
<b>At 30 June</b>	<b>(1,702)</b>	<b>95,643</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 FY22, dividends of \$90,585,637 were paid to shareholders (FY21: \$13,161,526).

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 2022 and 2021 were as follows:

	2022 \$'000	2021 \$'000
Total borrowings*	1,590	7,159
Less: Cash and cash equivalents and term deposit	(20,055)	(38,208)
<b>Net debt</b>	<b>(18,465)</b>	<b>(31,049)</b>
Total equity	45,824	141,098
<b>Net debt plus equity</b>	<b>27,359</b>	<b>110,049</b>
<b>Net debt / (Net debt plus equity) ratio</b>	<b>(67.5%)</b>	<b>(28.2%)</b>

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

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

### Retained earnings (continued)

#### Capital management (continued)

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

### Contributed equity

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

## 26 SHARE-BASED PAYMENTS

### Executive performance rights

As disclosed in the Directors Report, the Group had 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 29 for details of KMPs. This plan was discontinued in FY22. All outstanding performance rights under the LTIP have either lapsed due to performance hurdles not being met and/or upon cessation of employment or cancelled for no consideration by agreement between Vita and the relevant participant. Where cancelled the remaining expense was recognised.

#### Number of performance rights

	Opening balance	Granted during the year (a)	Exercised during the year	Cancelled/ forfeited during the year	Closing balance
<b>FY22</b>					
Number of rights outstanding	1,664,438	-	-	(1,664,438)	-
	<b>1,664,438</b>	<b>-</b>	<b>-</b>	<b>(1,664,438)</b>	<b>-</b>
<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>

(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 was determined internally using a binomial option pricing model that considers 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:

	2022 \$'000	2021 \$'000
Executive performance rights	(138)	325
<b>Total executive performance rights</b>	<b>(138)</b>	<b>325</b>

FY22 includes the reversal of amounts relating to forfeited performance in the period.

### 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 2022 (CONTINUED)

### 26 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.

### 27 INCOME TAX

	Notes	2022 \$'000	2021 \$'000
The major components of income tax expense are:			
<i>Current income tax:</i>			
Current tax on (loss)/profits for the year		(2,396)	12,263
Adjustments for current tax of prior periods		(2,416)	489
<i>Deferred income tax</i>			
Decrease/(increase) in deferred tax assets (note )	13	435	(2,343)
<b>Income tax expense reported in the statement of comprehensive income</b>		<b>(4,377)</b>	<b>10,409</b>

Income tax expense is attributable to:

Profit from operations		(3,952)	(3,558)
Profit from discontinued operation		(425)	13,967
<b>Income tax expense reported in the statement of comprehensive income</b>		<b>(4,377)</b>	<b>10,409</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>(Loss)/profit before income tax</b>		<b>(11,809)</b>	<b>36,747</b>
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At the Group's statutory income tax rate of 30% (FY21: 30%)		(3,543)	11,024
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Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:

Other items		(554)	1,157
<b>Accounting expenses not deductible for income tax purposes</b>		<b>(554)</b>	<b>1,157</b>

Adjustments for current tax of prior periods		(2,416)	489
Tax effect of use of capital losses		-	(1,653)
Adjustments for deferred tax of prior periods		2,136	(608)
<b>Aggregate income tax expense</b>		<b>(4,377)</b>	<b>10,409</b>

The current tax rate for the Group is 30%. In subsequent years, the Group may be considered a base rate entity, and be eligible for the lower tax rate of 25%. The Group will be considered a base rate entity if its aggregate turnover is less than \$50 million and has passive assessable income of 80% or less.

Should the Group be considered a base rate entity, the franking credits available for subsequent reporting periods will be at a maximum of 25% while considered a base rate entity.

Note 13 provides information on deferred tax assets and liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

**28 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.

	2022 \$	2021 \$
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	165,000	206,000
Other assurance services	6,800	7,000
Other services in relation to the entity and any other entity in the consolidated Group:		
Tax compliance and consulting services	282,499	149,614
Administration services	19,500	-
<b>Total auditor remuneration</b>	<b>473,799</b>	<b>362,614</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

### 29 DIRECTOR AND EXECUTIVE DISCLOSURES

#### *Details of Key Management Personnel*

(i) Directors

Paul Mirabelle	Independent Non-Executive Chairman
Dick Simpson	Independent Non-Executive Chairman (resigned 26 November 2021)
Maxine Horne	Non-Executive Director
Neil Osborne	Independent Non-Executive Director (resigned 26 November 2021)
Paul Wilson	Independent Non-Executive Director
Peter Connors	Chief Executive Officer (appointed 12 November 2021)

(ii) Executives

Andrew Ryan	Chief Financial Officer
George Southgate	Chief Legal and Risk Officer
Justin Maskey	Chief Technology Officer
Kendra Hammond	Chief People Officer (resigned 12 November 2021)
Peter Connors	Chief Operations Officer
Rebecca McLeod	Chief Strategy and Communications Officer (resigned 12 November 2021)
Vik Mahajan	Chief People Officer (appointed 12 November 2021, resigned 31 March 2022)

Paul Mirabelle held the position of Independent Non-Executive Director until 26 November 2021 when he was appointed as Independent Non-Executive Chairman.

Maxine Horne held the position of Chief Executive Officer and Managing Director until 12 November 2021 when she was appointed as Non-Executive Director.

Peter Connors held the position of Chief Operations Officer until 12 November 2021 when he was appointed as Chief Executive Officer.

#### *Compensation of Key Management Personnel*

	2022	2021
	\$	\$
Short-term employee benefits	3,501,131	3,919,235
Post-employment benefits	209,651	160,468
Long-term benefits	8,275	63,347
Share-based payments	(137,429)	327,025
Termination benefits	1,665,438	-
<b>Total compensation</b>	<b>5,247,066</b>	<b>4,470,075</b>

Detailed remuneration disclosures are provided in the Remuneration Report on page 9 to 22.

#### *Compensation options: granted during the year*

During the financial year no share options were granted as equity compensation benefits (FY21: nil).

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

During the financial year no performance rights were granted (FY21: 651,063), refer to Note 26 for further information.

## **29 DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)**

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

During the financial year 1,664,438 performance rights were forfeited (FY21: 586,856), refer to Note 26 for further information.

### ***Loans to Key Management Personnel***

There were no loans provided to KMP during the financial year (FY21: nil).

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

Details of other transactions with KMP are in Note 21 Related party disclosure.

## **30 SUMMARY OF OTHER ACCOUNTING POLICIES**

### ***Corporate Information***

The financial report of the Group for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of directors on 30 August 2022. 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***

At 30 June 2022, the Group had a net loss after tax from continuing operations of \$8.7 million and operating cash outflow from continuing operations of \$8.8 million. Despite the loss in FY22 the Group ended the period with current assets, including \$18.0 million of cash, in excess of current liabilities amounting to \$11.4 million. The Group monitors its cash flows carefully and 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. After considering the forecasted net cash outflows from operating activities in the coming period, the Director's believe that the current cash position, supported by the unused facilities of \$0.8 million (as detailed in Note 16), are sufficient to cover current liabilities of the Group. 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***

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

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

#### Basis of preparation (continued)

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

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

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting years and on foreseeable future transactions.

##### *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 2021. 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.

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.

### 30 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>Discontinued Operations</i>	<i>Note 11</i>	<i>Provisions</i>
<i>Note 3</i>	<i>Revenue and Other Income</i>	<i>Note 12</i>	<i>Contract and Other Liabilities</i>
<i>Note 7</i>	<i>Plant and Equipment</i>	<i>Note 13</i>	<i>Deferred Tax Asset</i>
<i>Note 8</i>	<i>Leasing</i>	<i>Note 19</i>	<i>Impairment Testing of Goodwill</i>
<i>Note 9</i>	<i>Intangible Assets and 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.

#### **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.

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

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

#### Tax consolidation (continued)

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 25 to 65 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 2022 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 parties to the deed of cross guarantee 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 30 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*.



Paul Mirabelle  
Chairman



Peter Connors  
Director and Chief Executive Officer

Brisbane  
30 August 2022

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

**Grant Thornton Audit Pty Ltd**

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## Independent Auditor's Report

### To the Members of Vita Group Limited

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of Vita Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2022, 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 2022 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.

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### Key audit matters

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

#### Key audit matter

#### How our audit addressed the key audit matter

##### Revenue – Note 3

The Group's revenue of \$24,619,000 is the largest item in the Statement of Comprehensive Income.

This area is a key audit matter due to the nature of revenue and the importance of revenue to stakeholders.

Our procedures included, amongst others:

- Understanding the processes and controls used by the Group in recording revenue;
- Assessing the revenue recognition policies for appropriateness and compliance with AASB 15 *Revenue from Contracts with Customers*;
- 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 – Note 9 and 19

As at 30 June 2022, the carrying value of goodwill was \$24,449,000.

The Group is required to perform an annual impairment test of goodwill in accordance with AASB 136 *Impairment of Assets*. Management's impairment test is a key audit matter due to the significant judgements and estimates required in calculating the recoverable amount on a value-in-use basis.

Management determined the value-in-use by estimating the future cash inflows and outflows to be derived from the continuing use of the assets 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 the ongoing economic conditions may impact future cash flows; and
- determining an appropriate risk beta in calculating 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;
- Evaluating management's process to determine if it appropriately addresses the risks
- 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;
- Verifying the mathematical accuracy and methodology, including assessing the 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, operating metrics 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.



### Discontinued operations – Note 2

In November 2021, Vita sold its Telstra branded retail store network to Telstra resulting in a gain on disposal of \$2,218,000 as disclosed in Note 2.

This is a key audit matter due to the material nature of the transaction and the judgements required by the Group.

Our procedures included, amongst others:

- Reading the terms of the Sale Agreement;
- Agreeing the proceeds on sale to the bank statement;
- Assessing the carrying value of the assets and liabilities sold;
- Recalculating the gain on sale by comparing the carrying value of the assets and liabilities for the business to the consideration received less the cost to sell;
- Evaluating the presentation of the results of the ICT business as discontinued operations, the allocated income, expenses and corporate cost allocations;
- Considering the Group's assessment of the taxation impact of the sale;
- Evaluating whether the disclosures were consistent with the requirements of Australian Accounting Standards.

### 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 2022 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 9 to 22 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Vita Group Limited, for the year ended 30 June 2022 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 handwritten signature in black ink that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd  
Chartered Accountants

A handwritten signature in black ink that reads "A F Newman".

A F Newman  
Partner – Audit & Assurance  
Brisbane, 30 August 2022

# AUSTRALIAN SECURITIES EXCHANGE (ASX) ADDITIONAL INFORMATION

30 JUNE 2022

## 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	980	499,157	0.28%
1,001 - 5,000	1,606	4,652,495	2.65%
5,001 - 10,000	849	6,611,126	3.76%
10,001 - 100,000	1,395	43,045,091	24.48%
100,001 and over	178	21,063,963	68.84%
	<b>5,008</b>	<b>75,871,832</b>	<b>100.01%</b>
<b>Shareholdings of less than a marketable parcel</b>			
Holdings of less than 500 shares	1,753	1,885,228	1.07%

## B. Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully paid	
	Number	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	35,805,103	20.36%
CITICORP NOMINEES PTY LIMITED	29,927,929	17.02%
BNP PARIBAS NOMS PTY LTD <DRP>	6,715,840	3.82%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,578,317	2.03%
ACE PROPERTY HOLDINGS PTY LTD	1,600,000	0.91%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,332,218	0.76%
SANDHURST TRUSTEES LTD <CYAN C3G FUND A/C>	1,316,550	0.75%
NATIONAL NOMINEES LIMITED	1,305,293	0.74%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	964,525	0.55%
MRS VESNA KRAUS	913,613	0.52%
MR JIAN WANG	897,418	0.51%
MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	773,014	0.44%
SHARESIES NOMINEE LIMITED <CHILD A/C>	738,990	0.42%
OZSCIENTIFIC PTY LTD	700,000	0.40%
YARRA NOMINEES PTY LTD	700,000	0.40%
MR JOSEPH MIRO VUCETIC + MRS CLARA GALA <THE JC SUPERNOVA S/F A/C>	637,000	0.36%
R BARRY MORTON	632,943	0.36%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <EQUITY FINANCE A/C>	625,134	0.36%
MR JOSEPH MIRO VUCETIC + MS CLARA GALA <THE JC SUPERNOVA S/F 2 A/C>	624,549	0.36%
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	578,970	0.33%
	<b>90,367,406</b>	<b>51.40%</b>

## AUSTRALIAN SECURITIES EXCHANGE (ASX) ADDITIONAL INFORMATION

30 JUNE 2022(CONTINUED)

### 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 24 August 2022 were:

	Fully paid	
	Number held	Percentage
<b>Ordinary Shareholders</b>		
MAXINE HORNE	32,673,966	18.58%
SPHERIA ASSET MANAGEMENT PTY LTD	29,952,376	17.03%
<b>TOTAL</b>	<b>62,626,342</b>	<b>35.61%</b>

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 24 August 2022.