



PROSPECTUS

VIVA LEISURE LIMITED | ACN 607 079 792

Initial Public Offering

This Prospectus is an important document and should be read in its entirety. You should seek professional advice if you have any questions about the Shares being offered under this Prospectus, or any matter relating to an investment in the Company.

ORD MINNETT
Sole Lead Manager and Underwriter

gadens
Legal Advisers

Important Notices

Offer

The Offer contained in this Prospectus is an invitation to apply for fully paid ordinary shares (**Shares**) in Viva Leisure Limited (**Company**). This Prospectus is issued by the Company.

Lodgement, Listing and Expiry

This replacement prospectus is dated 14 May 2019 (**Prospectus**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date (**Prospectus Date**). This document replaces the prospectus dated 3 May 2019 (**Original Prospectus**).

The Company has applied to ASX Limited (**ASX**) within 7 days after the Original Prospectus Date for admission of the Company to the Official List and for the quotation by ASX of its Shares offered by this Prospectus. Neither ASIC nor ASX, or their officers takes any responsibility for the content of this Prospectus or the merits of the investment set out in this Prospectus.

The changes to the Original Prospectus are the inclusion of additional disclosure in Section 6.1 regarding the experience and background of Directors, and other minor consequential amendments such as amended definitions in the Glossary.

The Company disclaims all liability, whether in negligence or otherwise, to persons who trade the Shares prior to receiving their holding statement.

This Prospectus expires on 3 June 2020 (**Expiry Date**) being 13 months after the Original Prospectus Date. No Shares will be allotted or issued on the basis of this Prospectus later than the Expiry Date.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the 7 day period after the date of lodgement of the Original Prospectus with ASIC (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further 7 days. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Not financial advice

Investors should read this Prospectus in its entirety before deciding to invest in the Company. In particular, investors should refer to Sections 4, 5 and 8 of this Prospectus for financial information relating to the Company and details of the risk factors that could affect the performance of the Company. There may be additional risk factors that should be considered by prospective investors in light of an investor's personal circumstances. The information in this Prospectus does not take into account the investment objectives, personal circumstances (including financial and taxation issues) and particular needs of investors. The information in this Prospectus is not financial product advice and investors should consider the prospects of the Company in light of their individual objectives, circumstances and needs. Investors should seek professional advice from a stockbroker, lawyer, accountant or other independent financial adviser before deciding to invest in the Company. The Company nor any other person named in this Prospectus warrants or guarantees the successful performance of the Company, the repayment of capital, the payment of dividends, the price at which the Shares will trade on ASX or any return on investment made pursuant to this Prospectus.

No person is authorised to give any information, or to make any representation, in connection with the Offer described in this Prospectus, other than that which is contained in this Prospectus. Investors should rely only on information in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, its Directors or any other person in connection with the Offer. This Prospectus includes information about past performance of the Company and investors should be aware that past performance should not be relied upon as being indicative of future performance.

Privacy

Applicants will be asked to provide personal information to the Company (directly or via its agents). Refer to Section 9.13 of this Prospectus for information on how the Company and its agents collect, hold and use this personal information.

Application Forms which do not contain all the requested information may not be able to be processed by the Company.

Once an Investor becomes a Shareholder, the Corporations Act and taxation legislation will require certain information about the Shareholder

to be included in the Share Register. In accordance with the requirements of the Corporations Act, the Share Register will be accessible by members of the Company. The information must continue to be included in the Share register even where a Shareholder ceases to be a Shareholder.

Forward looking statements

This Prospectus contains forward looking statements such as "may", "could", "believes", "estimates", "anticipates", "expects", "intends" and other similar words. The Forecast Financial Information has been prepared and included in this Prospectus in Section 4. The forward looking statements are based on an assessment of the present economic and operating conditions of the Company, as well as certain assumptions regarding future events and actions that are reasonably anticipated to occur as at the date of this Prospectus. Such statements and information should be read and considered in light of the risk factors set out in Section 5 of this Prospectus, the general assumptions and other information contained in this Prospectus. The forward looking statements are not guarantees of future performance of the Company and are premised on known risks, uncertainties, assumptions and other factors, many of which are beyond the control of the Company and its Subsidiaries. While the Company believes that the expectations reflected in the forward looking statements in this Prospectus are reasonable, neither the Company, nor any of the Company's subsidiaries gives any assurance that the results, performance or achievements stated or implied in the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on the forward looking statements.

This Prospectus contains information based on industry forecasts, projections, management estimates and market data that has been obtained by the Company from third parties. The Company has not independently verified this information. There is no assurance that any outcomes predicated on such industry forecasts, projections and market data, to which this Prospectus refers, will be achieved. The Company makes no representation and expressly disclaims any liability as to the completeness or accuracy of such information or projections. Estimates, forecasts and projections involve risks and uncertainties and are subject to change based on various factors including those disclosed in the risk factors set out in Section 5.

The Company has no intention to update or revise any forecasts or forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or other factors affect the information contained in this Prospectus, other than to the extent required by law.

Industry and market data

This Prospectus, including the Industry Overview in Section 2 and the Company Overview in Section 3, contains statistics, data and other information (including forecasts and projections) relating to markets, market sizes, market shares, market segments, market positions and other industry data pertaining to Viva Leisure's business and markets. The Company has obtained significant portions of this information from market research prepared by third parties.

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

There is no assurance that any of the forecasts or projections in the surveys, reports and surveys of any third party that are referred to in this Prospectus will be achieved. The Company has not independently verified, and cannot give any assurances to the accuracy or completeness of, this market and industry data or the underlying assumptions used in generating this market and industry data.

Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Restrictions on distribution

This Offer is available to Australian residents located in Australia. This Prospectus does not constitute an offer in any place in which, or to any

person to whom, it would not be lawful to make such an offer. As at the date of this Prospectus, no action has been taken to register or qualify the Shares or the Offer or to otherwise permit a public offering of Shares outside Australia. Persons who obtain this Prospectus in jurisdictions outside of Australia may be restricted by the laws of the relevant jurisdiction from making an Application for Shares and should seek advice on and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to the Shares in certain jurisdictions outside Australia, please refer to Section 7.7.

This Prospectus may not be distributed to, or relied upon by, persons in the United States or who are US Persons. The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the U.S. Securities Act and applicable United States state securities laws.

Obtaining a copy of this Prospectus

An electronic version of this Prospectus (the **Electronic Prospectus**) can be downloaded from www.vivaleisure.com.au. Any person accessing the Electronic Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Electronic Prospectus from within Australia. Persons who access this Prospectus electronically should ensure they download and read the entire Prospectus, accompanied by the relevant Application Forms. Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its hard copy form, or in its electronic form which must be downloaded in its entirety from the website specified above together with a copy of this Prospectus. The Application Form may be generated by software accessible by the same means as the Prospectus. The Company will also send a copy of the Prospectus and Application Form free of charge to any person in Australia during the Offer Period.

Applications

An Application for Shares in the Company may only be made during the Offer Period on the Application Form attached to, or accompanying, this Prospectus in its paper form or in its electronic form which must be downloaded in its entirety from www.vivaleisure.com.au. Please refer to Section 1.2 and Section 7 of this Prospectus for instructions as to how to make an Application for Shares.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a complete and unaltered paper copy or electronic version of this Prospectus. By making an Application, you represent and warrant that you were given access to this Prospectus, together with an Application Form. The Company reserves the right not to accept completed Application Forms if it has reason to believe that the Applicant has not received a complete copy of this Prospectus, and any relevant supplementary or replacement prospectus, or has reason to believe that the Application Form, or any of those documents, has been altered or tampered with in any way. Cooling-off rights do not apply to an investment in Shares issued under this Prospectus.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in the charts, graphs and tables is based on information available at the Prospectus Date.

Company website

Any references to documents included on the Company's website at www.vivaleisure.com.au are provided for convenience only, and none of the documents or other information available on the website, or any other website referred to in the sources contained in this Prospectus, are incorporated in this Prospectus by reference.

Defined terms and abbreviations

Please refer to the Glossary Section of this Prospectus for explanations of defined terms and abbreviations used in this Prospectus. Unless stated

or otherwise implied, references to times in this Prospectus are to local Melbourne time. All financial amounts shown in this Prospectus are expressed in Australian dollars, unless otherwise stated. Any discrepancies between totals and sums and components in charts, graphics and tables contained in this Prospectus are due to rounding.

Disclaimer

Except as required by law, and only to the extent so required, none of the Company, the Directors, the Company's management, the Lead Manager or any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

As set out in Section 7, it is expected that the Shares will be quoted on ASX initially on a normal settlement basis. The Company, the Share Registry and the Lead Manager disclaims all liability, whether in negligence or otherwise, to persons who trade Shares before receiving a holding statement, even if such person received confirmation of allocation from the Viva Leisure IPO Offer Information Line or confirmed their firm allocation through a Broker.

Ord Minnett Limited has acted as Lead Manager to the Offer and has not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by Ord Minnett or by any of its respective affiliates, officers or employees. To the maximum extent permitted by law, the Lead Manager and each of its respective affiliates, officers, employees and advisers expressly disclaims all liabilities in respect of, makes no representations regarding, and takes no responsibility for, any part of this Prospectus other than references to its respective names and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Financial information presentation

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of the preparation of the Financial Statement is set out in Section 4.2.

All references to FY2017, FY2018, FY2019 and FY2020 are to the financial years ended or ending 30 June 2017, 30 June 2018, 30 June 2019 and 30 June 2020, respectively, unless otherwise indicated.

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the accounting policies of the Company. The significant accounting policies of the Company relevant to the Financial Information are set out in Appendix A.

The Financial Information including the Pro Forma Historical Information and the Forecast Financial Information in this Prospectus should be read in connection with, and they are qualified by reference to, the information contained in Sections 3 and 5.

All financial amounts contained in the Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Financial Services Guide

The provider of the Investigating Accountant's Report on the Financial Information is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act. The Investigating Accountant's Report and accompanying Financial Services Guide is provided in Section 8.

Questions

If you have any questions about how to apply for Shares, call your Broker or the Viva Leisure IPO Offer Information Line on 1800 647 819 between 8:30am and 5:30pm (Melbourne time), Monday to Friday. Instructions on how to apply for Shares are set out on Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares.

This Prospectus is important and should be read in its entirety.



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Key Dates

ITEM	INDICATIVE TIMETABLE
Original Prospectus lodgement date	Friday, 3 May 2019
Prospectus lodgement date	Tuesday, 14 May 2019
Broker Firm Offer opens	Monday, 13 May 2019
Broker Firm Offer closes	Thursday, 23 May 2019
Completion of the Offer	Thursday, 30 May 2019
Issue of Shares under the Offer	Expected Friday, 31 May 2019
Expected completion of dispatch of holding statements	Expected Tuesday, 4 June 2019
Expected commencement of trading of the Shares on ASX (on a normal settlement basis)	Friday, 7 June 2019

NOTES

The above timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne, Australia time. The Company, in conjunction with the Lead Manager, reserves the right to vary any and all of the above dates and times without notice, including, subject to the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases. The Company reserves the right to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or Applicants. If the Offer is cancelled or withdrawn before the issue or transfer of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Application Forms as soon as possible after the Offer opens.

Key Offer Statistics

ITEM	OFFER
Offer Price	\$1.00
Total value of Shares offered under this Prospectus	\$20.0 million
Total New Shares to be issued under the Offer	20.0 million
Total Shares to be held by Existing Shareholders on Completion	32.4 million
Total Shares on issue immediately after Completion	52.6 million
Market capitalisation at the Offer Price ¹	\$52.6 million
Enterprise value at the Offer Price ²	\$44.9 million
Enterprise value to pro forma FY2019 forecast EBITDA ^{2,3,4}	5.6x
Enterprise value to pro forma FY2020 forecast EBITDA ^{2,3,4}	3.9x
Market capitalisation to pro forma FY2019 forecast NPAT ^{1,4,5}	14.6x
Market capitalisation to pro forma FY2020 forecast NPAT ^{1,4,5,6}	10.8x
Market capitalisation to pro forma FY2019 forecast NPATA ^{1,4,5,6}	13.9x
Market capitalisation to pro forma FY2020 forecast NPATA ^{1,4,5,6,7}	9.9x

Viva Leisure will adopt AASB 16 accounting treatment for FY2020.

The Key Offer statistics would be the following if including the impacts of AASB 16

Enterprise value to pro forma FY2020 forecast EBITDA ^{2,3,4,8}	2.1x
Market capitalisation to pro forma FY2020 forecast NPAT ^{1,4,5,8}	25.5x
Market capitalisation to pro forma FY2020 forecast NPATA ^{1,4,5,7,8}	20.6x

NOTES

- 1 Market capitalisation at the Offer Price is determined by multiplying the number of Shares at Completion of the Offer by Offer Price.
- 2 Enterprise Value is calculated by subtracting pro forma net cash as at 31 December 2018 from Market Capitalisation.
- 3 EBITDA refers to earnings before interest, tax, depreciation and amortisation. Refer to Section 4 for more information.
- 4 The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and is subject to the risk factors set out in Section 5. There is no guarantee that forecasts will be achieved, and variances may be material. Pro Forma Financial Information has been presented for the reasons set out in Section 4.4.
- 5 This ratio is commonly referred to as the forward price to earnings ratio, or forward PE ratio. A price to earnings ratio is the share price divided by the annual earnings per share after tax.
- 6 Excluding impact of AASB 16.
- 7 NPATA is NPAT adjusted for non-cash amortisation relating to the finite life of intangible assets recognised as part of acquisitions.
- 8 Viva Leisure will adopt AASB 16 accounting treatment for FY2020. The Key Offer statistics would be the following if including the impacts of AASB 16.

HOW TO INVEST

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

QUESTIONS

Please call the Viva Leisure IPO Information Line on 1800 647 819 (within Australia) from 8:30am to 5:30pm (Melbourne Time), Monday to Friday (excluding public holidays) during the Offer Period. If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 1800 647 819 from 8:30am to 5:30pm (Melbourne Time), Monday to Friday (excluding public holidays). If you have any questions about whether to invest in the Company you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.

Letter from the Chair



Dear Investor,

On behalf of the Board of Directors, I am delighted to present you with the opportunity to become a shareholder of Viva Leisure Limited (**Viva Leisure** or the **Company**).

Viva Leisure operates in the health and leisure industry in Australia offering membership to members who use the Company's health clubs with the majority operating under the

Club Lime brand. The business was first established with a single club opening in 2004 and has since grown to 29 open clubs, with three additional clubs to be acquired upon listing and 16 (eight of these being a boutique offering) additional clubs scheduled to open this calendar year.

Viva Leisure's vision is to become the number one health, fitness and aquatic centre operator in the market through expanding our geographical reach via organic growth and considered acquisitions, continued investment in our unique business model and through increasing the product and service offerings to our members who are core to our business.

The purpose of the Offer is to provide Viva Leisure with access to capital markets and added financial flexibility to pursue further growth opportunities and create a liquid market for the Shares.

The Offer is fully underwritten and will raise \$20.0 million, which will be primarily used to fund the execution of the Company's business model and expansion opportunities, working capital and pay the costs of the Offer.

The Company aims to provide a combination of capital and income returns to Shareholders and has established a dividend policy targeting distribution to Shareholders, subject to the operating needs of the Company, of between 40% and 60% of NPAT with dividends expected to commence in FY2021.

Upon Completion of the Offer, new Shareholders are expected to hold 38.4% of the Shares on issue. Existing Shareholders will hold the remaining 61.6% of Shares on issue. All of the Existing Shares that are held by the Directors and senior executives will be escrowed until the Company releases its results for the year ending 30 June 2020 to the ASX.

This Prospectus contains detailed information about the Offer and the historical and forecast financial position of Viva Leisure, as well as the material risks associated with an investment in the Company. I encourage you to read this document carefully and in its entirety before making your investment decision.

Before applying for New Shares, any prospective investor should be satisfied that they have a sufficient understanding of the risks involved in making an investment in Viva Leisure. These risks include, but are not limited to, failure to retain existing members and attract new members, changes to regulatory framework, competition from new entrants, reputational damage, failure to integrate acquisitions, disruption or failure of technology systems and loss of key management personnel. These risks as well as other general risks associated with investing in this Offer are described in Sections 1.4 and 5.

The Company has established a significant, profitable and growing brand that has been expanding rapidly in both the Australian Capital Territory and New South Wales. I believe the Viva Leisure management team and Board have grown Viva Leisure into a solid platform for business growth.

I encourage you to read this Prospectus carefully in its entirety before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Bruce Glanville', with a stylized flourish at the end.

Bruce Glanville
CHAIR

Founder, CEO and Managing Director's Letter



Dear Investor,

I am excited to introduce Viva Leisure and provide you with an understanding of our business, culture, and what we are focused on building.

Background

I started my first business at 15, many years ago. That was a bulletin board system (BBS), the predecessor of the modern internet. My BBS business,

Dynamite BBS, became Dynamite Internet in 1995, the largest Australian Capital Territory internet services provider before it was sold in 1999. Then in 2004, my family and I opened our first health club and aquatic facilities at Canberra International Sports & Aquatic Centre. This was the start of Viva Leisure (then, The Club Group).

While BBS, internet, and health clubs transcend industries, they all rely on the same core business rules:

- a recurring revenue model;
- managing member retention and churn; and
- unparalleled service quality – for BBS and Internet companies this was fast service through adequate phone lines and upstream links. For health clubs now, this is equipment, facilities, and class programming.

Using my IT experience, my brother Angelo and I established a technology-focused health club in 2004. We built back-end systems to capture accurate visitation and membership data, our own direct debit system (to remove reliance on intermediaries), and our own member self-service portal (removing reliance on additional staff). All while our competitors were still managing their facilities using spreadsheets and annual upfront payments.

Our systems helped us scale and integrate rapidly. However, even with a technology-focused business, our wonderful team is indispensable. Now, we have 500+ team members who make Viva Leisure what it is today.

Different by design

From the beginning, Viva Leisure was unique among health club operators. When we first commenced operations, health clubs were operated by 'gym fanatics' wanting to open their own facility. This gave Viva Leisure the opportunity to use our business and IT experience to develop something completely different. From the beginning, we wanted to be innovative and challenge the status quo. To build a better member experience and a better business. We wanted to be the "everything" of health and fitness for everyone and quickly discovered every member has unique requirements. This was why we started analysing our data to build health clubs we knew members would love.

Member focus

Our primary business focus is our members, without whom we could not be where we are today. One thing we have always done consistently is never try to fit a square peg into a round hole – we have always offered services, facilities, and equipment in our health clubs that our members want. We use captured data to identify our members' usage patterns and adjust our club equipment and layouts to create an easier, better member experience.

Our focus has always been to remove joining barriers by streamlining the process, and following this up with a no-judgement exercise environment that removes barriers to exercising. Our primary brand, *Club Lime*, does not even mention *fitness*, *health club*, or *24-hour* in the name, we are just *Club Lime* – *affordable, accessible, and awesome*, as our logo says.



Our retention philosophy is also unique because we do not believe locking members into long-term contracts is effective. The Viva Leisure way involves working with our members to ensure they visit the facilities, use their memberships, and increase their own visitations through visible results. Members who achieve results do not consider churning or leaving. Rather, the health club and exercise organically become part of their routines. The industry sometimes fails to understand that health results – and not long-term contracts – is our business.

We think long-term

Establishing a health club is expensive, and breaking even traditionally takes years. So, long-term thinking is critical, and our year-on-year business growth and improvement demonstrate this. Successful health club locations do not happen accidentally: Viva Leisure uses data-driven business decision-making processes to identify suitable locations, sizes, and facilities for our product and services, alongside the potential membership base. This long-term thinking helped us develop a unique 'hub-and-spoke' model of larger health clubs supported by nearby smaller health clubs, protecting us from competition, improving our membership proposition, and letting us serve as many members as possible.

This successful approach has allowed us to plan long-term while achieving quick break-even for new locations. In fact, our last six locations, opened in 2018 and 2019, achieved cash flow break-even within six weeks of opening. We consider locations older than 12 months 'mature locations'.

Viva Leisure regularly monitors both the market and individual club usage patterns to determine any changing consumer wants and reacts promptly. Once a location reaches or exceeds break-even, our recurring revenue model helps us enjoy significant financial benefits.

Analytics-driven decision-making is and will always be at the core of our management culture.

People and culture

Our people and culture are key to our business. While our team does not appear on our balance sheet, I consider them among our most valuable assets. We have worked hard for years to attract, recruit, develop, and retain our people, and offer them ample growth opportunities. We consider ourselves the employer of choice in our industry. Our people undoubtedly underpin the high-quality service we provide and I thank them for this every day.

Why IPO?

Viva Leisure has operated for many years at a high compliance standard in readiness for becoming a listed company. It has done this by achieving ISO-9001 quality management system certification, operating with an independent advisory board, and implementing the appropriate controls and processes to ensure transparency and accountability at all business levels.

Viva Leisure also wishes to publicly list because:

- management perceives a clear opportunity to establish a market dominant position as a health club owner (non-franchise);
- we have grown very well over the years, and plan to continue growing the Company. Whilst our organic growth and acquisitions are funded by the business itself and our cash flows, executing our plans effectively in a reasonable time will require additional capital;

- the fragmented health club market presents an opportunity for a consolidator with capital and experience to consolidate and grow the business strategically by smaller acquisitions and to bolt-on those acquisitions in a reasonable time to achieve the economies of scale this brings with it;
- as the business grows, the equity incentive options available to listed companies can help motivate and retain our valuable staff, and on the flip-side, allow our large and loyal membership to take an ownership interests in Viva Leisure; and
- we have achieved a significant share in the Canberra market, have tested and proven our model outside this core market in regional areas, and are ready to expand our model.

Helping people

One great thing about operating a health club business is that we get to help people live healthier, more fulfilling lives. We get to share people's journeys to improve their well-being, live longer, and enjoy their families, kids, and grandkids more. Most importantly, we play a significant part in our members' countless motivating anecdotes about how good it feels to have improved their health and fitness, and the contagious positive energy this creates. This in itself is motivation enough to know we are making a positive contribution to the world.

About me

Personally, I want to continue transforming and growing our business to produce positive outcomes for our people, shareholders, members, and new investors. I am committed to fulfilling and surpassing Viva Leisure's potential. I aim to make Viva Leisure Australia's most profitable and successful health club operator.

I would like to thank my family, kids, friends, and everyone who has suffered through my constant lateness, phone checking, midnight emails, and business chatter. Thank you for your patience, support, love, and friendship.

I am deeply passionate about what I do, and the talented people I am lucky to work with are just as passionate, motivated, and connected with Viva Leisure and our brands. I see many exciting future opportunities for us and hope to build that future with you too.



Harry Konstantinou

FOUNDER, CEO AND MANAGING DIRECTOR

May 2019



1.

Investment
Overview

1. Investment Overview

1.1 COMPANY OVERVIEW

Set out below is a snapshot of the Company's business.

Further details of the Company's operations and the industry in which it operates can be found in Sections 2 and 3.

TOPIC	SUMMARY	FOR MORE INFORMATION
What is the Company?	<p>Founded in 2004, Viva Leisure operates health clubs (gymnasiums) within the health and leisure industry.</p> <p>Viva Leisure's mission is to connect health and fitness to as many people as possible and aims to provide its members with affordable, accessible and awesome facilities.</p> <p>Viva Leisure offers customers several different membership options and a range of different types of facilities from big box fitness facilities to boutique fitness facilities.</p> <p>The Company operates 29 health clubs within the Australian Capital Territory and New South Wales, with the majority operating under the Club Lime brand.</p> <p>For the 12 months ending 30 June 2018, Viva Leisure generated revenue of \$24.1 million and a statutory EBITDA of \$5.2 million and for the six months ending 31 December 2018, Viva Leisure generated revenue of \$15.1 million and a statutory EBITDA of \$3.1 million.</p>	Refer to Section 3 for more information.
What industry does the Company operate in?	<p>Viva Leisure operates in the health and leisure industry in Australia.</p> <p>The Australian health and fitness industry is made up of health clubs, fitness centres and gymnasiums which are designed to provide a range of fitness and exercise services.</p>	Refer to Section 2 for more information.
How does the Company generate its revenue?	<p>Viva Leisure's business model centres around the revenue generated from membership fees.</p> <p>Viva Leisure also receives revenue from:</p> <ul style="list-style-type: none"> — personal training licence fees; — personal training services fees; — merchandise sales; and — casual entry fees. 	Refer to Section 3 for more information.
How does the Company expect to fund its operations?	<p>Viva Leisure expects to fund its ongoing activities through cash flows from operations and cash on its balance sheet following Completion of the offer.</p> <p>Upon listing, Viva Leisure will not have any external borrowings (other than in relation to equipment leases, credit card facilities and bank guarantees).</p>	Refer to Sections 3 and 4 for more information.
What are the Company's key growth strategies?	<p>Viva Leisure aims to provide its members with affordable, accessible and awesome facilities with its key strategies being to:</p> <ul style="list-style-type: none"> — expand its geographical reach in a determined but controlled approach through establishing new greenfield locations and acquiring established businesses; — harnessing technology driven efficiencies to: <ul style="list-style-type: none"> • minimise administrative costs and overheads; and • enable Viva Leisure to continue to collect, analyse and monitor valuable real time data relating to its membership base and health clubs; — continue to develop its 'hub and spoke' strategy where big box health clubs are supported by smaller standard, express and boutique health clubs; and — growing its membership base at its existing health clubs by strengthening brand awareness and continuing to invest in improving members' experience and its product and service offerings. 	Refer to Section 3 for more information.

1. Investment Overview

1.2 OFFER OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
What is the Offer?	<p>The Offer is an initial public offering of approximately 20.0 million Shares.</p> <p>The Offer is expected to raise approximately \$20.0 million.</p> <p>The cash Offer costs of the Offer are currently estimated to be \$1.2 million (this includes the non-cash component of the expenses described in the notes to Table 3 in Section 4.3). This amount will be paid by the Company.</p>	Refer to Section 7.1 for more information.
Why is the Offer being conducted?	<p>The purpose of the Offer is to provide:</p> <ul style="list-style-type: none"> the Company with access to capital markets to improve financial flexibility for growth; and a liquid market for the Shares 	Refer to Section 7.1.2 for more information.
How is the Offer structured?	<p>The Offer comprises of the:</p> <ul style="list-style-type: none"> Broker Firm Offer, which consists of an offer of Shares to eligible sophisticated investors and retail investors in Australia who have received a firm allocation from their Broker; and Institutional Offer, which consists of an offer to Institutional Investors in Australia, New Zealand, Hong Kong, Singapore and certain other jurisdictions around the world. 	Refer to Section 7.1.1 for more information.
Is the Offer conditional?	<p>Completion of the Offer is conditional on:</p> <ul style="list-style-type: none"> ASX's approval of the Company's application for admission to the Official List; and Completion in respect of the allotment of Shares in accordance with the Underwriting Agreement. 	Refer to Section 7.2 for more information.
Will the Shares be listed on ASX?	<p>The Company will, within seven days of the Original Prospectus Date, apply to ASX for admission to the Official List and for quotation of the Shares on ASX under code 'VVA' (which may be changed prior to listing).</p> <p>Completion of the Offer is conditional on ASX approving the Company's application for admission to the Official List. If approval is not given within three months after the Original Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Refer to Section 7.2 for more information.
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Lead Manager.	Refer to Sections 7.5 and 9.5 for more information.
What is the minimum and maximum Application size under the Offer?	The minimum Application size under the Offer is \$2,000 worth of Shares (equivalent to 2,000 Shares at the Offer Price). There is no maximum value of Shares which Applicants may apply for under the Offer.	Refer to Section 7.2 for more information.
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Manager in consultation with the Company.</p> <p>For Broker Firm Offer participants, the Lead Manager will decide as to how it will allocate Shares among Applicants under the Broker Firm Offer.</p> <p>The Lead Manager, in consultation with the Company, has absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion.</p>	Refer to Sections 7.3 and 7.4 for more information.

TOPIC	SUMMARY	FOR MORE INFORMATION
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Successful Applicants on subscription or acquisition of Shares under the Offer.	Refer to Section 7.2 for more information.
What are the tax implications of investing in New Shares?	<p>The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances.</p> <p>You may be subject to Australian income tax or withholding tax on any future dividends paid in relation to the Shares.</p> <p>Applicants should obtain their own tax advice prior to deciding whether to invest.</p>	Refer to Section 9.1 for more information.
How can I apply?	<p>Eligible investors may apply for New Shares by completing a valid Application Form attached to or accompanying this Prospectus.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>	Refer to Sections 7.3 and 7.4 and the Application Form for more information.
Can the Offer be withdrawn?	<p>The Offer is subject to conditions and the Company reserves the right not to proceed with the Offer at any time before the issue or transfer of Shares to Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p>	Refer to Section 7.8 for more information.
When will I know if my application has been successful?	It is expected that initial holding statements will be despatched by standard post on or around Tuesday, 4 June 2019.	Refer to Section 7.2 for more information.
What if I have questions about the Offer?	<p>For further information, call the Viva Leisure IPO Information Line on 1800 647 819 (toll free within Australia) or +61 1800 647 819 (outside Australia) from 8:30am to 5:30pm (Melbourne time), Monday to Friday during the Offer Period.</p> <p>If you are still unclear about any matter contained in this Prospectus or uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>	Refer to Section 7.2 for more information.

1. Investment Overview

1.3 KEY BENEFITS

Set out below is a summary of the Company's key benefits:

TOPIC	SUMMARY	FOR MORE INFORMATION
Leading candidate to exploit the unconstrained enterprise growth opportunity	<p>The Australian fitness industry has seen sustained growth of revenue and establishments over the past five years which is expected to continue growing to a revenue level of \$2.5 billion by 2023. The market however is fragmented with a large percentage of the market made up of small independent gyms or local councils targeting and fostering a community presence which are unable to be serviced by larger industry incumbents.</p> <p>Viva Leisure aims to exploit its bespoke business model to target the different segments of the fitness industry and capitalise on the growth opportunity. The technology underpinning the reporting and knowledge of the existing Viva Leisure locations allows the Company to react rapidly to changes in demographics allowing it to constantly evolve its model to continue growing.</p> <p>Given the fragmented market, the Company believes there may be attractive acquisition opportunities to complement its organic growth plan. Acquisitions are made on an opportunistic basis and are subject to a detailed and appropriate review and diligence process and are only progressed if they reflect a satisfactory commercial fit and appropriate valuation. Further, Viva Leisure's integration capabilities provide for rapid and efficient member, back office and staffing transitions.</p>	Refer to Sections 2 and 3 for more information.
Scalable and bespoke business model with strong branding	<p>Viva Leisure operates in what it terms a 'hub and spoke' model with larger (big box) health clubs being supported by surrounding smaller (standard, express and boutique) health clubs. Viva Leisure's hub and spoke model strives to provide for multiple offerings and options to suit individual members' preferences while taking into account geographical and demographical factors.</p> <p>Viva Leisure is a strong and well-respected brand and has a deep understanding of the local and regional markets it operates in. Viva Leisure does not enter a market with just one option or offering. The hub and spoke model provides Viva Leisure with additional opportunities to respond to changing market conditions and its technology-led management team with live data available ensures business decisions can be made quickly.</p> <p>Once identifying a suitable location, Viva Leisure is able to open a new facility in a short timeframe and targets site break-even cash flow within the first eight weeks of opening.</p>	Refer to Sections 3.2 and 3.5 for more information.
Technology focused development provides a competitive advantage and enhances barriers to entry	<p>While there are relatively high financial barriers to entry into Viva Leisure's market, the biggest barrier is site location. Viva Leisure is able to help protect its market position by strategically establishing health clubs in certain locations. This ensures that Viva Leisure remains a leading operator in those areas.</p> <p>Viva Leisure's business model is underpinned by a technology-focused decision-making process, which management believes provides the Company with a competitive and structural cost advantage.</p> <p>Viva Leisure's member management systems, online joining portal, self-service member portal, and staff member management portal allows for a lower cost of administration. The fully automated front-end and back-end systems push out relevant information, removing the need for users to retrieve the information.</p> <p>Viva Leisure believes that the technology systems in place are highly scalable and provide a cost differentiator to enable the efficient running of its business.</p>	Refer to Section 3.2 for more information.

TOPIC	SUMMARY	FOR MORE INFORMATION
Strong cash flows from membership based revenue model	<p>Viva Leisure derives its revenue primarily from membership income. Membership income comprises fortnightly direct debit membership fees, joining fees, access pass fees, and other fees that may be applicable to the membership (i.e. suspension fees). The high frequency of recurring payments provides Viva Leisure with a strong cash flow profile which allows it to effectively manage its costs.</p> <p>Viva Leisure offers two basic levels of membership, silver membership for single health club use and a higher priced platinum membership for multi-health club access. The Viva Leisure hub and spoke methodology encourages members to upgrade to platinum membership so members can 'roam' between health clubs to fully utilise Viva Leisure's health club offerings. In addition, as the hub and spoke model is rolled out in new locations, Viva Leisure has the ability to increase its membership income as members upgrade their membership from a single health club to a multi-health club membership.</p> <p>Since commencing operations in 2004, the Company has enjoyed a strong track record of growth across all key metrics, including membership, retention, revenue and geographic coverage.</p> <p>Organic growth in revenue ensures the yield per member and per health club is constantly improving. Viva Leisure as at the date of this Prospectus has over 47,500 members frequenting its 29 locations.</p>	Refer to Section 3.2 for more information.
Experienced Board and Management team	<p>Viva Leisure's Board and Management bring significant operational and governance experience in the growth, aggregation and consolidation fields. Each member has extensive professional experience.</p> <p>The Company is led by an experienced Board and executive team:</p> <ul style="list-style-type: none"> — Harry Konstantinou (CEO and Managing Director) has substantial experience in the health and leisure industry, and has overseen various acquisitions and the current IPO. — Bruce Glanville (Chair) has over 40 years' of professional experience having held a variety of roles and serving in a wide range of commercial appointments as Director, including on listed companies and business ventures in both the public and private sectors. — Mark McConnell (Non-Executive Director) has over 20 years' experience in a range of executive roles and has experience in business strategy, investor relations, capital raisings and innovations. Mark is a Director of several private companies and several ASX-listed entities. — Susan Forrester AM (Non-Executive Director) has over 25 years' experience as a commercial lawyer, executive manager and company Director, with expertise in growth strategies and aggregations in a variety of industries. Susan is currently the chair of one ASX entity and a Director of several ASX-listed entities. — Kym Gallagher (CFO) has over 20 years' experience as a financial controller and CFO. Kym has been CFO of several companies during their IPO process and is a chartered accountant. <p>Further information on other members of the executive team is set out in Section 6.</p> <p>On Completion of the Offer, Directors and senior executives (personally or through controlled entities) are expected to have relevant interests in approximately 56.5% of the issue Shares in the Company. Of these Shares, all Existing Shares that are held by the Directors and senior executives along with 200,000 Shares to be issued to Bruce Glanville (see Section 6.3.1) will be subject to escrow arrangements until the release of the Company's financial results for FY 2020, as detailed in Section 6.4.</p>	Refer to Section 6 for more information.

1. Investment Overview

1.4 KEY RISKS

Before applying for Shares, you should consider the key risks associated with an investment in the Company.

The occurrence of any of these risks may have a material adverse impact on the Company's reputation, business, operational performance and financial results.

TOPIC	SUMMARY	FOR MORE INFORMATION
Reliance on membership	The Company's ability to attract and retain members is crucial to the profitability of the Company. A deterioration in the number of members of the Company could adversely affect the Company's business, results of operation or financial condition and performance. There are many factors which could affect Viva Leisure's membership levels, including increased competition in the fitness industry, reputational damage arising in relation to incidents at Viva Leisure's health clubs or a deterioration in general economic conditions.	Refer to Section 5.2.1 for more information.
Changes to regulatory framework	The National Fitness Industry Code of Practice (National Fitness Code) was released by Fitness Australia on 15 November 2018. The National Fitness Code takes six previous State and Territory codes of practice, the Fitness Australia Business Principles guide, current Australian consumer law and extensive industry consultation to form a consolidated new standard of business operation in the Australian fitness industry. Where there is any conflict or inconsistency between the National Fitness Code and any Commonwealth, State or Territory legislation or regulation, that legislation or regulation will prevail to the extent of that inconsistency or conflict. In this context, the Company will continue to comply with the relevant Commonwealth, State or Territory legislation or regulation. In addition, failures by Viva Leisure to comply with industry codes may result in compliance orders being issued against the Company and reputational damage.	Refer to Section 5.2.2 for more information.
Reputational damage	The Company's reputation could be adversely impacted if it suffers from any adverse publicity. Examples of adverse publicity include health and safety issues or incidents affecting members, poor maintenance of equipment, potential breaches of the Australian Consumer Law, poor service to members and employment-related disputes. Reputational damage may result in the cancellation of memberships and the reduction of the Company's ability to attract new members or engage quality fitness trainers, which could adversely impact Viva Leisure's financial performance and future prospects.	Refer to Section 5.2.3 for more information.
Increased competition	Viva Leisure may face increased competition from established competitors and from new entrants in the fitness industry. An increase in competition could result in the Company experiencing a decline in its ability to attract and retain members, revenue reductions, reduced operating margins and loss of market share. The Company may also face competition for suitable acquisition opportunities affecting the Company's ability to pursue growth opportunities.	Refer to Section 5.2.4 for more information.
Technology failures or interruptions	Viva Leisure relies on certain software and hardware to assist and support the operation of its facilities. Any significant interruption to the Company's use of software or hardware could adversely impact the Company's business, operating results and financial performance. A failure by the Company to maintain appropriate security measures and risk management in relation to information relating to members, employees and other personal information could result in sensitive data being compromised which could cause financial and reputational damage or penalties if regulatory action is taken against the Company.	Refer to Section 5.2.5 for more information.

TOPIC	SUMMARY	FOR MORE INFORMATION
Renewal of lease agreements	Viva Leisure operates its facilities from leased premises. There is a risk that one or more of the leases may not be renewed on terms acceptable to the Company. If this were to occur, the Company may be required to cease operating from the relevant premises. The loss of leased premises could adversely affect the Company's financial performance.	Refer to Section 5.2.6 for more information.
Loss of key management personnel	The successful operation of the Company in part relies on Viva Leisure's ability to retain experienced and high performing key management personnel. The loss of any key members of management or operating personnel, or the inability of Viva Leisure to attract additional skilled individuals to key management roles, may adversely affect Viva Leisure's ability to develop and implement its business strategies.	Refer to Section 5.2.7 for more information.
Further acquisitions and integrations	To achieve its growth objectives, the Company may seek to acquire additional health clubs and although it undertakes due diligence investigations in relation to each potential acquisition, there is a risk that those due diligence investigations will not identify issues which are material to the acquisition. In this regard, the Company may suffer loss or damage flowing from historical events relating to the acquisition of a health club. In addition, there is also a risk that the expected benefit of an acquisition will not be realised due to an inability to successfully integrate the acquired health club.	Refer to Section 5.2.8 for more information.
Litigation	Operators within the fitness industry are exposed to the risk of litigation, personal injury claims and investigations by regulatory authorities. While the Company considers that it has appropriate policies, practices and procedures to minimise the risk of potential claims and holds appropriate insurance cover, there can be no assurance that a claim made against the Company would be covered by insurances or that any litigation would not have an adverse impact against Viva Leisure. If Viva Leisure is subject to a claim, the Company may suffer reputational damage and may be required to claim under its insurance policies, which may increase its insurance premiums	Refer to Section 5.2.9 for more information.
Concentration of revenue	The revenue of the Company generated by CISAC during FY2018 was approximately 47.7% of total revenue and the Company forecasts that revenue generated by CISAC for the FY2019 will be approximately 39.8% of total revenue and for FY2020 will be approximately 27.3% of total revenue. In this regard, the revenue generated by CISAC leads to a high concentration of the Company's revenue at the one location. If there is any significant interruption to, temporary or permanent closure of, or catastrophic event occurring at CISAC, then it is likely to have a material adverse effect on the financial performance of the Company. However, on the CISAC site, Viva Leisure operates three facilities, being two health clubs and an aquatic centre. Therefore, if an interruption, closure or event occurred at one of the health clubs or the aquatic centre, the interruption, closure or event would not necessarily have any impact on operations of the other facilities.	Refer to Section 5.2.10 for more information.

1. Investment Overview

1.5 KEY FINANCIAL INFORMATION

TOPIC	SUMMARY	FOR MORE INFORMATION
Key financial metrics	The Company's historical financial performance and forecast financial performance is summarised in the table below:	Refer to Section 4 for more information.
Dividend policy	The Board has adopted a dividend policy to distribute to its shareholders funds surplus to the operating needs of the Company as determined by the Directors, with a target dividend payout ratio in respect of each financial year of between 40% and 60% of NPAT with dividends expected to commence in FY2021.	Refer to Section 4 for more information.
	The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, operating results, cash flows, the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), legal or regulatory restrictions on the payment of dividends by the Company and any other factors the Board may consider.	

NOTES

- FY2020 Forecast (excluding impact of AASB 16):** the FY2020 forecast in this column excludes the impact of applying AASB 16. The financial results are directly comparable to the FY2017–FY2018 Historical Forecast Income Statements and the FY2019 Pro Forma Forecast Income Statement.
- FY2020 Forecast (including the impact of AASB 16):** the FY2020 forecast in this column includes the impact of AASB 16. AASB 16 applies to financial years commencing on or after 1 January 2019. While not early adopting AASB 16, Viva Leisure has estimated the impact of the application of this accounting standard on the historical results and adjusted the EBITDA accordingly. The adjustments include removal of operating rental expenses of approximately \$9.8 million and addition of lease interest expense of approximately \$6.0 million and right of use amortisation expense of approximately \$7.6 million. This creates an overall adjustment to NPBT of approximately (\$3.8 million).

1.6 BOARD AND MANAGEMENT

TOPIC	SUMMARY	FOR MORE INFORMATION
Directors	<p>Bruce Glanville (Independent Non-Executive Chair)</p> <p>Harry Konstantinou (Managing Director and CEO)</p> <p>Susan Forrester AM (Independent Non-Executive Director)</p> <p>Mark McConnell (Non-Executive Director)</p>	Refer to Section 6.1 for more information.
Management team	<p>Harry Konstantinou (Managing Director and CEO)</p> <p>Kym Gallagher (Chief Financial Officer)</p> <p>Sean Hodges (Chief Operations Officer)</p> <p>Angelo Konstantinou (Chief Technology Officer)</p>	Refer to Section 6.2 for more information.

TOPIC	SUMMARY				FOR MORE INFORMATION	
Significant interests and key benefits					Refer to Section 6 and 7.1 for more information.	
	DIRECTORS AND MANAGEMENT	SHARES HELD PRIOR TO THE OFFER (#M)	SHARES HELD ON LISTING (#M)	SHARES HELD ON LISTING (%)	RELEVANT INTEREST ON LISTING (#M)	RELEVANT INTEREST ON LISTING (%)
	Bruce Glanville	nil	0.3	0.6%	0.3	0.6%
	Harry Konstantinou	1.5	1.5	2.9%	23.2	44.2%
	Susan Forrester AM	nil	nil	nil	nil	nil
	Mark McConnell	4.5	4.5	8.6%	4.5	8.6%
	Management	3.1	3.2	6.1%	24.9	47.4%
	Management (excluding Harry Konstantinou and Angelo Konstantinou)	nil	0.1	0.3%	0.1	0.3%
Related party transactions	Related parties of Harry Konstantinou will continue to own several properties which are leased by the Group. The Board considers that each of these arrangements are on arm's length terms, commercial terms and are subject to the usual risks associated with other leases entered by the Company. The Board has obtained independent valuation advice to confirm that the arrangements are arm's length.				Refer to Section 9.8 for more information.	
	A related party of Harry Konstantinou, KGFUND Pty Ltd and The Club Group Pty Ltd (a Subsidiary of the Company) are parties to a loan agreement under which KGFUND Pty Ltd has advanced a loan to The Club Group Pty Ltd in the amount of \$3.4 million (KGFUND Loan). The KGFUND Loan will be repaid by the Company on behalf of the Club Group Pty Ltd from the proceeds of the Offer.					

1.7 USE OF FUNDS

TOPIC	SUMMARY	FOR MORE INFORMATION
Proposed utilisation of funds	SOURCE OF FUNDS	\$ MILLION
	Issue of Offer Shares	20.0
	Total	20.0
	USE OF PROCEEDS	\$ MILLION
	Fund execution of Viva Leisure's business model and expansion opportunities	11.6
	Payment for Albury/Wodonga business acquisition	3.8
	Repayment of related party debt (KGFUND Loan)	3.4
	Pay costs of the Offer ¹	1.2
	Total	20.0
	Refer to Sections 7.1 and 9.6 for more information.	

NOTES

¹ Impact of the Offer of \$18.8 million, being the net proceeds expected under the Offer of \$20.0 million, less the expected cash Offer costs of \$1.2 million.



2.

Industry Overview

2. Industry Overview

2.1 AUSTRALIAN HEALTH AND FITNESS INDUSTRY

2.1.1 Overview

The Australian health and fitness industry is made up of health clubs, fitness centres and gymnasiums which are designed to provide a range of fitness and exercise services. The industry has experienced significant growth over the past decade and it was expected that the aggregate industry revenue in Australia would reach approximately \$2.2 billion in FY2018 and continue to grow at an annualised rate of 2.3% over the next five financial years to reach approximately \$2.5 billion in FY2023.

Businesses within the Australian industry are generally considered as being part of one of the following four segments:

- (a) **Boutique fitness centres** – which specialise in small footprint facilities and generally offer one type of fitness or exercise service (for instance, yoga, cycling, personal training or functional training).
- (b) **Small box clubs or express clubs** – these are budget health clubs with a footprint of generally no more than 450m². These clubs typically offer customers with access to gymnasium equipment, but usually do not offer group fitness or exercise classes. Small box clubs or express clubs are typically operated as part of a franchised system, provide 24-hour access to customers, offering customers with low cost and low service and are generally unstaffed.
- (c) **Standard clubs** – a health club which is not considered a big box club with a footprint of under 2,000m² is likely to be considered in the industry as a standard club. These clubs have a floor space traditionally between 700m² and 1,500m² and are based in regional areas or metropolitan areas where rentals may be high and therefore larger sized premises are not feasible. Standard sized clubs generally offer the full service of health and fitness, including group exercise, personal training and providing access to gymnasium equipment.
- (d) **Big box clubs** – these clubs traditionally have a footprint of 2,000m² or larger in area and are based in metropolitan areas. Big box clubs generally provide the full suite of fitness and exercise services, including access to gymnasium equipment, group exercise classes, functional training, personal training and potentially other specialised fitness and exercise zones.

In addition to the segments noted above, the fitness and exercise industry creates various alternatives from time to time to compete with the traditional health club model. As these alternatives start to take shape, they are often replicated inside standard and big box clubs.

The number of businesses within the fitness industry (in all segments) was estimated at over 4,400 in FY2018 with the number of members of health clubs, fitness centres and gymnasiums estimated to be 3.73 million. The membership penetration rate was 15.3% of the population in Australia, ranking it the highest in the Asia Pacific region. However, Australia is behind the United States with a penetration rate of 20.3%. Australia currently ranks 8th in membership penetration rates globally.

2.1.2 MARKET TRENDS

In the five financial years through to FY2018, revenue within the fitness industry is reported to have risen by an annualised rate of over 5.3% and is forecast to continue to grow at a rate of 2.3% annually over the next five years.

The growth of the fitness industry is expected to be generated as a result of:

- (a) an ageing population;
- (b) an increase in health consciousness;
- (c) the availability and accessibility of health clubs; and
- (d) a steady and constant increase in obesity levels.

Fitness in general has become an integral part of the lifestyle for many in the community, and with increased awareness in health and fitness this is expected to increase.

The convergence of technology and fitness, evidenced through recent developments such as wearable technology, is continuing to have a positive effect on the market. The American College of Sports Medicine in its annual Worldwide Survey of Fitness Trends for 2018 rated wearable technology as the number three fitness trend (down from top spot in 2017).

2. Industry Overview

2.1.3 KEY STATISTICS

Industry reports indicate that:

- (a) fitness and gymnasium activities are the second most participated type of exercise and recreation undertaken by Australians (the first most participated exercise being walking);
- (b) youths (15 to 17 years of age) represent the lowest participating gym attendance sector by age groups of fitness and gymnasium activities, this is most likely the result of that age group being at school, living at home and having a lower disposable income;
- (c) young adults (18 to 34 years of age) represent the highest participating age group of fitness and gymnasium activities;
- (d) Australia's aging population is expected to drive the revenue growth of the fitness industry over the next five years;
- (e) participation in fitness and gymnasium activities is higher in women than men, with the highest gaps in participation between the sexes being in the Australian Capital Territory and South Australia, and the smallest participation gaps being in New South Wales and Queensland;
- (f) the major players in the industry are Fitness and Lifestyle Group (27.5%) and Anytime Fitness (14.9%) of the market;
- (g) the remainder of the market (57.6%) is made up of franchise operators, single club owner/operators, multi-club owner/operators and council owned facilities;
- (h) primary revenue stream is generated from membership income (55.9%), personal training income (15.4%), and other revenue generated such as merchandise, classes and casual entry (28.7%); and
- (i) membership revenue is predominantly received by way of periodic direct debits (either fortnightly or monthly) from members' bank accounts or credit cards.

2.1.4 GROWTH DRIVERS

The Australian health and fitness industry has achieved significant growth over the past decade and is expected to continue to grow on an annualised basis over the next five years.

The growth of the industry has been contributed to by the following factors:

- (a) **Health consciousness** – an increased health awareness and a concern about maintaining good health across the population, which converts to an increase in spending on gymnasiums and fitness centres (being the number 2 most participated type of exercise and recreation by Australians).
- (b) **Availability** – with most health clubs now accessible 24 hours per day, availability has provided additional opportunities for fitness operators.
- (c) **Real household discretionary income** – higher levels of discretionary income, together with an increase in budget and express health clubs has provided consumers with more choice in their health and fitness needs.
- (d) **Total time available for leisure and recreation** – an increase in leisure time has a direct positive effect on consumer demand and industry products and services.
- (e) **Levels of obesity** – with a steady and constant increase in obesity levels comes an increased motivation to attend health clubs.

2.1.5 INDUSTRY STRUCTURE AND COMPETITIVE LANDSCAPE

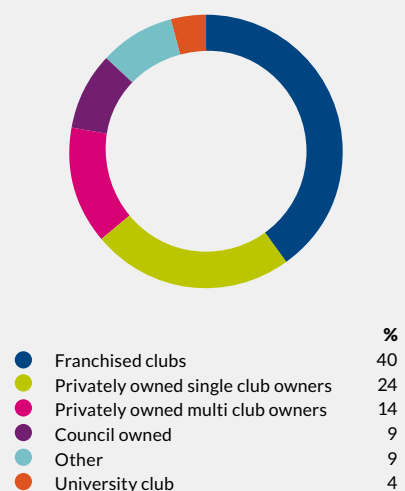
The rapid growth of establishments offering the 24-hour gymnasium model has transformed the industry over the past decade. Franchised operators such as Anytime Fitness, Jetts Fitness and Snap Fitness are now represented across all States and Territories. While the small box health clubs concept provides a low cost and low service model, it still provides significant opportunity and convenience to members. The biggest driver of growth in the industry has been the increased affordability of health clubs which has assisted to increase the participation.

The structure of the industry results in more localised competition between facilities, rather than state or nationwide, with 53% of members likely to choose facilities close to their place of work or residence more than for any other reason.

The industry is characterised as having medium revenue volatility and a medium level of concentration, according to a leading industry report.

The types of health clubs in the market include:

Figure 1: Types of health clubs in the market



Source: Viva Leisure

2.1.6 REGULATION

The Australia fitness industry is generally self-regulated. There are a number of separate State and Territory codes of practice. Industry codes of practice have been developed in each State and Territory (other than the Northern Territory). However, each State and Territory has not undertaken a consistent approach to regulating the industry.

The codes of practice are mandatory in the Australian Capital Territory, Queensland and Western Australia and all businesses operating in the fitness industries within those jurisdictions must comply with the terms of the relevant code of practice.

The codes of practice in New South Wales, Victoria and Tasmania are voluntary unless the relevant business is a member of Fitness Australia, in which case the business must comply with the relevant code of practice in the jurisdiction within which it operates.

In relation to South Australia, there are aspects of the code which are mandatory and aspects which are voluntary.

The codes of practices generally govern:

- disclosure obligations of businesses in relation to the membership terms and conditions;
- cooling off periods;
- permitted and mandatory membership terms and conditions; and
- interactions with members and customers.

The National Fitness Industry Code of Practice (**National Fitness Code**) was released by Fitness Australia on 15 November 2018. The National Fitness Code takes six previous State and Territory codes of practice, the Fitness Australia Business Principles guide, current Australian consumer law and extensive industry consultation to form a consolidated new standard of business operation in the Australian Fitness Industry. Where there is any conflict or inconsistency between the National Fitness Code and any Commonwealth, State or Territory legislation or regulation, that legislation or regulation will prevail to the extent of that inconsistency or conflict. In this context, the Company will continue to comply with the relevant Commonwealth, State or Territory legislation or regulation.

2. Industry Overview

2.2 GLOBAL HEALTH AND FITNESS INDUSTRY

2.2.1 Overview

Globally the health club industry achieved an all-time high of 174 million members in 65 markets. Total industry revenue totalled an estimated US\$87.2 billion in 2017 and the count of clubs exceeded 200,000 facilities. Developed markets posted strong performance while at the same time emerging markets, particularly in the Asia-Pacific region, showed potential for continued growth.

2.2.2 The Americas

The revenue within the fitness industry, total membership numbers and the number of health clubs all increased in the US in 2017. In particular:

- (a) revenue grew from approximately US\$27.6 billion to approximately US\$30 billion;
- (b) membership numbers increased from 57.2 million to 60.9 million; and
- (c) the number of clubs continued to increase from 36,540 sites to 38,477 sites.

2.2.3 Europe

- (a) Approximately 60 million Europeans belong to a health club or boutique studio.
- (b) Revenue within the fitness industry was estimated at US\$28.8 billion from 59,000 facilities.
- (c) The UK and Germany are the leading markets in Europe in respect of revenue.

2.2.4 Middle East and North Africa

- (a) Approximately 3.4 million people are members of the fitness industry in the Middle East and North Africa, belonging to approximately 5,600 health clubs.
- (b) Revenue within the fitness industry is estimated at US\$2 billion.
- (c) Saudi Arabia leads the market in the region with approximately US\$620 million of revenue.

2.2.5 Asia Pacific

- (a) The Asia Pacific region services an estimated 22 million members at approximately 25,000 clubs.
- (b) Annualised revenue within the fitness industry in the Asia Pacific region is approximately US\$16.8 billion.
- (c) Australia ranks third in relation to revenue behind China and Japan.
- (d) Only two markets in the area have penetration rates exceeding 10% of the population (being Australia and New Zealand).

2.2.6 Market trends

Australia, not unlike the rest of the world, is experiencing a rapid rise in the level of cardiovascular disease and obesity. It therefore follows that the health and fitness industry will play an increasingly important role in the health of global populations.

The trends internationally in the USA and Europe are filtering through to Australia, and with the USA having over 20% market penetration of its population, the Australian market still has significant room for growth.

A photograph of three people in athletic wear performing sit-ups on a rooftop. In the foreground, a woman with blonde hair tied back is in a sit-up position, looking directly at the camera with her hands extended forward. Behind her to the left, a man is also in a sit-up position, looking towards the camera. To the right, another woman is in a similar position, looking slightly away from the camera. They are all on a dark, textured rooftop surface. In the background, there is a brick wall and a dark car parked. A large blue diagonal graphic element cuts across the bottom right of the image.

3.

Company Overview

3. Company Overview

3.1 OVERVIEW

3.1.1 About Viva Leisure

Viva Leisure operates in the health and leisure industry in Australia, commencing operations in January 2004. Originally with one facility and now operating 29 different facilities, plus an additional three facilities to be acquired shortly after listing, and 16 new greenfield facilities in different stages of opening, the majority of which are health clubs operating under the *Club Lime* brand.

The Company's mission is to connect health and fitness to as many people as possible by providing affordable, accessible and awesome facilities within the reach of all. This statement (affordable, accessible and awesome) forms the core of both Viva Leisure's commitment to members and its commercial goals.

Viva Leisure's ultimate vision is to be the number one health, fitness and aquatic operator in the markets it services.

To achieve its mission and realise its vision, Viva Leisure's future strategy is focused on:

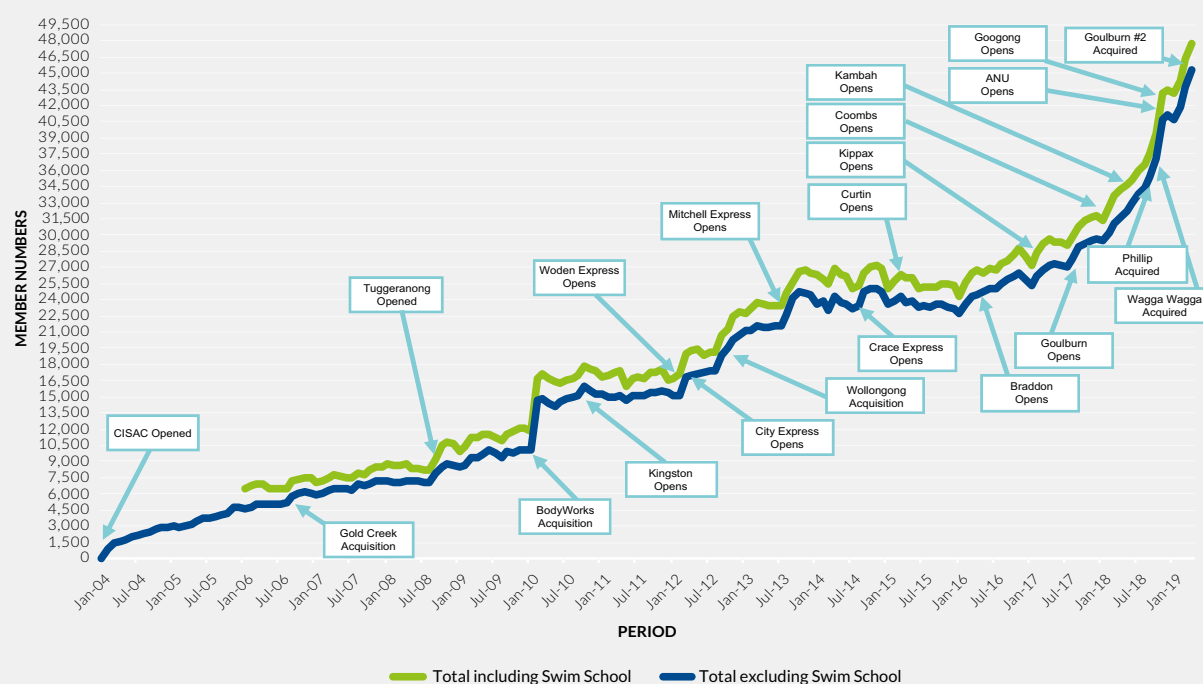
- (a) expanding its geographic reach in a determined, but controlled, approach, both organically and via acquisitions;
- (b) continuing investment in its differentiated model, membership retention, customer experience teams, cutting edge technology systems and facilities strive to make the Viva Leisure experience as seamless and important to its members as possible (e.g. healthy body, better life); and
- (c) increasing the range of products and services delivered to the Viva Leisure membership base to increase the benefits received by members.

3.1.2 Corporate history

Viva Leisure's first location opened on 12 January 2004 at the Canberra International Sports and Aquatic Centre (CISAC), a purpose-built privately owned health club and aquatic facility. Since 2004, Viva Leisure has acquired 11 clubs (by way of six separate transactions) and opened 21 clubs. Viva Leisure currently operates 29 facilities with another three facilities to be acquired post listing, and employs in excess of 500 staff.

Figure 2 represents members at the appropriate point in time. Members are only counted once, even if they have a membership which entitles them to visit multiple clubs.


Figure 2: Viva Leisure historic membership growth



3.1.3 OUR BRANDS

Brand Philosophy – Viva Leisure has built its brands on passion and the belief that first-time gym users and casual fitness members can achieve their personal fitness goals in a supportive and non-intimidating environment.

Through the Company's *Club Lime* brand, Viva Leisure has become recognised in its market as a brand that stands for value, quality and a club or community atmosphere. This is why that brand name omits the words '*fitness or health club*' and is simply known as *Club Lime*.

BRAND	SEGMENT	PURPOSE
	Big Box Standard Express	Mixed gender health club offering the full suite of health club services in its big box configuration, and providing a different service offering in its standard and express clubs.
	Standard	Ladies only health club offering the full suite of health club services in a private female-only environment.
	Boutique	Boutique indoor cycling studio concept based on a unique class format developed by Viva Leisure, as well as offering other pre-choreographed classes.
	Boutique	Boutique functional fitness based on the hiit (high intensity interval training) concept. hiit classes will be offered within big box and standard clubs with <i>hiit Republic</i> offering the same experience in a boutique environment and layout.
	Aquatics	Indoor aquatic facilities for members and the general public.
	Aquatics/ Learn to Swim	Swim school teaching learn to swim and aquatic skills from babies (six months) to adults. Operates from within the aquatic facilities.
	Personal Training	Viva Leisure's personal training division operates under the GymmyPT brand. Gymmy Lime is the mascot for <i>Club Lime</i> .
	Boutique	Bringing the full Group Exercise (GX) experience outside the health club into a boutique environment with scheduled as well as on demand instructor led or virtual class experiences.
	Mascot	Gymmy Lime is the face of <i>Club Lime</i> branding, voicing all radio commercials, appearing in most print material and social media promotions and also appearing in video promotions.

3. Company Overview

3.2 VIVA LEISURE'S BUSINESS MODEL

3.2.1 Viva Leisure's operations

Viva Leisure operates in the health and leisure industry in Australia, with its primary business being a health club operator (gymnasium). Viva Leisure's health clubs are located in accessible locations in Canberra, Wagga Wagga and Wollongong, as well as other populous areas across eastern Australia, with a concentration in regional areas.

The Company considers that it offers an attractive membership proposition with value-for-money membership pricing. In particular, Viva Leisure's offering includes 24 hours a day, seven days a week gym opening hours and flexible "no contract" membership.

Viva Leisure has a strong track record of opening profitable health clubs. Between the start of 2017 and the Prospectus Date, Viva Leisure increased its number of facilities by ten, with seven greenfield sites and three facilities acquired. In addition, over the same period, the Company's membership base increased from approximately 28,000 members to over 47,500 members.

Viva Leisure has demonstrated that its attractive membership proposition together with its high quality facilities and technology-led business model work successfully in a variety of locations across both regional and metropolitan areas. Viva Leisure's flexible layout options enable health clubs to be established in a range of different sizes, with the Company's smallest facility operating in 238m² premises and its largest facility operating in premises over 10,000m².

3.2.2 Hub and Spoke model

Viva Leisure has grown significantly since it commenced operations in 2004 as a single health club operator. Viva Leisure operates on what it calls a 'hub and spoke' model with larger (big box) health clubs being supported by smaller (standard, express and boutique) health clubs.

The Company believes this approach is unique in the marketplace as health club owners traditionally concentrate on one segment (i.e. big box, standard, express or boutique health clubs). Viva Leisure's hub and spoke model strives to provide for multiple offerings and options to suit individual members' preferences.

Using Viva Leisure's bespoke technology systems, the Company is able to identify the preferred size and type of health club and facilities required to service a particular geographic area. For example, if the market data shows there is a 1,000 membership base catchment, then Viva Leisure would aim to establish a 500m² health club based on its belief that a target of approximately two members per square metre optimises member experience and financial performance. Using this approach assists Viva Leisure to reach break-even quickly by quantifying opportunities with accurate data. This is demonstrated by the Company's previous six health club openings, each of which obtained cashflow breakeven within six weeks of opening.

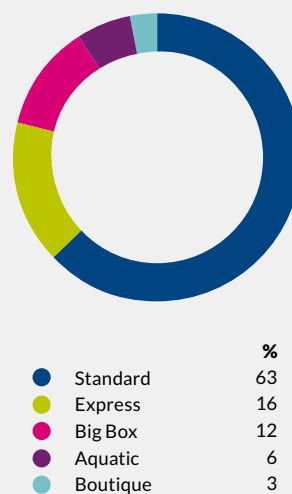
In addition, the hub and spoke model strives to offer a great value membership proposition as it provides increased variety for its members. This creates a strong competitive advantage for Viva Leisure.

The experience of running health clubs of different sizes provides Viva Leisure with an advantage over many of its competitors, as Viva Leisure can go to market and open a health club at any size, without the restrictions of rigid parameters.

When commencing operations in a new region, Viva Leisure initially seeks to analyse and identify the primary customer demand in order to determine the appropriate 'foundation' health club, which may form the initial hub. As Viva Leisure's brand recognition grows in the market and demand for additional services becomes apparent, it seeks to satisfy excess demand by tailoring solutions to meet members' needs.

Viva Leisure's adaptability in layout, equipment type and facilities on offer vary between health club sizes (and locations), which allows it to be flexible in its property selection. The Company has developed key criteria which it follows in order to maximise the success of its health clubs.

Figure 3: Viva Leisure's health club split (by type)



Source: Viva Leisure

3.2.3 Technology-focused business

Viva Leisure is a technology-focused and led business, with the use of technology being central to Viva Leisure's business model.

At every minute of the day, the following live statistics are available to senior executives:

- (a) revenue per location for the day (including previous year comparison);
- (b) accumulated revenue for the month – by individual location (with previous year comparison);
- (c) new members by membership type/category by location (including percentage of overall new signups for the day);
- (d) total members by membership type/category by location (including percentage of overall total membership per location);
- (e) ratio of active members per square metre per location;
- (f) movement of active membership from the previous day;
- (g) total visits per location for the day (cumulative); and
- (h) total visits per location for the last hour (resets on the hour, every hour).

In addition to the live data available, the management portal provides access to all data captured on the Company's current and previous members, including:

- (a) visit history and visitation patterns;
- (b) membership commencement and expiry;
- (c) member correspondence (including incoming phone call recordings); and
- (d) photographs of each visit (for card sharing and tailgating purposes).

As a result of the larger array of data available, Viva Leisure has developed a 'cancellation risk' gauge which it displays for each member based on an algorithm it has developed to provide an instant visual indicator of the cancellation risk of a member.

Other integrated features of the technology platform include:

- (a) full automation and control of lighting and air-conditioning;
- (b) alarm system;
- (c) payroll reporting and analysis;
- (d) remote access to open/close/lock doors;
- (e) remote access to permit member entry to and from any location;
- (f) electronic copies of all paper forms; and
- (g) push notifications on certain events to managers, so managers are not required to go searching for the data, it is sent to them automatically (i.e. at 5:30am every day, a list of members who have requested cancellation over the next 7–14 days is automatically generated to allow an attempt at retention to be made).

Fully automated 24-hour facilities

Viva Leisure's 24-hour facilities are fully automated to ensure they are as energy and cost efficient as possible, including:

- (a) outside of core hours, all lights are turned off if no activity is detected within any part of the facility for 15 minutes;
- (b) outside of core hours, air-conditioning systems are turned off if no activity detected for 30 minutes;
- (c) LED lighting is used where possible to ensure minimum demand on electricity;
- (d) all TVs and digital signage displays are turned off with lights; and
- (e) cardio equipment with TVs and other energy consumption devices automatically 'sleep' when not in use and provide for instant 'wake up'.

The bespoke technology in use was developed internally and is in constant development with additional features being added regularly to assist the business to make better informed decisions. In addition, Viva Leisure has staff monitoring the locations and systems 24/7, not just on 'standby'. This allows Viva Leisure to remotely service members who, for example, are unable to gain entry no matter what time of the day.

Viva Leisure has integrated technology into all aspects of its health clubs and it forms a core pillar of its unique member offering, including:

Fitness equipment

- (a) Viva Leisure, through its long standing relationship with Life Fitness, was selected in September 2018 as the first health club in Australia to offer the Apple GymKit service on Life Fitness cardio equipment.
- (b) Viva Leisure uses technology developed in-house and original equipment manufacturer (OEM) monitoring services to record and analyse equipment usage patterns, which assists Viva Leisure in making the appropriate equipment selection decisions on a club-by-club basis.

Online subscription model

Viva Leisure's online joining process takes approximately three minutes to complete, with no manual input required by staff before or after a new member joins.

3. Company Overview

3.2.4 VALUE PROPOSITION

Viva Leisure's membership proposition is based on:

- (a) striving to provide members with an affordable membership pricing structure;
- (b) access to health clubs 24 hours a day, seven days a week, and
- (c) providing "no contract" membership offers.

The Company believes that its "no contract" offering is an attractive proposition as the industry works to increase the penetration of members. The "no contract" offering encourages Viva Leisure to maintain its health clubs at a high standard. Viva Leisure considers that its data collection and monitoring services support its belief that an affordable membership offering at high quality health clubs is not affected by offering members "no contract" membership.

Viva Leisure strives to make it easy for members to take advantage of its health clubs by offering flexible memberships. Viva Leisure considers that this approach has assisted Viva Leisure to achieve quarterly net membership growth since it first commenced operations in 2004. Viva Leisure monitors the success of this approach by the net growth in membership at each location on a daily, weekly, monthly and quarterly basis.

Members pay a fortnightly fee for access to health clubs, and an access pass fee on joining. The fortnightly fee varies depending on local market factors and the offering of the location (i.e. the size, location, available fitness classes and personal trainers). There are two main membership offers, being a single health club membership or a multi-health club membership. The multi-health club membership provides a member with access to all of Viva Leisure's health clubs.

3.2.5 CUSTOMER BASE

Viva Leisure's proprietary member management system provides demographic and usage information on its membership base, for example as at March 2019:

Figure 4: Viva Leisure's customer base

INFORMATION	DETAILS
Age	The average age of all active members was 32.0 years of age
Gender	The Viva Leisure membership is made up of 53% male and 47% female
Previous quarter (January 2019–March 2019)	<ul style="list-style-type: none">— 49.3% of new members joined following a referral from an existing member— 8.9% of new members consisted of returning previous members— 9.0% of new members joined following exposure to Viva Leisure's radio advertising
Previous year (April 2018–March 2019)	The most popular hours of the day to use the facilities were 5pm, followed by 6pm, followed by 6am across all health clubs
Membership usage	Approximately 79% of members had used the facilities in the last 30 days
Membership type	Approximately 54% of Viva Leisure's memberships have a multi-health club membership with the balance having a single club membership
Visits	Viva Leisure's health clubs achieved 2,174,523 visits from its members during FY2018.

Source: Viva Leisure

3.2.6 MEMBERSHIP RETENTION AND CHURN

Membership retention is the percentage of members who are still members between two dates. Viva Leisure measures this on a monthly, quarterly and annual basis per location and globally as a consolidation of all locations.

On the opposite spectrum, churn is the percentage of members who have cancelled their membership, calculated as the number of members lost in a period divided by the number of members at the beginning of that period. Viva Leisure's business strategy is to focus on net growth while managing retention and churn.

(a) Retention

Between the period July 2018 and March 2019, Viva Leisure achieved a retention rate of 74.0% of members (73.0% in previous corresponding period). In simple terms, 74% of members who were members in July 2018 were still members in March 2019.

This represents a loss of 26% for the nine months or 2.88% per month average.

(b) Churn

Viva Leisure's customer churn rate for the previous 12 rolling-months (April 2018 to March 2019) was 4.3% per month average. Viva Leisure's best performing location churns at 3.2% while its worse performing churn location (coincidentally its smallest location) churns at 5.6% per month. These figures are based on clubs that have been operating for a minimum of 12 months.

In simple terms, 4.3% of members per location cancel each month.

There are various factors which affect churn, some of which are controllable (i.e. adequacy of facilities) while others are not (i.e. member relocating).

3.2.7 SCALABLE BUSINESS MODEL

The Company operates a highly scalable model with a unique ability to introduce its hub and spoke approach, different brands and service offerings in new territories quickly. Viva Leisure has recently strengthened its management structure to accommodate expansion, as well as scaling up its information technology division and systems to assist with streamlining the integration of both greenfield sites and acquisitions.

(a) Revenue model

Viva Leisure's technology systems are designed to assist with real time management and analysis of the state of its health clubs with regard to membership analytical data, revenue statistics, cost control and other key operational metrics. In addition, it is designed to support the daily operations of the management team, club managers and administration staff.

Viva Leisure derives its revenue primarily from membership income. Membership income comprises fortnightly direct debit membership fees, joining fees, access pass fees, and other fees that may be applicable to the membership (i.e. suspension fees). As at April 2019, Viva Leisure's direct debit income per fortnight exceeded \$1.2 million which ensures a regular, consistent cash flow stream for the management of the business.

Viva Leisure offers two basic levels of membership; silver membership for single health club use and a higher priced platinum membership for multi-health club access. The Viva Leisure hub and spoke methodology encourages members to upgrade to platinum membership so members can 'roam' between health clubs to fully utilise Viva Leisure's health club offerings. In addition, as the hub and spoke model is rolled out in new locations, Viva Leisure has the ability to increase its membership income as members upgrade their membership from a single health club to a multi-health club membership.

In addition to membership income, the other primary sources of income are:

- (a) personal training licence fees income;
- (b) personal training services income;
- (c) casual entry fees; and
- (d) merchandise sales.

(b) Expenses

The health club business is a relatively simple business, with recurring revenue from membership income being the primary income source and total members being the driver of that membership income.

Expenses are primarily driven by:

- (a) rental; and
- (b) employment costs.

As noted in Table 1 of Section 4.3, the rental and employment costs accounted for 70.0% of Viva Leisure's total operating expenditure in FY2018 and 69.7% of Viva Leisure's operating expenditure in HY2019. Rental costs are generally fixed and subject to contracted lease terms.

As Viva Leisure employs a majority of casual employees to run training, group classes and swim school, there is an element of variability to those costs which is subject to member demand.

In addition, using its internally developed technology, Viva Leisure is able to monitor its employment costs to ensure they are appropriate for the level of service, health club size, health club income and membership base. For example, Viva Leisure will modify the staffed hours of a health club during periods where the data derived from its technology demonstrates that member usage of the health club is relatively low.

3. Company Overview

3.3 VIVA LEISURE'S HEALTH CLUBS

3.3.1 Viva Leisure's clubs

A summary of currently operating health clubs is set out below. One of the key metrics monitored by Viva Leisure is the number of members per square metre. Viva Leisure targets approximately 2.0 members per square metre within its health clubs as an appropriate measure of capacity. This is not a target that the industry generally monitors. However, Viva Leisure considers it a key metric when considering the success of an existing location or when assessing new locations. The metric is a suitable metric to use for Viva Leisure based on the level of service it seeks to offer its members (i.e. accessibility of equipment and no overcrowding), quantum of equipment required, staffing and future planning further locations in proximity.

In certain circumstances, Viva Leisure may allow a health club to operate at below 2.0 members per square metre target for strategic reasons where it is establishing a longer-term view of a geographic area or based on a location's geographic proximity to other Viva Leisure locations or the range of services and facilities on offer. The current open and operating clubs set out below have in excess of 47,500 members in total and are operating at an average of 1.55 members per square metre which represents a potential increase across the existing portfolio of 22.5%, or approximately 11,500 members if the entire portfolio was operating at 100% capacity.

Viva Leisure's mature portfolio of locations (those operating more than 12 months) is currently operating at 1.7 members per square metre, and its non-mature portfolio (less than 12 months of trade) is also currently operating at 1.7 members per square metre.

In comparison, Viva Leisure's three most recent acquisitions (acquired in September 2018 and March 2019) were, as at April 2019, operating at 0.77 members per square metre, which is a metric used by Viva Leisure to determine the upside in a location or acquisition.

Figure 5: Viva Leisure locations by type

LOCATION	OPENED/ACQUIRED	CLUB TYPE	STATE/TERRITORY
ALBURY ¹	June 2019	Standard	New South Wales
ALBURY CITY ¹	June 2019	Express	New South Wales
AUSTRALIAN NATIONAL UNIVERSITY	February 2019	Standard	Australian Capital Territory
AUSTRALIAN NATIONAL UNIVERSITY - AQUATICS	February 2019	Standard	Australian Capital Territory
BELCONNEN	January 2010	Standard	Australian Capital Territory
BRADDON	December 2015	Standard	Australian Capital Territory
CANBERRA CITY	March 2012	Express	Australian Capital Territory
CISAC	January 2004	Big Box	Australian Capital Territory
CISAC - AQUATIC	January 2004	Aquatic	Australian Capital Territory
CISAC - LADIES ONLY	January 2004	Standard	Australian Capital Territory
COOMBS	May 2018	Standard	Australian Capital Territory
CRACE	November 2013	Express	Australian Capital Territory
CURTIN	August 2014	Standard	Australian Capital Territory
GOLD CREEK	May 2006	Standard	Australian Capital Territory
GOOGONG	February 2019	Express	New South Wales
GOULBURN	February 2018	Express	New South Wales
GOULBURN #2	March 2019	Standard	New South Wales
GUNGAHLIN	January 2010	Standard	Australian Capital Territory
KAMBAH	August 2018	Standard	Australian Capital Territory
KINGSTON	October 2010	Standard	Australian Capital Territory
KIPPAX	July 2017	Standard	Australian Capital Territory
MAWSON	January 2010	Standard	Australian Capital Territory
MITCHELL	February 2013	Standard	Australian Capital Territory
PHILLIP	September 2018	Standard	Australian Capital Territory
PSYCLE LIFE	August 2016	Boutique	Australian Capital Territory
TUGGERANONG	July 2008	Big Box	Australian Capital Territory

LOCATION	OPENED/ACQUIRED	CLUB TYPE	STATE/TERRITORY
TUGGERANONG – LADIES ONLY	July 2008	Standard	Australian Capital Territory
WAGGA WAGGA	September 2018	Big Box	New South Wales
WAGGA WAGGA – LADIES ONLY	September 2018	Standard	New South Wales
WODEN	September 2011	Standard	Australian Capital Territory
WODONGA ¹	June 2019	Standard	Victoria
WOLLONGONG	November 2012	Big Box	New South Wales

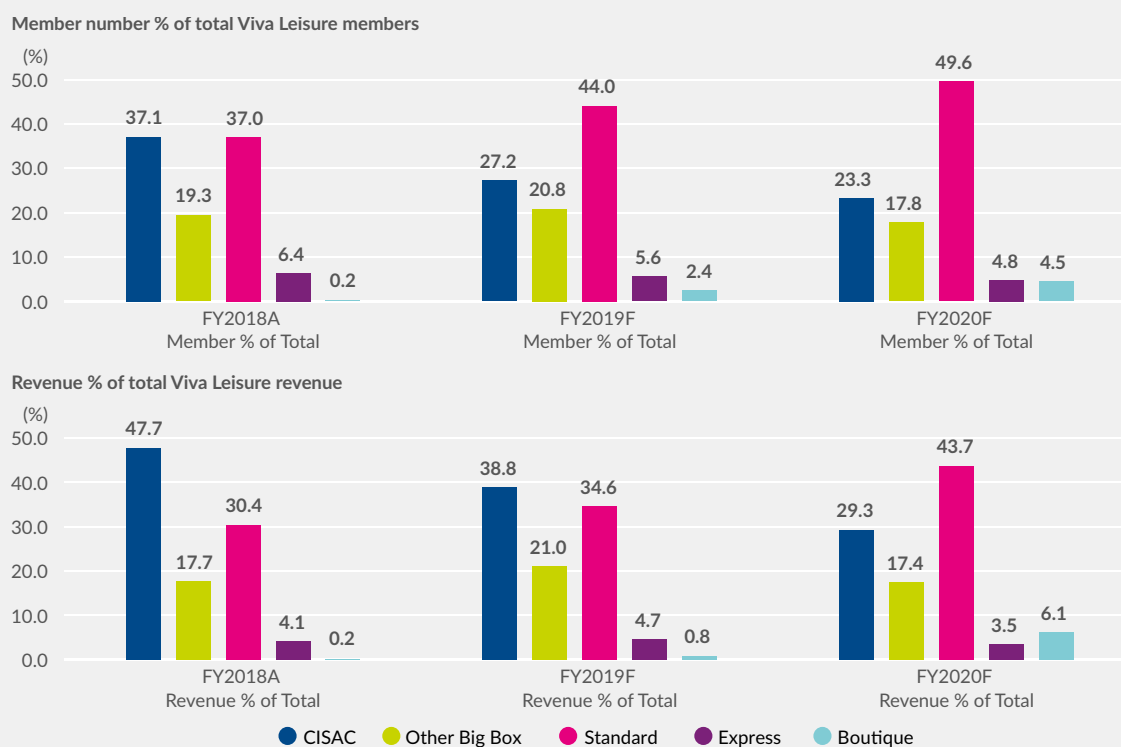
NOTES

1 To be acquired post listing.

Source: Viva Leisure

Historically CISAC has contributed a large percentage of Viva Leisure's revenue. However, through active management of its portfolio, Viva Leisure has reduced this reliance and will continue to drive CISAC's percentage of revenue lower moving forward.

Figure 6: Revenue and member spread by club type



NOTES

- 1 CISAC contributed a total of 37.1% of the member base and 47.7% of the revenue in FY2018 which is expected to reduce to 38.8% and 29.3% in FY2019 and FY2020 respectively. This includes all swim school members.
- 2 Other Big Box clubs (i.e. excluding CISAC) contributed a total of 19.3% of the member base and 17.7% of the revenue in FY2018 and is expected to increase to 21.0% of revenue in FY2019 and decrease to 17.4% of revenue in FY2020.
- 3 Standard clubs contributed a total of 37.0% of the member base and 30.4% of the revenue in FY2018 and is expected to increase to 34.6% of revenue in FY2019 and increase to 43.7% of revenue in FY2020.
- 4 Express clubs contributed a total of 6.4% of the member base and 4.1% of the revenues which is expected to remain relatively consistent across FY2019 and FY2020.
- 5 Boutique clubs which do not produce a material result in FY2018 are expected to do so in FY2019 and FY2020, which include Psycle Life and hiit Republic sites.

3. Company Overview

3.3.2 GEOGRAPHICAL SPREAD OF CLUBS

The Australian Capital Territory has the largest concentration of Viva Leisure health clubs being its home-base. Viva Leisure counts over 10% of the Australian Capital Territory population as members of its facilities (as at 6 April 2019, 39,572 active Australian Capital Territory based members of an estimated population of 397,397 residents, based on the 2016 census).

Viva Leisure's immediate future growth will be focused in regional and smaller metropolitan areas of New South Wales and Victoria. These markets are attractive due to management's analysis that these markets have a lack of funded industry participants willing to meet the consumer demand profile required for a profitable investment.

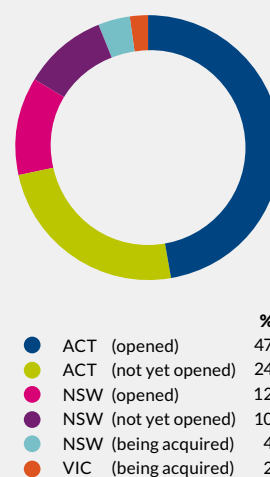
3.3.3 VIVA LEISURE'S PLANNED CLUBS

At the end of March 2019, Viva Leisure had in excess of 47,500 individual members and was growing at an average net rate of 709 members per month (excluding acquisitions) for the period April 2018 to March 2019.

Viva Leisure has entered into leases or agreements to lease in relation to 16 locations (excluding the three planned acquisitions), where it will operate seven Health Clubs and eight boutique offerings including hiit Republic, Psycle Life and Studio by Club Lime facilities.

In addition to its Club Lime facilities, Viva Leisure is about to open its first hiit Republic facility. hiit Republic is a boutique functional fitness facility, based on a 300m² foot print. The opening of hiit Republic will further expand on Viva Leisure's offering in the boutique segment. Viva Leisure already operates functional fitness classes within some of its existing facilities. Functional fitness refers to exercises that improve daily activity and help challenge a person's balance and coordination while simultaneously improving strength and range of motion. It does not rely on any particular piece of equipment, but rather a range of equipment and body movement.

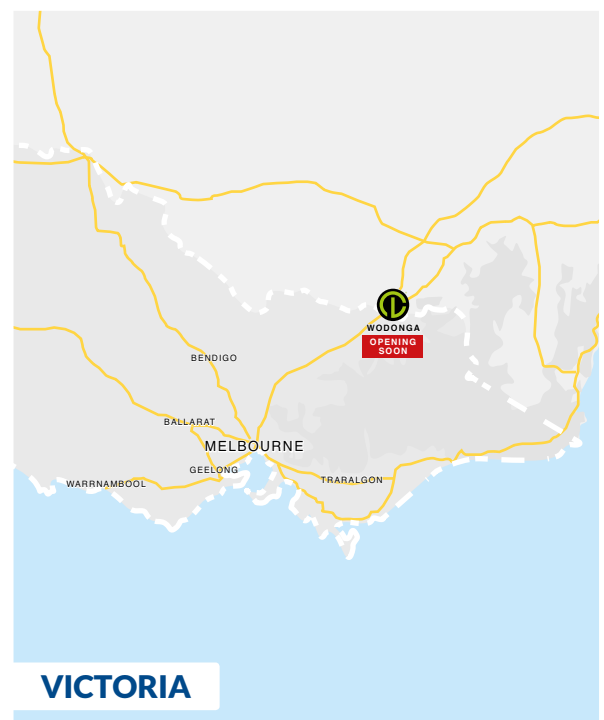
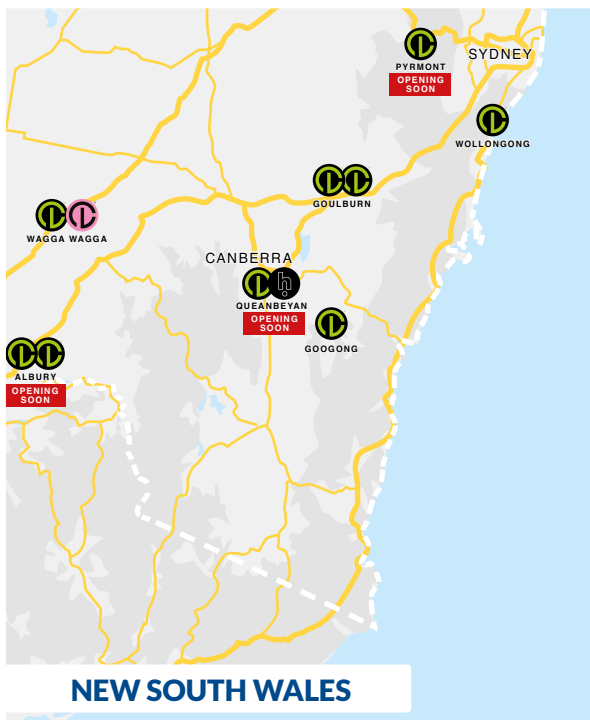
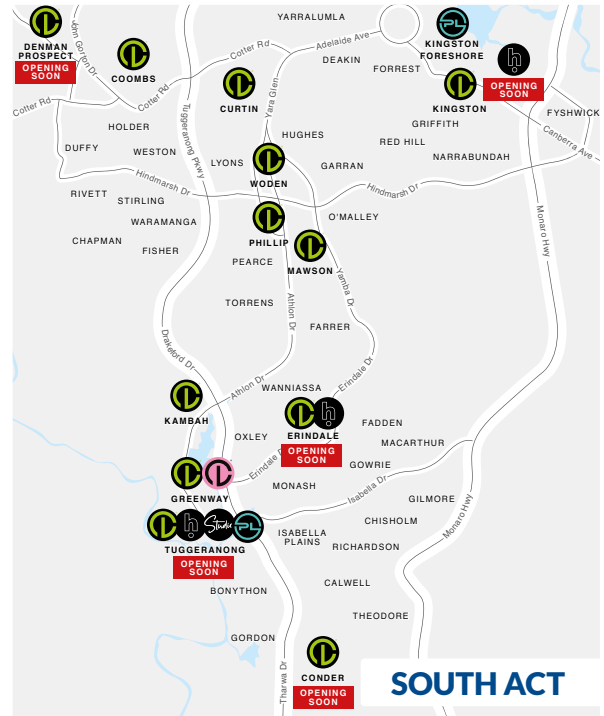
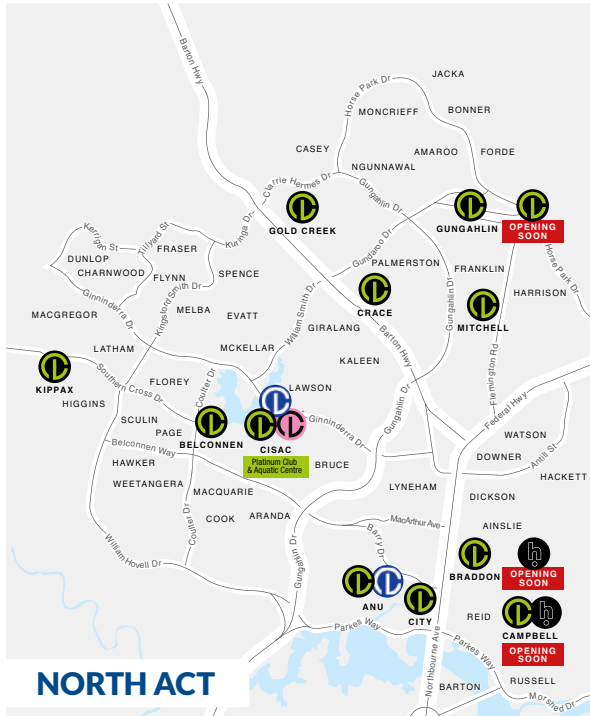
Figure 7: Geographical spread of Viva Leisure's health clubs



Source: Viva Leisure

Figure 8: Overview of Viva Leisure's planned locations

CLUB	TYPE	LOCATION	SIZE OF FACILITY (SQUARE METRES)	SCHEDULED OPENING (BASED ON CY)
Club Lime Conder	Standard	Conder, Australian Capital Territory	990	Q2-2019
hiit Republic Tuggeranong	Boutique	Tuggeranong, Australian Capital Territory	380	Q2-2019
Psycle Life Tuggeranong	Boutique	Tuggeranong, Australian Capital Territory	240	Q2-2019
Studio by Club Lime Tuggeranong	Boutique	Tuggeranong, Australian Capital Territory	360	Q2-2019
Club Lime Denman Prospect	Standard	Denman Prospect, Australian Capital Territory	500	Q3-2019
Club Lime Queanbeyan	Standard	Queanbeyan, New South Wales	1,240	Q3-2019
hiit Republic Queanbeyan	Boutique	Queanbeyan, New South Wales	360	Q3-2019
hiit Republic Campbell	Boutique	Campbell, Australian Capital Territory	218	Q3-2019
hiit Republic Braddon	Boutique	Braddon, Australian Capital Territory	220	Q3-2019
hiit Republic Kingston	Boutique	Kingston, Australian Capital Territory	220	Q3-2019
Club Lime Erindale	Standard	Wanniassa, Australian Capital Territory	1,000	Q3-2019
hiit Republic Erindale	Boutique	Wanniassa, Australian Capital Territory	220	Q3-2019
Club Lime Campbell	Express	Campbell, Australian Capital Territory	530	Q4-2019
Club Lime Gungahlin	Big Box	Gungahlin, Australian Capital Territory	2,000	Q1-2020
Club Lime Pyrmont	Big Box	Pyrmont, New South Wales	1,600	Q2-2020
Club Lime Tuggeranong #3	Express	Tuggeranong, Australian Capital Territory	450	Q2-2021



3. Company Overview

3.4 PROPERTY LEASES

Viva Leisure's policy with regard to property leases is generally an initial term of either five or ten years with multiple five-year options at the conclusion of the initial term.

Five years is selected as the preferred option, as that is the general lifecycle of cardio equipment, so at the end of the initial term a decision can be made to renew the lease, relocate the club and at the same time replace equipment.

Viva Leisure's landlords range from larger corporations (i.e. tier one retail property manager) to smaller local investors.

3.5 GROWTH STRATEGIES

3.5.1 Core business model and product offerings

Viva Leisure believes that its 'hub and spoke' model will attract new members to existing Viva Leisure health clubs and increase yield per member by enhancing value and member experience.

The 'hub and spoke' model not only protects its profits but provides a distinct competitive advantage by allowing flexibility in its acquisition strategy. Viva Leisure is not compelled to acquire a particular size health club and therefore is not restricted in its expansion opportunities. If the acquisition criteria are met in a particular geographic region, the Company can open an express, standard size or big box club.

This enables Viva Leisure to:

- (a) capitalise on the current growth in the industry of small, affordable, easily accessible 24-hour clubs and financially benefit from the low cost, low breakeven model;
- (b) remove the biggest threat to any Viva Leisure big box health clubs by establishing express (small box) health clubs around them to support and protect them;
- (c) offer its members flexibility and choice to suit their needs;
- (d) establish a club size to better suit the demographics and population size; and
- (e) create a diversified portfolio of clubs.

Viva Leisure plans to continue its brand penetration through key sponsorships, strategic alignments and affordable marketing campaigns, in its current markets and nationally.

3.5.2 New greenfield locations

Viva Leisure has a disciplined site selection process backed by data and a successful track record of opening clubs with fast achievement of breakeven cash flows in a variety of locations and demographics. Viva Leisure's previous six locations opened achieved breakeven cashflow status within six weeks of opening. Viva Leisure has a pipeline of 16 greenfield sites, that are either currently under consideration, or subject to an agreement for lease.

With an established portfolio of health clubs in regional and metropolitan locations, Viva Leisure has appropriate data which it has collected through these clubs which enhance the ability of senior executives and the Directors to analyse future financial performance of new locations. Viva Leisure's policy of renting premises allows flexibility in the event of changing demographics which affect member penetration rates in particular areas.

The site selection process is managed by Viva Leisure's senior executive team and is instrumental in the success of the Company. Viva Leisure has never closed a health club that was opened as a greenfield site, which the Directors believe is a testament to Viva Leisure's disciplined site selection process and operational expertise.

3.5.3 Greenfield location pipeline

Viva Leisure has a current pipeline of potential new health clubs which are currently either proposed to be acquired by Viva Leisure or under consideration. Viva Leisure has entered into leases or agreements to lease in relation to 16 locations, where it will operate eight Health Clubs and eight boutique facilities, which it proposes to open before the end of FY2020 plus an addition three facilities to be acquired shortly after listing.

Viva Leisure is targeting the roll out of an additional 10 to 15 new health clubs over the next 18 months. This pipeline is dynamic and evolves continuously as new opportunities are discovered and reviewed against Viva Leisure's site selection process.

3.5.4 Acquisition criteria

It is Viva Leisure's intention to only assess and acquire health clubs or groups of health clubs that meet the following criteria:

- (a) the business can be acquired at a price that fits within the Company's financial and strategic parameters;
- (b) the business has the potential to extend to a 'hub and spoke' model or complement the Company's existing health club presence;
- (c) the business can deliver increased earnings growth opportunities through synergy extraction and operational efficiencies;
- (d) the business is geographically and demographically appropriate (and there is sufficient existing population or likely to be future population growth in the area); and
- (e) the business should possess appropriate equipment and fit-out (ideally not requiring immediate replacement).

3.5.5 Integration of acquisitions

Viva Leisure has formulated a detailed integration plan for corporate and health club integration. The Integration of new health clubs does not have a significant impact on the day to day operations of Viva Leisure. However, the Company undertakes a sensitive and staged approach to integration, including:

- (a) Viva Leisure's management information systems are both scalable and expandable as required and depending on the acquired technical infrastructure 'changeover' to Viva Leisure's back office systems can occur generally within a few hours. Once on-boarded, management has immediate access to real time member data which enables it to respond quickly and efficiently to any operational issues arising at the health club level.
- (b) The existing membership base is transitioned in the back office rather than front office environment allowing a seamless and 'invisible' changeover. This avoids any disruption to member services, which in turn seeks to reduce the risk of immediate churn.
- (c) Refreshing of dated equipment happens quickly to demonstrate to existing members and staff that Viva Leisure is serious about maintaining a high standard.
- (d) Rebranding is carried out quickly. In markets where Viva Leisure already has a presence this allows the Company to take advantage of Viva Leisure's good community standing and recognition. In new markets it allows the Company to establish Viva Leisure's brand in the marketplace.
- (e) Backoffice functions, such as banking and accounting, are transferred on day one allowing immediate access to the financial information of the relevant health club.

The integration plan is designed to ensure that Viva Leisure has the ability to produce accurate, real time information for each acquired health club. This real time reporting allows management to assess the 'live' status of integration including detailed membership and revenue data.



4.

Financial
Information

4. Financial Information

4.1 INTRODUCTION

4.1.1 Financial Information

The financial information for Viva Leisure contained in this Section 4 includes:

Historical Financial Information, being the:

- (a) aggregated historical income statements for FY2017, FY2018 and consolidated historical income statements for HY2019 (Historical Income Statements);
- (b) aggregated historical cash flow statements for FY2017, FY2018 and consolidated historical cash flow statements for HY2019 (Historical Cash Flow Statements);
- (c) consolidated historical balance sheet as at 31 December 2018 (Historical Balance Sheet).

Pro Forma Forecast Financial Information, being the:

- (a) Pro Forma Consolidated Forecast Income Statements for FY2019 and FY2020 (Pro Forma Forecast Income Statements);
- (b) Pro Forma Consolidated Forecast Cash Flow Statements for FY2019 and FY2020 (Pro Forma Forecast Cash Flow Statements);
- (c) Pro Forma Consolidated Statement of Financial Position (Pro Forma Balance Sheet) after the proposed raising based on the Consolidated Historical Statement of Financial Position at 31 December 2018 (Historical Balance Sheet); and
- (d) Significant Accounting Policies and Material Accounting Matters. Viva Leisure has a 30 June financial year end.

Also summarised in this Section 4 are:

- (a) the basis of preparation and presentation of the Financial Information (refer to Section 4.2);
- (b) explanation of certain non-IFRS financial measures (refer to Section 4.2.4);
- (c) pro forma adjustments and reconciliations to the Pro Forma Forecast Financial Information (refer to Section 4.3.1);
- (d) details of Viva Leisure's indebtedness (refer to Section 4.4.2);
- (e) information regarding Viva Leisure's capital and contractual commitments (refer to Section 4.4.3);
- (f) management's discussion and analysis of the Historical Financial Information (see Section 4.6) and Forecast Financial Information (refer to Section 4.7);
- (g) the general assumptions and specific assumptions underlying the Forecast Financial Information and key sensitivities in respect of the Forecast Financial Information (refer to Sections 4.7 and 4.8);
- (h) the information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5, the significant accounting policies summarised in Appendix A and other information contained in this Prospectus; and
- (i) any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 Overview

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of Viva Leisure, together with the forecast financial performance and cash flows. The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (AAS), which are consistent with the International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

The Pro Forma Forecast Financial Information includes adjustments which have been prepared in a manner consistent with AAS and reflect transactions that occurred in the forecast period or are expected to occur prior to completion of the Offer.

The Financial Information also includes non-IFRS measures that Viva Leisure uses to manage and report on its business that are not in accordance with AAS or IFRS (refer to Section 4.2.4).

Viva Leisure's key accounting policies relevant to the Financial Information are set out in the Appendix A. In preparing the Financial Information, the accounting policies of Viva Leisure have been applied consistently throughout the periods presented.

4.2.2 Preparation of historical financial information

The Historical Financial Information has been derived from the audited aggregated financial statements of Viva Leisure for FY2017, FY2018, and the reviewed consolidated financial statements for HY2019. The Pro Forma Historical Balance Sheet is based on the reviewed consolidated financial statements of the Company as at 31 December 2018 adjusted to reflect events that have occurred subsequent to that date and the impact of the Offer.

4. Financial Information

4.2.3 Preparation of forecast financial information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus and reflects the Company's best estimates of the financial performance and cash flows that it expects to report in FY2019 and FY2020, having regard to the trading performance of Viva Leisure for the first nine months of FY2019.

Tables 2 and 3 in Section 4.3 show the impact of the following costs to be incurred in FY2019 and FY2020 as a result of the Offer and the Company becoming a listed entity:

- the impact of certain material non-operating or non-recurring expenses and income related to the Offer and Completion;
- the impact of certain related party debt Viva Leisure intends to repay with proceeds from the Offer as if repayment had occurred on 1 June 2019. As a consequence, it is estimated that there will be interest expense savings of approximately \$0.26 million in the FY2020 forecast year;
- estimated additional incremental costs associated with Viva Leisure being a listed company, including estimated Board and governance costs, and incremental audit, tax and compliance costs assuming Completion had occurred on 1 June 2019. Although these costs are recurring from FY2019, they have been adjusted in the pro forma tables to allow a comparison to historical results from ordinary operations; and
- income tax effect of above pro forma adjustments is determined using the relevant applicable effective corporate tax rate of 27.5%.

Acquisitions

The Forecast Financial Information for FY2019 and FY2020 includes the financial impact of three business acquisitions, Elite Physique in ACT and Xceler8 in Wagga Wagga, NSW from the date of their acquisitions in September 2018, and Fitness 24/7 in Albury NSW and Wodonga, Victoria from the date of acquisition (expected to complete in June 2019). The financial results of Fitness 24/7 have been audited for FY2017 and FY2018 and reviewed for FY2019. Due to the size of the acquisitions, the financial results of Elite Physique and Xceler8 for FY2017 and FY2018 were not subject to audit. The results of each of the acquisitions are based on historical financial performance, normalised for non-arm's length transactions of the previous vendors and applying estimated synergies as detailed at Section 4.7.2.

The Forecast Financial Information has been based on an assessment of present economic and operating conditions and on a number of assumptions, including the general and specific assumptions set out in Sections 4.7.1 and 4.7.2. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring. However, this information is not fact and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Viva Leisure's actual financial performance or financial position. Investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors are advised to review the general assumptions and specific assumptions set out in Sections 4.7.1 and 4.7.2 in conjunction with the notes to the Financial Information, the sensitivity analysis set out in Section 4.8, the risk factors set out in Section 5 and other information set out in this Prospectus. Viva Leisure considers that the general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus.

Viva Leisure has no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.4 Explanation of certain non-IFRS measures

Viva Leisure uses certain measures to manage and report on business that are neither recognised under AAS, nor under IFRS. These measures are collectively referred to as non-IFRS financial measures. These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although management believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

These non-IFRS financial measures that are referred to in this Prospectus include the following:

- EBITDA means earnings before interest, tax, depreciation and amortisation;
- EBIT means earnings before interest and tax;
- NPBT means net profit before tax;
- NPAT means net profit after tax;
- NPATA means NPAT adjusted for non-cash amortisation relating to the finite life of intangible assets recognised as part of acquisitions.

4.3 HISTORICAL AND FORECAST INCOME STATEMENTS

4.3.1 Historical and pro forma forecast income statements

Table 1 below sets out the Historical Income Statements for FY2017, FY2018 and HY2019, and the Forecast Income Statements for FY2019 and FY2020.

Tables 2 and 3 below reconcile the Pro Forma Forecast Income Statement to the Forecast Income Statement in Table 1, which also includes an explanation of the pro forma adjustments. The purpose of pro forma adjustments is to allow a comparison between historical and forecast results, showing forecast EBITDA and NPAT from ordinary operations excluding one-off or non-recurring expenses to be incurred in FY2019 and FY2020 and costs associated with the company becoming a listed entity. For an explanation of the key income statement line items refer to Section 4.2.4.

Table 1: Summary of Historical and Forecast Income Statements

HISTORICAL AND FORECAST INCOME STATEMENTS	NOTES	FY2017 ACTUAL (\$'000)	FY2018 ACTUAL (\$'000)	HY2019 ACTUAL (\$'000)	FY2019 FORECAST (\$'000)	FY2020 FORECAST (\$'000) ¹	FY2020 FORECAST (\$'000) ²
Revenue		20,748	24,127	15,052	32,910	46,827	46,827
Rental expense	2	(4,360)	(4,908)	(3,150)	(6,631)	(9,782)	(0)
Employee benefits expense		(8,137)	(8,337)	(5,167)	(11,136)	(15,697)	(15,697)
Other expenses		(4,967)	(5,674)	(3,615)	(8,331)	(9,967)	(9,967)
Total operating expenditure		(17,464)	(18,919)	(11,933)	(26,098)	(35,446)	(25,664)
EBITDA		3,284	5,208	3,119	6,812	11,381	21,163
Depreciation and amortisation expense	2	(1,432)	(1,537)	(1,019)	(2,399)	(3,911)	(11,501)
EBIT		1,852	3,671	2,100	4,413	7,471	9,662
Finance costs	2	(524)	(531)	(313)	(713)	(756)	(6,787)
NPBT		1,327	3,141	1,787	3,700	6,715	2,875
Tax (expense) income		-	(224)	(522)	(1,017)	(1,847)	(790)
NPAT		1,327	2,917	1,266	2,682	4,868	2,085
NPATA	3	-	-	1,327	2,880	5,333	2,550

Table 2: Pro Forma Adjustments to the Forecast EBITDA

HISTORICAL AND PRO FORMA FORECAST EBITDA	NOTES	FY2017 ACTUAL (\$'000)	FY2018 ACTUAL (\$'000)	HY2019 ACTUAL (\$'000)	FY2019 FORECAST (\$'000)	FY2020 FORECAST (\$'000) ¹	FY2020 FORECAST (\$'000) ²
EBITDA		3,284	5,208	3,119	6,812	11,381	21,163
IPO costs	4	-	-	326	1,106	-	-
Incremental costs as a public company	5	(1,032)	(1,032)	(516)	(718)	-	-
Albury/Wodonga acquisition	6	993	846	437	850	-	-
Total Pro Forma Adjustments		(32)	(32)	246	1,238	-	-
Pro Forma EBITDA		3,246	5,023	3,366	8,050	11,381	21,163

NOTES

- FY2020 Forecast (excluding impact of AASB16):** the FY2020 forecast in this column excludes the impact of applying AASB16. The financial results are directly comparable to the Historical Income Statements and the FY2019 Pro Forma Forecast Income Statement.
- FY2020 Forecast (including the impact of AASB16):** the FY2020 forecast in this column includes the impact of AASB 16. AASB 16 applies to financial years commencing on or after 1 January 2019. While not early adopting AASB 16, Viva Leisure has estimated the impact of the application of this accounting standard on the historical results and adjusted the EBITDA accordingly. The adjustments include removal of operating rental expenses of approximately \$9.8 million and addition of lease interest expense of approximately \$6.0 million and right of use amortisation expense of approximately \$7.6 million. This creates an overall adjustment to NPBT of approximately (\$3.8 million).
- NPATA:** Viva Leisure has acquired approximately \$1.9 million in member contract intangibles from its acquisitions and is amortising these balances over four years on a straight line basis.
- IPO costs:** represents management's estimate of the one-off costs relating to the IPO. These include costs of advisers, expensing of Director and senior executive options discussed in Section 6.3.4 and other costs related to the listing process which will not be recurring.
- Incremental costs:** as a public company represents management's estimate of the incremental costs of operating as a public company, inclusive of Directors' fees, production of annual reports and holding an annual general meeting, annual ASX listing, registry fees and other costs. Although these costs will be recurring after listing, they have been adjusted in the pro forma tables to allow a comparison to historical results from ordinary operations.
- Albury/Wodonga acquisition:** the contribution of the Fitness 24/7 acquisition in Albury, NSW and Wodonga, Victoria on a pro forma basis. The results of the business have been audited for FY17 and FY18 and reviewed for the period to HY19.

4. Financial Information

Table 3: Pro Forma Adjustments to the Forecast NPAT

HISTORICAL AND PRO FORMA FORECAST NPAT	NOTES	FY2017 ACTUAL (\$'000)	FY2018 ACTUAL (\$'000)	HY2019 ACTUAL (\$'000)	FY2019 FORECAST (\$'000)	FY2020 FORECAST (\$'000) ¹	FY2020 FORECAST (\$'000) ²
NPAT		1,327	2,917	1,266	2,682	4,868	2,085
IPO costs	3	–	–	326	1,106	–	–
Incremental costs as a public company	4	(1,032)	(1,032)	(516)	(718)	–	–
Tax Effect	5	284	284	52	(107)	–	–
Albury/Wodonga acquisition	6	616	572	284	635	–	–
Total Pro Forma Adjustments		(748)	(748)	147	917	–	–
Pro Forma NPAT		1,195	2,741	1,412	3,599	4,868	2,085
Pro Forma NPATA		1,195	2,741	1,474	3,797	5,333	2,550

NOTES

- FY2020 Forecast (excluding impact of AASB16):** the FY2020 forecast in this column excludes the impact of applying AASB16. The financial results are directly comparable to the FY2017–FY2018 Historical Forecast Income Statements and the FY2019 Pro Forma Forecast Income Statement.
- FY2020 Forecast (including the impact of AASB16):** the FY2020 forecast in this column includes the impact of AASB 16. AASB 16 applies to financial years commencing on or after 1 January 2019. While not early adopting AASB 16, Viva Leisure has estimated the impact of the application of this accounting standard on the historical results and adjusted the EBITDA accordingly. The adjustments include removal of operating rental expenses of approximately \$9.8 million and addition of lease interest expense of approximately \$6.0 million and right of use amortisation expense of approximately \$7.6 million. This creates an overall adjustment to NPBT of approximately (\$3.8 million).
- IPO costs:** represents management's estimate of the one-off costs relating to the IPO. These include costs of advisers, expensing of Director and senior executive options discussed in Section 6.3.4 and other costs related to the listing process which will not be recurring.
- Incremental costs:** as a public company represents management's estimate of the incremental costs of operating as a public company, inclusive of Directors' fees, production of annual reports and holding an annual general meeting, annual ASX listing, registry fees and other costs. Although these costs will be recurring after listing, they have been adjusted in the pro forma tables to allow a comparison to historical results from ordinary operations.
- Tax Effect:** relates to the tax effect of the above adjustments using the relevant applicable effective corporate tax rate of 27.5%.
- Albury/Wodonga acquisition:** the contribution of the Fitness 24/7 acquisition in Albury, NSW and Wodonga, Victoria on a pro forma basis. The results of the business have been audited for FY17 and FY18 and reviewed for the period to HY19.

4.4 HISTORICAL AND PRO FORMA BALANCE SHEET

4.4.1 Overview

Table 4 sets out the adjustments that have been made to the Historical Balance Sheet of Viva Leisure as at 31 December 2018 to present a Pro Forma Historical Balance Sheet for Viva Leisure as though the Offer and other events occurring subsequent to 31 December 2018 detailed below had been completed on 31 December 2018.

The adjustments also include assumptions relating to the Offer which include matters not known at the Prospectus Date. The Pro Forma Historical Balance Sheet is therefore provided for illustrative purposes only and is not necessarily indicative of Viva Leisure's future financial position.

Table 4: Historical and Pro Forma Balance Sheet as at 31 December 2018

HISTORICAL AND PRO FORMA BALANCE SHEET	HISTORICAL BALANCE SHEET 31 DECEMBER 2018 (\$'000)	IMPACT OF THE OFFER (\$'000) ¹	REPAYMENT OF DEBT (\$'000) ²	ACQUISITION (\$'000) ³	PRO FORMA BALANCE SHEET 31 DECEMBER 2018 (\$'000)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	1,637	18,776	(3,405)	(3,750)	13,258
Trade and other receivables	241	–	–	–	241
Inventories	182	–	–	–	182
Other current assets	460	(179)	–	–	281
TOTAL CURRENT ASSETS	2,520	18,597	(3,405)	(3,750)	13,962
NON-CURRENT ASSETS					
Property, plant and equipment	13,054	–	–	400	13,454
Intangible assets	3,282	–	–	3,350	6,632
Deferred tax assets	113	441	–	–	554
TOTAL NON-CURRENT ASSETS	16,449	441	–	3,750	20,640
TOTAL ASSETS	18,969	19,038	(3,405)	–	34,602
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	2,458	–	–	–	2,458
Borrowings	5,299	–	(3,405)	–	1,894
Other liabilities	933	–	–	–	933
Current tax liabilities	1,051	–	–	–	1,051
Provisions	546	–	–	–	546
TOTAL CURRENT LIABILITIES	10,287	–	(3,405)	–	6,881
NON-CURRENT LIABILITIES					
Borrowings	3,706	–	–	–	3,706
Provisions	463	–	–	–	463
Deferred tax liabilities	–	–	–	–	–
TOTAL NON-CURRENT LIABILITIES	4,170	–	–	–	4,170
TOTAL LIABILITIES	14,456	–	(3,405)	–	11,051
NET ASSETS	4,513	19,038	–	–	23,551
EQUITY					
Issued capital	24,500	19,491	–	–	43,991
Reserves	(21,184)	–	–	–	(21,184)
Retained earnings	1,197	(453)	–	–	743
TOTAL EQUITY	4,513	19,038	–	–	23,551

NOTES

- Impact of the Offer:** Impact of the Offer of \$18.8 million, being the net proceeds expected under the Offer of \$20.0 million, less the expected cash Offer costs of \$1.2 million (total expenses of the Offer have been estimated at \$2.1 million of which approximately \$0.3 million was expensed in HY19 and approximately \$0.2 million was taken up as a prepayment. In addition, there are non-cash expenses of \$0.4 million).
- Repayment of Debt:** At 31 December 2018, related party loans totaled approximately \$3.4 million. Following Completion, the Company will repay this related party debt of \$3.4 million.
- Acquisitions:** In June 2019, the Company expects to complete the acquisition of Fitness 24/7 in Albury, NSW and Wodonga, Victoria for cash consideration of approximately \$3.75 million in aggregate. The acquisitions were under business sale arrangements. Intangibles resulting from these Acquisitions are expected to total \$3.35 million, comprising the value of member contracts estimated at \$0.9 million and the balance being goodwill.

4. Financial Information

AASB 16 impacts: AASB 16 applies to financial years commencing on or after 1 January 2019. While not early adopting AASB 16, Viva Leisure has estimated the impact of the application of this accounting standard to include:

- the take up of the initial Lease Liability of approximately \$74 million and Right of Use Asset of approximately \$75 million and related deferred tax;
- the take up of a provision for make good of approximately \$2.2 million and related deferred tax;
- the removal of deferred rental and deferred fitout incentive liabilities of approximately \$1 million currently shown in the historical balance sheet and related deferred tax; and
- the net balance of the above transactions will be taken to opening retained earnings and is approximately \$0.3 million.

These impacts are not included in the table above.

4.4.2 Indebtedness

The below table sets out the indebtedness of the Company as at 31 December 2018 as well as the pro forma indebtedness at Completion.

Table 5: Indebtedness

	NOTE	31 DECEMBER 2018	CURRENT	REPORTED (\$'000)		PRO FORMA (\$'000)	
				NON- CURRENT	31 DECEMBER 2018	CURRENT	NON- CURRENT
Related party loan	1	3,405	3,405	–	–	–	–
Finance lease commitments	1	5,600	1,894	3,706	5,600	1,894	3,706
Total Indebtedness		9,005	5,299	3,706	5,600	1,894	3,706

NOTE

- 1 **Repayment of Debt:** At 31 December 2018, the Company had a related party loan totalling approximately \$3.4 million. Following Completion, the Company will repay this related party debt of \$3.4 million as described in Section 9.8.

AASB 16 impacts: AASB 16 applies to financial years commencing on or after 1 January 2019. While not early adopting AASB 16, Viva Leisure has estimated the impact of the application of this accounting standard. The adjustments to total indebtedness will include the take up of the initial Lease Liability of approximately \$74 million.

4.4.3 Commitments

The Company has outstanding operating lease commitments associated with leases for office space and health clubs:

Table 6: Summary of Commitments as at 31 December 2018

PAYMENTS DUE BY PERIOD (\$'000)	TOTAL	< 1 YEAR	1-5 YEARS	> 5 YEARS
Operating lease commitments	58,767	8,207	26,425	24,136

Recent changes to AASB 16 *Leases* will require all leases (subject to exceptions for short term leases and low value items) to be capitalised by recognising a right-of-use asset and a lease liability for the present value of the obligation. These changes come into effect for annual periods beginning on or after 1 January 2019 and therefore have not been adopted in the financial information presented in this Section 4.4.3.

4.4.4 Sources of liquidity

Following the Completion, the Company's principal source of liquidity will consist of cash and cash equivalents on the balance sheet.

On Completion, the Company considers it will have sufficient capital to carry out its stated objectives. Viva Leisure's historical and forecast cash flows are set out in Section 4.5.

4.5 HISTORICAL AND FORECAST CASH FLOW STATEMENTS

The table below sets out the Historical Cash Flow Statements for FY2017, FY2018 and HY2019 and the Pro Forma Forecast Cash Flow Statements for FY2019 and FY2020. The Pro Forma Forecast Cash Flow Statements are subject to the general assumptions and the specific assumptions underlying the Forecast Financial Information (refer to Section 4.7.2).

4.5.1 Cash Flow Statements

Table 7: Historical Cash Flow Statements and Pro Forma Forecast Cash Flow Statement

HISTORICAL AND PRO FORMA FORECAST CASH FLOW STATEMENTS	NOTES	FY2017 ACTUAL (\$'000)	FY2018 ACTUAL (\$'000)	HY2019 ACTUAL (\$'000)	FY2019 FORECAST (\$'000)	FY2020 FORECAST (\$'000)
Receipts from customers		22,963	26,855	16,448	36,254	51,496
Payments to suppliers and employees		(21,249)	(24,642)	(12,258)	(29,032)	(40,140)
Interest received		–	–	6	12	13
Payments of tax		–	–	–	(580)	(1,017)
Cash flow from operating activities		1,714	2,213	4,197	6,654	10,351
Net purchases of property, plant and equipment	1	(488)	(1,826)	(1,814)	(3,549)	(1,300)
Purchase of intangibles		(5)	(2)	–	–	–
Purchase of businesses	2	–	–	(3,308)	(6,558)	–
Cash flows from investing activities		(493)	(1,828)	(5,122)	(10,107)	(1,300)
Proceeds from pre-IPO investment		–	–	3,500	3,500	–
Impact of the offer	3	–	–	(700)	18,776	–
Net proceeds from/(repayment of) borrowings	4	(509)	584	(987)	(5,674)	(3,452)
Interest payments on borrowings		(524)	(531)	(313)	(713)	(756)
Cash flows from financing activities		(1,033)	53	1,500	15,889	(4,208)
Net increase in cash held		188	438	575	12,435	4,842

NOTES

- Capital expenditures predominantly relate to equipment used in health club centres, rollout of greenfield sites, and to a smaller extent office equipment such as computers.
- Purchases of businesses are the acquisitions of Elite Physique, Xceler8 and Fitness 24/7.
- Impact of the Offer reflects:
 - proceeds expected under the Offer of \$20.0 million; and
 - less cash costs of the Offer of \$1.2 million.
- Net repayment of borrowings of \$5.5 million reflects:
 - repayment of related party debt from proceeds of the Offer of \$3.4 million in FY2019; and
 - lease payments less finance charges for lease finance facilities in the ordinary course.

4. Financial Information

4.6 MANAGEMENT DISCUSSION AND ANALYSIS OF THE HISTORICAL AND FINANCIAL INFORMATION

4.6.1 General factors affecting Viva Leisure's operating results

This Section 4.6 discusses details of key metrics relating to Viva Leisure's historical and forecast financial performance between FY2017–FY2020F and the main factors which affected Viva Leisure's operating and relative financial performance in FY2017–FY2018.

The discussion is intended to provide a brief summary only and does not detail all the factors that affected historical operating and financial performance, nor everything which may affect Viva Leisure's operating and financial performance in the future. Unless otherwise stated, all metrics and financial information presented in this Section and the related commentary is on a pro forma basis only. The information in this Section 4 should also be read in conjunction with the general and specific assumptions in Section 4.7, the sensitivities in Section 4.8, key risk factors set out in Section 5 and the other information contained in this Prospectus.

Revenue

Revenue is generated by Viva Leisure through the provision of memberships and member services through its health club businesses. Key drivers of revenue include:

- (a) the number of health clubs in operation including existing sites and rollout of greenfield sites and acquisitions;
- (b) the number of paying members. For mature health clubs, revenue is generally stable with incremental member growth year on year and membership fee increases. For newer health clubs, membership growth is rapid in the first year, reverting to more normal growth beyond that; and
- (c) revenue is generally stable, aside from the Canberra winter periods when swim school attendance slows and the December–January period when revenue is seasonally lower due to summer holidays.

Expenses

Expenses are split between:

- (a) rental expense: Includes rent for the group's leasehold premises. These leases generally are for a four to five year duration and include further option terms. The application of AASB 16 for financial years commencing on or after 1 January 2019 will have the impact of the removal of operating rental expenses and addition of lease interest expense and right of use amortisation expense;
- (b) employee benefits expense: Includes salaries paid to staff plus other employment related costs; and
- (c) other expenses: Includes marketing, utilities, general and administration expenses.

Depreciation and amortisation

Assets are depreciated or amortised over their useful life, typically between three to ten years, with the exception of trademarks which are currently amortised over 20 years. The main categories of assets and related depreciation rates/useful lives are disclosed in Appendix A.

4.6.2 Comparison of Historical Income Statements: FY2017–FY2018

The table below sets out the summary comparison of Historical Income Statements between FY2017 and FY2018.

Table 8: Comparison of Historical Income Statements: FY2017–FY2018

PRO FORMA HISTORICAL AND FORECAST INCOME STATEMENTS	FY2017 ACTUAL (\$'000)	FY2018 ACTUAL (\$'000)	% CHANGE (YOY)	HY2019 ACTUAL (\$'000)
Revenue	20,748	24,127	16%	15,052
Rental expense	(4,360)	(4,908)	13%	(3,150)
Employee benefits expense	(8,137)	(8,337)	2%	(5,167)
Incremental costs as a public company	(1,032)	(1,032)	–	(516)
Other expenses	(4,967)	(5,674)	14%	(3,615)
Total expenses	(18,496)	(19,951)	8%	(12,448)
Albury/Wodonga acquisition	993	846	–	437
EBITDA	3,245	5,022	85%	3,040
EBITDA Margin	16%	21%	–	20%

4.6.2.1 Revenue

Revenue increased from \$20.7 million in FY2017 to \$24.1 million in FY2018 representing a 16% year-on-year increase.

This growth was driven by:

- (a) increase in member numbers from 29,124 at 1 July 2017 to 35,631 at 30 June 2018 (22% growth); and
- (b) new health club openings in Kippax and Coombs, Australian Capital Territory and Goulburn, New South Wales.

4.6.2.2 Rental expense

Rental expense increased from \$4.4 million in FY2017 to \$4.9 million in FY2018 representing a 13% year-on-year increase.

This growth was driven by:

- (a) general increases from existing lease arrangements;
- (b) new premises rental leases in Kippax and Coombs, Australian Capital Territory and Goulburn, New South Wales; and
- (c) expansion of Braddon club floor space.

4.6.2.3 Employee benefits expense

Employee benefits expense increased from \$8.1 million in FY2017 to \$8.3 million in FY2018 representing a 2% year-on-year increase.

This growth was driven by:

- (a) Award increases (where applicable) and CPI wage increases for all staff;
- (b) employment of CFO and Group General Counsel;
- (c) new premises opening in Kippax and Coombs, Australian Capital Territory and Goulburn, New South Wales;
- (d) overall head count remained flat; and
- (e) FY18 was impacted by a reversal of a provision for payroll tax of \$0.3 million. Excluding this, growth in FY18 is approximately 6.2%.

4.6.2.4 Incremental costs

Incremental costs as a public company represents management's estimate of the incremental costs of operating as a public company, inclusive of Directors' fees, production of annual reports and holding an annual general meeting, annual ASX listing, registry fees and other costs. Although these costs will be recurring after listing, they have been adjusted in the pro forma tables to allow a comparison to historical results from ordinary operations.

4.6.2.5 Other expenses

In FY2018 growth in other expenses was 14% to \$5.7 million. This growth was driven by new club openings in Kippax and Coombs, Australian Capital Territory and Goulburn, New South Wales, which led to increases in marketing, administration and utility costs.

4.7 MANAGEMENT DISCUSSION AND ANALYSIS OF THE FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on various general and specific assumptions concerning future events, including those set out below. The assumptions below are set out in summary only and do not represent all factors that may affect Viva Leisure's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring but is not intended to be a representation that the assumptions will occur. In preparing the Forecast Financial Information, Viva Leisure has undertaken an analysis of historical performance and applied assumptions in order to forecast future performance for FY2019 and FY2020. Viva Leisure believes that the assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus, including each of the general and specific assumptions set out in Sections 4.7.1 and 4.7.2 respectively.

The assumptions upon which the Forecast Financial Information is based are, by their nature, subject to significant uncertainties and contingencies, many of which are outside the control of Viva Leisure, the Directors and Management, and are not reliably predictable.

Accordingly, no assurance is given that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material positive or negative impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.8, the risk factors set out in Section 5 and the Investigating Accountant's Report on the forecast financial information set out in Section 8.

4. Financial Information

4.7.1 General assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- (a) there is no material change in the competitive and operating environments in which Viva Leisure operates;
- (b) there is no significant change in the global or local economic conditions relevant to Viva Leisure;
- (c) there is no material change in or loss of key management personnel, and Viva Leisure will maintain the ability to recruit and retain required personnel;
- (d) there is no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of Viva Leisure;
- (e) there are no significant changes in government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy nor in the regulatory environment in which Viva Leisure, its clients or suppliers operate, that will have a material impact on Viva Leisure's financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure;
- (f) there is no material change in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act, which have a material effect on Viva Leisure's financial performance, financial position, accounting policies, financial reporting or disclosures;
- (g) there are no material business acquisitions or disposals;
- (h) there is no material cash flow or income statement or financial position impact in relation to litigation (existing or otherwise);
- (i) there is no change in Viva Leisure's capital structure other than as set out in, or contemplated by, this Prospectus. The expected changes flowing directly from the Offer as set out in or contemplated by this Prospectus are presented within the pro forma adjustments included in this Section 4 of this Prospectus;
- (j) there is no material amendment to any agreement or arrangement related to Viva Leisure's business, other than as set out in, or contemplated by, this Prospectus;
- (k) none of the risks listed in Section 5 have a material adverse impact on the business and operational performance of Viva Leisure; and
- (l) the Offer proceeds to Completion in accordance with the timetable set out in Key Dates in Section 1 of this Prospectus.

4.7.2 Specific assumptions

The specific assumptions that have been used in the preparation of the Forecast Financial Information are set out below:

4.7.2.1 Number of locations

At 30 June 2018, Viva Leisure operated 21 health clubs, including a swim centre across the Australian Capital Territory and New South Wales.

In September 2018, Viva Leisure completed the acquisition of a further three health clubs, one in the Australian Capital Territory and two in New South Wales. The combined results of these acquisitions included in FY2019 forecast financial information are revenue of \$2.9 million, EBITDA of \$1.3 million and NPAT of \$0.7 million for the nine months they will be owned in FY2019. For FY2020 the results included are approximately \$4.0 million in revenue, \$1.9 million in EBITDA and NPAT of \$1.0 million.

Viva Leisure also recently completed the acquisition of a health club in Goulburn, NSW to provide some additional space and facilities for the existing member base. The club is expected to contribute approximately \$0.1 million in revenues in FY2019 and nil EBITDA and \$0.5 million in annual revenues and \$0.1 million in EBITDA in FY2020.

Viva Leisure also expects to complete the acquisition of Fitness 24/7 comprising three clubs in June 2019. The results included in the FY2019 forecast financial information is revenue of \$0.2 million, EBITDA of \$0.08 million and NPAT of \$0.04 million for one month under Viva Leisure ownership. For FY2020 the results included are approximately \$3.0 million in revenue, \$1.4 million in EBITDA and NPAT of \$0.7 million. These amounts are based on the historical financial performance for FY2018, normalised for non-arm's length transactions of the previous owners and applying estimated synergies.

If the results of all of the acquisitions were included for the full financial year in FY2019, management estimates that an additional \$3.2 million revenue, \$1.2 million EBITDA and \$0.6 million NPAT would be applied to the FY2019 forecast results. The results of the acquisitions for the FY2018 full year are \$5.9 million revenue, \$1.9 million EBITDA and \$1.0 million NPAT.

In FY2019 and FY2020, Viva Leisure expects to open a total of 20 greenfield sites across ACT and New South Wales. In ACT, the new sites will open in Kambah (opened in August 2018), Denman Prospect, Conder, Australian National University (Club Lime and aquatic opened in February 2019), Campbell (Club Lime plus hiit Republic), Erindale (Club Lime plus hiit Republic), two new Tuggeranong sites comprising a Club Lime, a hiit Republic, a Psyche Life Studio and a Studio Lime fitness studio, a new Gungahlin site as well as hiit Republics in Braddon and Kingston in the Australian Capital Territory. In New South Wales new sites will open in Googong (opened in February 2019), Queanbeyan (Club Lime plus hiit Republic) and Pyrmont, which will bring the total number of locations to 48 facilities. This has been reflected in the FY2019 and FY2020 forecasts. The combined results of these additions included in FY2019 forecast financial information are revenue of \$1.7 million and EBITDA of \$0.1 million for the period from opening of each location to 30 June 2019. The combined results of these additions included in the FY2020 forecast financial information are \$10.0 million in revenue and \$2.4 million in EBITDA.

No other acquisitions or greenfield site rollouts have been assumed to occur when preparing the FY2019 and FY2020 forecasts.

4.7.2.2 Revenue

The Forecast Financial Information is based on the following key revenue assumptions.

Viva Leisure's predominant source of revenues are membership fees and associated membership services. Membership growth in FY2019 and FY2020 over the preceding financial year is assumed to increase based on:

- (a) experience to date, with particular regard to the number of net new member acquisitions in each health club over the preceding financial year as discussed at Section 4.6.2 (historical growth) and Section 4.7.3 (forecast growth);
- (b) the rollout of a further 17 greenfield sites in FY2019 and FY2020;
- (c) the successful integration of the Fitness 24/7 acquisition (the Elite Physique and Xceler8 acquisitions were integrated in FY19); and
- (d) member churn rates are assumed to remain consistent with current member churn rates which have been derived by reference to the last 12 months available data.

A more detailed analysis is included at Section 4.7.3.

4.7.2.3 Expenses

The Forecast Financial Information is based on the following key expense assumptions:

- (a) employee expense benefits corresponding to the current ongoing staff mix, including any expected staff recruitment (or redundancies) to ensure there is capacity to service forecast revenue growth and the supporting administrative functions;
- (b) occupancy expenses, reflecting full year impact of current and negotiated leases based on lease agreement terms accounted for on a straight line basis, including new premises for greenfield sites. The application of AASB 16 for financial years commencing on or after 1 January 2019 will have the impact of the removal of operating rental expenses and addition of lease interest expense and right of use amortisation expense;
- (c) advertising expenses is based on actual and committed expenditure to December 2018, plus additional expenditure for new club launches and ongoing marketing;
- (d) other indirect expenses are forecast to increase in line with the overall growth of the business (including acquisitions and new club openings) and are based on the current monthly run rate of operating expenses, adjusted for known or planned increases in expenditure together with any cost saving initiatives; and
- (e) incremental operating costs totalling \$0.3 million in FY2019 and \$1.0 million in FY 2020 have been assumed by management to be reflective of an estimate of additional costs required to operate as a publicly listed company. Management's estimate is based on benchmarking similar sized companies.

4.7.2.4 Depreciation, amortisation and capital expenditure

- (a) depreciation and amortisation is based on the current depreciation rates and estimated useful lives applied to property, plant and equipment and intangible assets, adjusted for planned capital expenditure, including maintenance capital expenditure and new site rollouts. The main categories of assets and related depreciation rates/useful lives are disclosed in Appendix A. The application of AASB 16 for financial years commencing on or after 1 January 2019 will have the impact of adding right of use asset amortisation expense which is forecast to be \$7.6 million in FY2020.
- (b) planned capital expenditure primarily relates to the acquisition of new businesses, the fit-out of new health clubs or planned maintenance or replacement.

4.7.2.5 Interest

The pro forma interest expense is based on the following key assumptions:

- (a) assumed debt pay down of \$3.4 million following Completion of the Offer. Therefore, it is estimated that there will be interest expense savings of approximately \$0.26 million in FY2020;
- (b) the application of AASB 16 for financial years commencing on or after 1 January 2019 will have the impact of adding lease interest expense on the outstanding operating lease liabilities which is forecast to be \$6.0 million in FY2020; and
- (c) interest rates for new equipment for new sites under lease finance remains at rates consistent with FY2018, and that the level of finance required remains consistent with predicted levels.

4.7.2.6 Taxation

The Forecast Financial Information has been assumed on the basis that the Australian corporate tax rate will be 27.5% in the forecast periods.

4.7.3 FY2019 and FY2020 compared to FY2018: Income Statement

The table below sets out the summary Historical Forecast Income Statement for FY2018 compared to the Pro Forma Income Statements for FY2019 and FY2020.

4. Financial Information

Table 9: FY2018 Historical Income Statements Compared to FY2019 and FY2020 Pro Forma Income Statements

PRO FORMA HISTORICAL AND FORECAST INCOME STATEMENTS	FY2018 ACTUAL (\$'000)	FY2019 ACTUAL (\$'000)	FY2019 PRO FORMA FORECAST (\$'000)	% CHANGE (YOY)	FY2020 PRO FORMA FORECAST ¹ (\$'000)	% CHANGE (YOY)	FY2020 PRO FORMA FORECAST ² (\$'000)	% CHANGE (YOY)
Revenue	24,127	15,052	32,910	36%	46,827	94%	46,827	94%
Rental expense	(4,908)	(3,150)	(6,631)	35%	(9,782)	99%	-	-
Employee benefits expense	(8,337)	(5,167)	(11,136)	34%	(15,697)	88%	(15,697)	88%
Incremental costs as a public company	(1,032)	(516)	(718)	-	-	-	-	-
Other expenses	(5,674)	(3,615)	(7,253)	28%	(9,967)	76%	(9,967)	76%
Total expenses	(19,951)	(12,448)	(25,738)	29%	(35,446)	78%	(25,664)	29%
Albury/Wodonga Acquisition	846	437	850	-	-	-	-	-
EBITDA	5,022	3,040	8,022	60%	11,381	42%	21,163	164%
EBITDA Margin	21%	20%	24%	-	24%	-	45%	-

1 The FY2020 forecast in this column excludes the impact of applying AASB16. The financial results are directly comparable to the Historical Income Statements and the FY2019 Pro Forma Forecast Income Statement.

2 The FY2020 forecast in this column includes the impact of AASB 16. The adjustments include removal of operating rental expenses of approximately \$9.8 million (and addition of lease interest expense of approximately \$6.0 million and right of use amortisation expense of approximately \$7.6 million below the EBITDA line. This creates an overall adjustment to NPBT of approximately (\$3.8 million)).

4.7.3.1 Revenue

Revenue increases from \$24.1 million in FY2018 to \$32.9 million in FY2019 representing a 36% year-on-year increase. In FY2020 revenue is forecast at \$47.0 million representing a year on year increase of 43%. This growth is predominantly driven by:

- In FY2019: There was a significant increase in member numbers. At 30 June 2018, the Group had in excess of 35,000 members and expects this to grow to over 53,000 during FY2019, with existing health club growth (largely driven by the full year impact of health clubs that were opened during that year), rollout of greenfield sites and the acquisitions.
- In FY2020: The full year impact of the acquisitions, and maturation of the greenfield rollout sites is expected to grow the member base to nearly 65,000.

The revenue contributions are as follows:

- contribution of health clubs that were operating at FY2018 (including three health clubs that opened during FY2018) is \$4.2 million or 48.1% of the growth in FY2019 and \$1.65 million or 12% of the growth between FY2019 and FY2020. This is derived from 10% in net member number growth from the existing member base at 30 June 2018 for FY2019 and a further 4% growth from FY2019 to FY2020;
- contribution of acquisitions represents \$3.1 million or 35% of the growth in FY2019 and a further \$4.0 million or 28% of the growth from FY2019 to FY2020. This is derived from total members acquired of approximately 7,350 as at the respective dates of acquisition plus growth to 30 June 2020; and
- contribution of new site rollouts represents \$1.5 million or 17% of the growth in FY2019 and \$8.5 million or 60% of the growth from FY2019 to FY2020. This is derived from total estimated member growth of over 6,200 in FY2019 and 9,200 from FY2019 to FY2020.

4.7.3.2 Rental expense

The Company's total rental expense is forecast to increase from \$4.9 million in FY2018 to \$6.6 million in FY2019, representing a year-on-year increase of 35%. In FY2020 rental expense is forecast to increase by 48% to \$9.8 million (however under AASB 16 rental expense will not be shown in the Income Statements from FY2020 onwards). This is due to:

- increase in expense from health clubs that were operating in FY2018 (including three health clubs that opened during FY2018) is \$0.4 million or 23% of the growth in FY2019. This is based on terms within the property rental agreements and includes the full year impact of the health clubs that opened during FY2018. In FY2020 these clubs will contribute 9% of the growth or \$0.27 million year-on-year;
- increase in expense from acquisitions represents \$0.7 million or 39% of the growth in FY2019 and 13% of the growth or \$0.42 million in FY2020 year-on-year; and
- increase in expense from new site rollouts represents \$0.7 million or 38% of the growth in FY2019 and 77% or \$2.4 million of the growth in FY2020 year-on-year.

4.7.3.3 Employee benefits expense

The Company's total employee benefits expense is forecast to increase from \$8.3 million in FY2018 to \$11.1 million in FY2019 representing a 34% year-on-year increase for FY2019 and \$4.6 million or 41% year-on-year growth in FY2020. This is due to:

- (a) an increase in employee expenses of health clubs that were operating at FY2018 (including three health clubs that opened during FY2018) as well as head office expense of \$1.4 million or 51% of the growth in FY2019 and \$1.0 million or 23% of the growth in FY2020 year-on-year;
- (b) employee expenses of the acquisitions of \$0.7 million or 24% of the growth in FY2019 and \$1.1 million or 25% of the growth in FY2020 year-on-year; and
- (c) employee expenses of new site rollouts of \$0.7 million or 25% of the growth in FY2019 and \$2.4 million or 53% of the growth in FY2020 year-on-year.

4.7.3.4 Incremental costs

Incremental costs as a public company represents management's estimate of the incremental costs of operating as a public company, inclusive of Directors' fees, production of annual reports and holding an annual general meeting, annual ASX listing, registry fees and other costs.

Although these costs will be recurring after listing, they have been adjusted in the pro forma tables to allow a comparison to historical results from ordinary operations.

4.7.3.5 Other expenses

The Company's total other expenses are forecast to increase from \$5.7 million in FY2018 to \$6.7 million in FY2019 representing a 18.0% year-on-year increase and to \$8.8 million in FY2020 representing a 31% year-on-year increase. These predominantly relate to the additional costs relating to the acquisitions and the rollout of the greenfield sites.

4.8 SENSITIVITY ANALYSIS

The Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Viva Leisure, the members of its Board, and based upon assumptions with respect to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the amounts forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out in Table 10 is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive, and it is likely that Viva Leisure would respond to any adverse change in one variable by seeking to minimise the net effect on the Company's Operating EBITDA.

Table 10: Pro Forma FY2019 and FY2020 Sensitivities (Impact on EBITDA)

ASSUMPTION	VARIANCE	FY2019F EBITDA IMPACT	FY2020F EBITDA IMPACT
Revenue	+/- 5%	+/- \$1.65 million	+/- \$2.35 million
Employee benefits expense	+/- 5%	+/- \$0.56 million	+/- \$0.78 million
Other expenses	+/- 5%	+/- \$0.36 million	+/- \$0.50 million

4.9 DIVIDEND POLICY

The Board has adopted a dividend policy to distribute to its shareholders funds surplus to the operating needs of the Company as determined by the Directors, with a target dividend payout ratio in respect of each financial year of between 40% and 60% of NPAT with dividends expected to commence in FY2021.

The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, operating results, cash flows, the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), legal or regulatory restrictions on the payment of dividends by the Company and any other factors the Board may consider.

No assurances can be given by any person, including the Directors of the Board, about the payment of any dividend and the level of franking on any such dividend.



5.

Risks

5. Risks

5.1 GENERAL

There are a number of risks, both specific to the Company and of a general nature, which may either individually, or collectively, adversely affect in a material way the future business, operations and financial performance of the Company and the value of the Shares. While the Company seeks to manage risks to prevent adverse outcomes, many of these risks are outside the control of the Company, the Directors and management.

This Section 5 describes some of the key risks associated with an investment in the Shares. These risks have been separated into:

- risks associated with the Company's business and the industry in which it operates; and
- risks associated with an investment in Shares in the Company.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. This assessment is based on the knowledge of Directors as at the Prospectus Date. There is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

Prospective investors should note that this is not an exhaustive list of the risks associated with an investment in the Company. This Section 5 should also be read in conjunction with other information disclosed in this Prospectus. Investors should have regard to their own investment objectives, financial situation or particular needs, and should consider seeking professional guidance from their stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest.

5.2 RISKS SPECIFIC TO AN INVESTMENT IN THE COMPANY

5.2.1 Reliance on membership

The Company's ability to attract and retain members is crucial to the profitability of the Company. A deterioration in the number of members of the Company could adversely affect the Company's business, results of operation or financial condition and performance. There are many factors which could affect Viva Leisure's membership levels, including:

- increased competition within the fitness industry;
- specific issues arising at any of Viva Leisure's health clubs which adversely impact the reputation or the perception of Viva Leisure; or
- a deterioration in general economic conditions.

5.2.2 Changes to the regulatory framework

The Company is currently required to comply with The Fair Trading (Fitness Industry) Code of Practice 2009 (**ACT Fitness Code**). The ACT Fitness Code is a mandatory code of practice for fitness centres and fitness industry professionals in the Australian Capital Territory. The National Fitness Industry Code of Practice (**National Fitness Code**) was released by Fitness Australia on 15 November 2018. The National Fitness Code takes six previous State and Territory codes of practice, the Fitness Australia Business Principles guide, current Australian consumer law and extensive industry consultation to form a consolidated new standard of business operation in the Australian Fitness Industry. Where there is any conflict or inconsistency between the National Fitness Code and any Commonwealth, State or Territory legislation or regulation, that legislation or regulation will prevail to the extent of that inconsistency or conflict. In this context, the Company will continue to comply with the relevant Commonwealth, State or Territory legislation or regulation.

There is a risk that regulatory restrictions may become more burdensome in the future. If this occurs, Viva Leisure may be required to dedicate more time and resources to ensuring that it complies with these regulations, which could adversely affect its financial performance and future prospects. For instance, these adverse changes may include changes to accreditation standards, changes to the requirements for operating unstaffed health clubs and changes to the terms and conditions which apply to membership agreements.

Failures by Viva Leisure to comply with industry codes may result in compliance orders being issued against the Company and reputational damage.

5.2.3 Reputational damages

The Company's reputation could be adversely impacted if it suffers from any adverse publicity. Examples of adverse publicity include health and safety issues or incidents affecting members, poor maintenance of equipment, potential breaches of the Australian Consumer Law, poor service to members and employment related disputes. Adverse publicity may result in members cancelling their Viva Leisure health club memberships and moving to other fitness industry competitors, reducing Viva Leisure's ability to attract new members or having an adverse effect on the Company's ability to engage quality fitness trainers. Each of these circumstances could adversely impact Viva Leisure's financial performance and future prospects.

5. Risks

5.2.4 Increased competition

The Company operates in a sector with established competitors, including a number of other fitness club providers with a large number of facilities across multiple jurisdictions in Australia. Viva Leisure may face increased competition from these established competitors and from new entrants in the fitness industry, through:

- (a) competitors undertaking aggressive expansions, marketing campaigns and discounting strategies;
- (b) consolidation of existing competitors;
- (c) existing competitors upgrading facilities; or
- (d) competitors providing its members with novel services, benefits or technology.

An increase in competition could result in, among other things, the Company experiencing a decline in its ability to attract and retain members, revenue reductions, reduced operating margins and loss of market share.

The Company may also face competition for suitable acquisition opportunities which may reduce the pool of acquisition opportunities available to Viva Leisure or increase vendor price expectation.

The actions of existing and new competitors could, among other things, affect the establishment and growth of Viva Leisure experiencing lower than anticipated revenue and earnings.

5.2.5 Technology failures or interruptions

Viva Leisure relies on certain software and hardware to assist and support the operation of its facilities. The IT systems which support the Company are integral to the operating model of the Company.

Any significant interruption to the Company's use of software or hardware could adversely impact the Company's business, operating results and financial performance.

The Company will also need to ensure that it has appropriate security measures and risk management systems in place to maintain the confidentiality and privacy of members, employees and personal information. There is a risk that if such measures and systems are not adequate, then data (including sensitive information) may be compromised which could cause financial and reputational damage or penalties if regulatory action is taken against the Company.

5.2.6 Renewal of lease agreements

Viva Leisure operates its facilities from leased premises. Each of its leases relating to its various facilities have different legal terms including expiry dates and renewal options. There is a risk that one or more of the leases may not be renewed on terms acceptable to the Company. If this were to occur, the Company may be required to cease operating from the relevant premises. Accordingly, the Company may be unable to locate or secure a lease in relation to appropriate alternate premises. Alternatively, Viva Leisure may be required to allocate significant costs to relocate a facility to new premises. The loss of leased premises could adversely affect the Company's financial performance.

5.2.7 Loss of key management personnel

The successful operation of the Company in part relies on Viva Leisure's ability to retain experienced and high performing key management personnel. The loss of any key members of management or operating personnel, or the inability of Viva Leisure to attract additional skilled individuals to key management roles, may adversely affect Viva Leisure's ability to develop and implement its business strategies.

5.2.8 Future acquisitions and integrations

Viva Leisure may seek to acquire additional health clubs in order to achieve its growth and expansion objectives. Although the Company undertakes due diligence investigations in relation to each potential acquisition and seeks to ensure certain standard warranty and indemnity protections are contained in the relevant sale and purchase agreements, there is a risk that those due diligence investigations will not identify issues which are material to the acquisition. In this regard, the Company may suffer loss or damage flowing from historical events relating to the acquisition of a health club which are not recoverable under the terms of the relevant sale and purchase agreement.

In addition, there is also a risk that the expected benefit of an acquisition will not be realised due to an inability to successfully integrate the acquired health club. In particular, potential issues may arise from the inability to maintain uniform standards, controls, procedures and policies. These types of integration risks may detract from the expected benefits contemplated by the Company and affect the financial performance and growth of the Company or damage the reputation and branding of Viva Leisure.

5.2.9 Litigation

Operators within the fitness industry are exposed to the risk of litigation, personal injury claims and investigations by regulatory authorities.

These types of claims may arise from the following circumstances:

- (a) inadequate training or competency of fitness trainers engaged by the Company;
- (b) poor supervision of members and the incorrect or improper use of equipment;
- (c) faulty equipment or inadequate maintenance of equipment; or
- (d) hazards within facilities (i.e. wet surfaces, tripping hazards or loose equipment).

While the Company considers that it has appropriate policies, practices and procedures to minimise the risk of potential claims and holds appropriate insurance cover, there can be no assurance that a claim made against the Company would be covered by insurances or that any litigation would not have an adverse impact against Viva Leisure. Further, if the Company is required to claim under its insurance policies, it may be subject to increased insurance premiums. This could also have an adverse impact on the Company's financial performance and future prospects.

In addition to the costs associated with litigation and claims, Viva Leisure may suffer reputational damage which may reduce Viva Leisure's ability to attract new members or retain existing members.

5.2.10 Concentration of revenue

The revenue of the Company generated by CISAC during FY2018 was approximately 47.7% of total revenue and the Company forecasts that revenue generated by CISAC for the FY2019 will be approximately 39.8% of total revenue and for FY2020 will be approximately 27.3% of total revenue. In this regard, the revenue generated by CISAC leads to a high concentration of the Company's revenue at one location. If there is any significant interruption to, temporary or permanent closure of, or catastrophic event occurring at CISAC, then it is likely to have a material adverse effect on the financial performance of the Company. However, on the CISAC site, Viva Leisure operates three facilities, being two health clubs and an aquatic centre. Therefore, if an interruption, closure or event occurred at one of the health clubs or the aquatic centre, the interruption, closure or event would not necessarily have any impact on operations of the other facilities.

5.3 GENERAL RISKS OF AN INVESTMENT IN THE SHARES OF THE COMPANY

5.3.1 Price of Shares

Once the Company becomes a publicly listed company on ASX, it will become subject to general market risk that is inherent in all securities listed on a securities exchange. This may result in fluctuations in its Share price that are not explained by its fundamental operations and activities.

The price at which the Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at a price below the Offer Price. There is no assurance that the price of the Shares will increase following quotation on ASX, even if the Company's earnings increase.

Some of the factors which may adversely affect the price of the Shares include fluctuations in the domestic and international market for listed securities, general economic conditions, including interest rates, inflation rates, exchange rates, consumer sentiment, commodity and oil prices, changes to government fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which the Company operates and general operating and business risks.

5.3.2 Trading and liquidity in Shares and Escrowed Shareholders' interests

There can be no guarantee that an active market for the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also impact the prevailing market price at which Shareholders are able to sell their Shares.

Following Listing, it is expected that the Escrowed Shareholders will hold up to 56.1% of the Shares in escrow, which may also impact liquidity. The absence of any sale of Shares by the Escrowed Shareholders during the applicable periods during which those Shares are escrowed, may cause, or at least contribute to, limited liquidity in the market for Shares. This could impact the prevailing market price at which Shareholders are able to sell their Shares.

Following release from escrow, the Escrowed Shareholders will be able to freely trade their Shares on ASX in accordance with Viva Leisure's Securities Trading Policy. A significant sale by the Escrowed Shareholders, or the perception that sales have occurred or might occur, could adversely impact the price of the Shares.

5. Risks

5.3.3 Shareholder dilution

The Company may issue further Shares or other securities.

The Company cannot predict the size of future issues or the impact, if any, that future issues of securities will have on the market price of the Shares.

Issues of substantial numbers of Shares, or the perception that issue or sales of substantial numbers of Shares could occur, may adversely impact prevailing market prices of the Shares.

While the Company will be subject to the constraints of the Listing Rules relating to the issue of Shares or other Securities, with any additional issue of Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per Share.

5.3.4 Changes in tax law

The tax treatment of a Shareholder's investment may be impacted by legislative changes in tax law or the interpretation of tax laws (including goods and services taxes, rules relating to deductible liabilities and stamp duty taxes).

Any changes to the current rate of Company income tax may impact Shareholder returns, and any change in tax rules and tax arrangements could have an adverse impact on the level of dividend franking and Shareholder returns.

Each Applicant and Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

5.3.5 Dividends may not be fully franked

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company. Shareholders should otherwise be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.3.6 Accounting standards

Australian Accounting Standards are issued by the AASB and are not within the control of the Company or the Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse impact on the reported financial performance and position of the Company.

5.3.7 General economic and financial market conditions

General economic conditions (both domestically and internationally) may adversely impact the price of Shares as well as the Company's ability to pay dividends. This includes an increase in unemployment rates, negative consumer and business sentiment and an increase in interest rates, amongst other factors. As a result, the Company is unable to forecast the market price of the Shares, and they may trade on ASX below the Offer Price.

5.3.8 Interest rate fluctuations

Although the Company does not currently have any external borrowings (other than in relation to equipment leases, credit card facilities, bank guarantees and the KGFUND Loan which is to be repaid using proceeds of the Offer) if the Company did have external borrowings in the future, changes in interest rates will impact borrowings which bear interest at floating rates. An increase in interest rates would impact the Company's cost of servicing these borrowings, which may adversely impact its financial position.

5.3.9 Litigation risk

The Company is not currently involved in any litigation and is not aware of any facts or circumstances that may give rise to any material litigation. However, given the scope of the Company's activities and the wide range of parties with which it is likely to deal, the Company may be exposed to potential litigation from third parties such as clients, regulators, employees and business associates.

5.3.10 Force majeure events

Events may occur within or outside the markets in which the Company operates that could impact upon the global or regional economies, the operations of the Company and/or the price of the Shares. The events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or manmade events or occurrences that can have an adverse impact on the demand for the Company's products or its ability to conduct business.



6.

Key People, Interests and Benefits

6. Key People, Interests and Benefits

6.1 BOARD OF DIRECTORS

The Directors of the Company bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance.

Board of Directors – Experience and background



Harry Konstantinou
CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR

Harry is a co-founder of Viva Leisure and has been driving the business since it commenced operating its first health club on 12 January 2004, initially as the Managing Director of The Club Group Pty Ltd.

Harry is passionate about the fitness industry and

considers innovation and information technology as key to the success of Viva Leisure, after starting his first business at age 15 while still at school.

Harry has over 25 years of experience developing, managing and selling technology services business.

Prior to establishing Viva Leisure, Harry was a founding partner of a number of technology providers, including Dynamite Internet, Velocity Internet, eSolve IT and Technology Warehouse Australia.

Harry was awarded the 1998 Telstra Entrepreneur Award for the Australian Capital Territory at age 23 for Dynamite Internet. He holds a Bachelor of Arts in Office Management from the University of Canberra.



Bruce Glanville
INDEPENDENT CHAIR

Bruce joined Viva Leisure's advisory board during 2014 and was formally appointed to the Board as Chair in 2018. He has extensive experience providing board leadership and governance in addition to driving growth strategies to the businesses he has led.

Bruce has held non-executive directorships in a range of listed and unlisted public companies and private companies including, Wingara AG Ltd (formerly Biron Capital Ltd) and previously as chair of SPAR Australia Limited (formerly Australian Retail Logistics Ltd), ACT TAB Ltd, Tiapukai Cultural Park Pty Ltd and Gundagai Meat Processors.

Bruce is a Chartered Accountant and was formerly a partner at Duesburys Rolins and Deloitte.

He is Chair of CA ANZ Advisory Group (Canberra) and was formerly Chair of the Arthritis Association ACT and Manuka Board of Management.

Bruce is currently the sole principal of Rolins Consulting.



Mark McConnell

NON-EXECUTIVE DIRECTOR

Mark joined Viva Leisure's advisory board during July 2017 and was formally appointed to the Board in 2018.

Having moved back to the Canberra region several years ago, Mark has a strong passion to assist high growth Canberra based companies

to strategically expand both nationally and internationally.

Mark has over 20 years of management, executive and non-executive experience in a range of industries, including aviation, technology and investment finance.

Mark's experience and skills include business strategy, investor relations, capital raisings and innovation.

Prior to moving into corporate roles, Mark served as an officer in the Royal Australian Air Force for eight years.

Mark is a Non-Executive Director of ASX listed technology company Citadel Group Limited (ASX:CGL), a Director of Adveritas Limited (ASX:AV1), a board adviser to HOF Capital as well as a co-founder and executive-director of New Harvest Investment Management. For the purpose of balanced disclosure, Mark was a director of certain mining companies which entered into external administration as part of the failed recapitalisation of ASX listed Kagara Limited in 2013/14. The external administration of those entities resulted in secured creditors and employees receiving full payment of their debts, and partial payments to unsecured creditors.

Mark is also Deputy Chair of Cricket ACT and a Committee Member of the Salvation Army Red Shield Appeal.



Susan Forrester AM

INDEPENDENT NON-EXECUTIVE DIRECTOR

Susan was appointed to the Board in 2018. Susan is a highly respected and accomplished professional company Director with a powerful blend of management, board and consulting experience across ASX-listed, public

and private companies. She draws on 25 years of executive management expertise covering law, finance, HR, business and governance, to bring a practical and pragmatic approach to her board contributions. Susan spent her early career as a banking and finance lawyer at Allens Linklaters. In addition to her legal qualifications, Susan has an EMBA from the Melbourne Business School and is a Fellow of the AICD.

Since leaving her commercial CEO role in 2010, Susan has gained a wealth of experience at the board table in complex corporate transactions, including private and public company mergers and acquisitions and overseeing successful capital raisings. For five years from 2010, Susan also led the Strategy and Executive Management Practice at Board Matters, a specialist corporate governance practice.

Susan has particular expertise in the development of strategies and governance of companies undergoing rapid or transformational change.

Susan is currently the Chair and Non-Executive Director of National Veterinary Care Ltd (ASX:NVL) and a Non-Executive Director of G8 Education Limited (ASX:GEM), Over the Wire Holdings Limited (ASX:OTW) and Xenith IP Group Limited (ASX:XIP). She chairs, and is a member of, various ASX-listed audit, risk management and remuneration committees.

6. Key People, Interests and Benefits

6.2 SENIOR EXECUTIVES

Profiles of the Company's senior executive team are set out below.

Further information on the terms of employment of certain members of the senior executive team, including the CEO, are set out in Section 6.3.

Senior executives – Experience and background



Harry Konstantinou

CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR

Harry is a co-founder of Viva Leisure and has been driving the business since it commenced operating its first health club on 12 January 2004, initially as the Managing Director of The Club Group Pty Ltd.

Harry is passionate about the fitness industry and

considers innovation and information technology as key to the success of Viva Leisure, after starting his first business at age 15 while still at school.

Harry has over 25 years of experience developing, managing and selling technology services business.

Prior to establishing Viva Leisure, Harry was a founding partner of a number of technology providers, including Dynamite Internet, Velocity Internet, eSolve IT and Technology Warehouse Australia.

Harry was awarded the 1998 Telstra Entrepreneur Award for the Australian Capital Territory at age 23 for Dynamite Internet. He holds a Bachelor of Arts in Office Management from the University of Canberra.



Kym Gallagher

CHIEF FINANCIAL OFFICER
AND COMPANY SECRETARY

Kym is a qualified Chartered Accountant who joined Viva as acting CFO in 2014 and was permanently appointed to the role in 2017.

Kym has had considerable experience as the CFO of numerous ASX listed companies.

Kym commenced his career at RG Capital Radio (ASX:REG) and was appointed as its CFO for the company's initial public offering of \$50 million and subsequent listing on the ASX.

RG Capital Radio was acquired and privatised in 2004 by Macquarie Group Limited, who simultaneously acquired DMG Regional Radio, to become the largest regional radio group in Australia, and Kym was appointed as CFO of the combined group.

In 2005, Kym was appointed as the Australian Media CFO for Macquarie Media Group's \$940 million IPO and subsequent listing on ASX (ASX:MMG).

MMG acquired Southern Cross Broadcasters (ASX:SCB) in 2007 for \$1.35 billion and concurrently sold its metropolitan radio assets to Fairfax Media. Kym was heavily involved in the due diligence, financial modelling and post-acquisition integration and retained as the group's Australian Media Asset CFO.

In 2010, the group (then renamed Southern Cross Media Group ASX: SXL), acquired Austereo Limited for \$725 million and post acquisition Kym was appointed as General Manager of Corporate Integration to oversee the synergy extraction and change management.



Sean Hodges

CHIEF OPERATIONS OFFICER

Sean joined Viva Leisure in 2013 in the role of Group Operations Manager. Since 2016, Sean has held the position of Chief Operating Officer.

Prior to joining Viva Leisure, Sean was the CEO of Royal Life Saving Society Australia (ACT Branch)

(RLSSA) for seven years and has previously held senior facility management positions within the health and fitness sector, including with Belgravia Leisure, LeisureCo and Australian Sports Commission.

In addition, Sean is a current member and the President of the RLSSA Board. Sean is also on the National Aquatic Industry Services Committee (NAAISC). The NAAISC is responsible for setting the standards for aquatic development and safety across Australia.



Angelo Konstantinou

CHIEF TECHNOLOGY OFFICER

Angelo is a co-founder of Viva Leisure and is the architect and designer of the front and back of house information technology systems used by Viva Leisure.

As Chief Technology Officer, Angelo is responsible for the

management of all of the information technology systems operated and used by Viva Leisure.

Angelo has extensive experience within the information technology sector, including starting his career in 1997 as a systems administrator for Dynamite Internet, and subsequent roles within the internet service provider business. He is a competent programmer in multiple computer programming languages and leads his team with a hands-on approach.

Angelo is also a board member of the Hellenic Club of Canberra and Capital Football.

6. Key People, Interests and Benefits

6.3 INTEREST AND BENEFITS

This Section 6.3 sets out the nature and extent of the interest and fees of certain persons involved in the Offer.

Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- Lead Manager to the Offer or a financial services licensee named in the Prospectus as a financial services licensee involved in the Offer, holds as at the time of lodgement of the Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
 - the formation or promotion of the Company;
 - property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
 - the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Non-Executive Directors

(a) Non-Executive Director appointment letters

Prior to the Prospectus Date, each Non-Executive Director has entered into appointment letters with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Non-Executive Directors.

(b) Non-Executive Directors' remuneration

Under the Constitution, the Board determines the total amount paid to each Non-Executive Director as remuneration for their services as a Director.

The total amount of fees paid to all Directors (excluding the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting.

The maximum aggregate amount of Directors' fees approved by the Company in a general meeting as at the Prospectus Date is \$500,000. Annual Non-Executive Directors' fees currently agreed to be paid by the Company are \$270,000 of which \$120,000 is paid to the Chair and \$60,000 is paid to each other Non-Executive Director. \$15,000 is also paid to each member of the Audit and Risk Committee.

All Directors are entitled to participate in the Company's incentive plan(s). However, at this stage, it is not expected that the Non-Executive Directors will participate in those incentive plan(s).

(c) Directors' interests in Securities

Directors are not required under the Constitution to hold any Shares in the Company. However, the Directors (and their associates) are entitled to apply for Shares under the Offer.

The number of Shares and options held by Directors on Completion, either directly or through companies or trusts, are set out below:

DIRECTORS	SHARES HELD ON COMPLETION ¹	OPTIONS HELD ON COMPLETION ²
Harry Konstantinou	23,230,502	170,000 options issued under the LTI plan 1,000,000 Tranche 1 Options 1,000,000 Tranche 2 Options
Mark McConnell	4,543,296	nil
Bruce Glanville ³	300,000	200,000 Tranche 1 Options
Susan Forrester AM	nil	100,000 Tranche 1 Options

NOTES

- 1 The number of shares held above by the Directors are not the same as each Director's Relevant Interest in Shares in the Company. For information on the Relevant Interests of the Directors, please see the tables at Sections 1.6 and 7.1.5.
- 2 The terms of the Tranche 1 Options and Tranche 2 Options are set out in Section 6.3.4 and the terms of the options issued under the LTI plan are set out in Sections 6.3.3(b) and 9.4.
- 3 200,000 of the Shares to be issued to Bruce Glanville will be subject to escrow arrangements until the release of the Company's financial results for FY2020, as detailed in Section 6.4.

(d) Advisory and consultancy fee

The Company has agreed to allot Bruce Glanville a fee of 200,000 shares in Viva Leisure for certain advisory and consultancy services relating to the IPO. This amount is included in the costs of the Offer in the tables set out in Section 7.1.2.

(e) Other

Directors may be reimbursed for travel and other expenses incurred in attending to the Company's affairs.

Directors may also be paid additional remuneration as the Directors decide is appropriate where a Director performs extra services or make special exertions.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

6.3.2 Executive remuneration

Harry Konstantinou

Harry Konstantinou is employed as Chief Executive Officer (**CEO**) and Managing Director of the Group and reports to the Board.

Harry has entered into an employment contract with Viva Leisure People Pty Ltd to govern his employment with the Group from Completion of the Offer.

Harry is entitled to a remuneration package of \$425,000 (plus compulsory superannuation contributions), as payment for his services to the Group. Harry is also entitled to participate in the Company's Short-Term Incentive (**STI**) plan, under which he is eligible to receive a STI cash payment up to a maximum of 25% of his remuneration package, subject to achieving specific targets as against key performance indicators agreed with the Board for that year (as summarised in Section 6.3.3(a)).

Harry is also entitled to participate in the Company's Long-Term Incentive (**LTI**) plan (as summarised in Section 6.3.3(b)). Upon listing on the ASX, the Board has resolved to grant Harry 170,000 options under the terms of the LTI plan.

Harry's employment contract is for an initial term of three years. During that period, either Harry or Viva Leisure People Pty Ltd may terminate Harry's employment by giving six months' notice. The Group may elect to make a payment in lieu of notice or can place Harry on gardening leave for all or part of that notice period. The Group may terminate Harry's employment without notice in circumstances warranting summary dismissal. Not less than six months prior to the end of that initial term, Harry and Viva Leisure People Pty Ltd must seek to negotiate, in good faith, the terms of a new agreement to continue Harry's employment beyond that term.

The employment contract contains express provisions protecting the Group's confidential information and intellectual property.

In addition to the options issued to Harry under the LTI plan, Harry has been issued with 1,000,000 Tranche 1 Options and 1,000,000 Tranche 2 Options, the terms of which are set out in Section 6.3.4.

Upon termination, Harry will be subject to a post-termination restraint of trade for a period of up to 12 months during which time Harry cannot compete with the Group or provide services in any capacity to a competitor of the Group or solicit suppliers, clients or employees of the Group. The enforceability of the restraint of trade clause is subject to all usual legal requirements.

Harry is an Existing Shareholder and currently directly holds 4.8% of Shares in Viva Leisure and also currently has an indirect interest in 66.9% of Shares in Viva Leisure held by SHJA Management Pty Ltd as trustee for a discretionary trust, The Club Group Trust.

On Completion, Harry will hold a Relevant Interest in 44.2% of the Shares as a result of the Offer. SHJA Management Pty Ltd does not have a beneficial interest in those Shares and holds those Shares as trustee for The Group Club Trust. Harry is a Director and shareholder of SHJA Management Pty Ltd.

Harry has entered into a Voluntary Escrow Deed, which restricts the disposal of the Shares he holds from Completion.

Further details in relation to the Voluntary Escrow Deed are contained in Section 6.4.

6. Key People, Interests and Benefits

Kym Gallagher

Kym is employed in the position of Chief Financial Officer (**CFO**) and Company Secretary of the Group.

Kym has entered into an employment contract with Viva Leisure People Pty Ltd to govern his employment with the Group from Completion of the Offer.

Kym is entitled to a base salary of \$275,000 (plus compulsory superannuation contributions), as payment for his services to the Group. Kym is also entitled to participate in the Company's STI plan, under which he is eligible to receive a STI cash payment up to a maximum of 25% of his remuneration package, subject to achieving specific targets as against key performance indicators agreed with the CEO for that year (as summarised in Section 6.3.3(a)).

Kym is also entitled to participate in the Company's LTI plan (as summarised in Section 6.3.3(b)). Upon listing on the ASX, the Board has resolved to grant Kym 75,000 options under the terms of the LTI plan.

Kym's employment contract is for an initial term of three years. During that period, either Kym or Viva Leisure People Pty Ltd may terminate Kym's employment by giving three months' notice. The Group may elect to make a payment in lieu of notice or can place Kym on gardening leave for all or part of that notice period. The Group may terminate Kym's employment without notice in circumstances warranting summary dismissal. Not less than six months prior to the end of that initial term, Kym and Viva Leisure People Pty Ltd must seek to negotiate, in good faith, the terms of a new agreement to continue Kym's employment beyond that term.

The employment contract contains express provisions protecting the Group's confidential information and intellectual property.

Upon termination, Kym will be subject to a post-termination restraint of trade period of up to 12 months during which time Kym cannot compete with the Group or provide services in any capacity to a competitor of the Group or solicit suppliers, clients or employees of the Group. The enforceability of the restraint of trade clause is subject to all usual legal requirements.

In addition to the options issued to Kym under the LTI plan, Kym has been issued with 100,000 Tranche 1 Options, the terms of which are set out in Section 6.3.4.

Angelo Konstantinou

Angelo is employed in the position of Chief Technology Officer (**CTO**) of the Group.

Angelo has entered into an employment contract with Viva Leisure People Pty Ltd to govern his employment with the Group from Completion of the Offer.

Angelo is entitled to a remuneration package of \$200,000 (plus compulsory superannuation contributions), as payment for his services to the Group. Angelo is also entitled to participate in the Company's STI plan, under which he is eligible to receive a STI cash payment up to a maximum of 25% of his remuneration package, subject to achieving specific targets as against key performance indicators agreed with the CEO for that year (as summarised in Section 6.3.3(a)).

Angelo is also entitled to participate in the Company's LTI plan (as summarised in Section 6.3.3(b)). Upon listing, the Board has resolved to grant Angelo 50,000 options under the terms of the LTI plan.

Angelo's employment contract is for an initial term of three years. During that term either Angelo or Viva Leisure People Pty Ltd may terminate Angelo's employment by giving three months' notice. The Group may elect to make a payment in lieu of notice or can place Angelo on gardening leave for all or part of that notice period. The Group may terminate Angelo's employment without notice in circumstances warranting summary dismissal. Not less than six months prior to the end of that initial term, Angelo and Viva Leisure People Pty Ltd must seek to negotiate, in good faith, the terms of a new agreement to continue Angelo's employment beyond that term.

The employment contract contains express provisions protecting the Group's confidential information and intellectual property.

Upon termination, Angelo will be subject to a post-termination restraint of trade period of up to 12 months during which time Angelo cannot compete with the Group or provide services in any capacity to a competitor of the Group or solicit suppliers, clients or employees of the Group. The enforceability of the restraint of trade clause is subject to all usual legal requirements.

In addition to the options issued to Angelo under the LTI plan, Angelo has been issued with 100,000 Tranche 1 Options, the terms of which are set out in Section 6.3.4.

Angelo is an Existing Shareholder and currently directly holds 4.8% of Shares in Viva Leisure and also currently has an indirect interest in 66.9% of Shares in Viva Leisure held by SHJA Management Pty Ltd as trustee for a discretionary trust, The Club Group Trust.

On Completion, Angelo will hold a Relevant Interest in 44.3% of the Shares as a result of the Offer. SHJA Management Pty Ltd does not have a beneficial interest in those Shares and holds those Shares as trustee for a discretionary trust, The Group Club Trust. Angelo is a Director and shareholder of SHJA Management Pty Ltd.

Angelo has entered into a Voluntary Escrow Deed, which restricts the disposal of the Shares he holds from Completion. Further details in relation to the Voluntary Escrow Deed are contained in Section 6.4.

Sean Hodges

Sean is employed in the position of Chief Operations Officer (**COO**) of the Group.

Sean has entered into an employment contract with Viva Leisure People Pty Ltd to govern his employment with the Group from Completion of the Offer.

Sean is entitled to a remuneration package of \$155,000 (plus compulsory superannuation contributions), as payment for his services to the Group.

Sean's employment contract is for an initial term of three years. During that term either Sean or Viva Leisure People Pty Ltd may terminate Sean's employment by giving three months' notice. The Group may elect to make a payment in lieu of notice or can place Sean on gardening leave for all or part of that notice period. The Group may terminate Sean's employment without notice in circumstances warranting summary dismissal. Not less than six months prior to the end of that initial term, Sean and Viva Leisure People Pty Ltd must seek to negotiate, in good faith, the terms of a new agreement to continue Sean's employment beyond that term.

The employment contract contains express provisions protecting the Group's confidential information and intellectual property.

Upon termination, Sean will be subject to a post-termination restraint of trade period of up to 12 months during which time Sean cannot compete with the Group or provide services in any capacity to a competitor of the Group or solicit suppliers, clients or employees of the Group. The enforceability of the restraint of trade clause is subject to all usual legal requirements.

6.3.3 Incentive plans

(a) Short-Term Incentive (STI) arrangements

Each of Harry, Kym and Angelo may be entitled to receive an annual STI payment. The payment of any STI will be subject to the following:

- the achievement of targets as against key performance indicators (**KPIs**) and the budget adopted by the Board for the financial year ending 30 June of each year;
- a clear audit report for that financial year;
- the People and Culture Committee will assess whether those KPIs have been achieved or otherwise and provide a recommendation to the Board;
- where the KPIs are only partially achieved, the Board will, wholly at its sole discretion, determine the basis upon which any STI payment will be calculated in those circumstances; and
- any STI amount is only payable upon finalisation of the financial accounts by the Company.

If an executive ceases employment prior to 31 August or has provided or received notice of termination prior to that date, the Board may, at its sole discretion, determine to pay that executive a pro rata STI payment. Any STI amount will normally be paid to the executive by 31 October. As at the date of the Prospectus, the Board has yet to adopt any KPIs in relation to the STI arrangements.

(b) Long-Term Incentive (LTI) Plan

In connection with the listing of the Company on the ASX, the Company will introduce a new LTI plan. The terms and conditions of the LTI plan are set out in comprehensive plan rules, the details of which are set out in Section 9.4.

Under the LTI plan, Directors, management and other key employees identified by the Board can be offered participation in the form of options (including options with a zero-exercise price) and/or performance rights. Those grants will be designed to assist in the reward, retention and motivation of the Company's management and key employees.

The vesting of those options and/or performance rights will be subject to the satisfaction of appropriate service-based conditions and/or performance hurdles determined by the Board, the details of which are set out in Section 9.4.

In relation to the grants of options to be made to each of Harry, Kym and Angelo on the listing of the Company with the ASX, those grants will be made on the following key terms:

- each option will be issued for nil consideration and has a zero exercise price (otherwise known as a "ZEPO");
- each option represents a right to an ordinary share in the Company, subject to vesting conditions being met;
- each executive must remain employed by Viva Leisure People Pty Ltd (or one of its related entities) for a period of three years from the grant date in order for those options to vest and become exercisable;
- the exercise of the options is also subject to the satisfaction of certain performance hurdles which are determined by the Board, the details of which are set out in Section 9.4;
- once vested those options remain exercisable by an executive for a period up to two years. Any unvested or unexercised options will then automatically lapse;
- in the event that an executive ceases employment, then the treatment of their options will depend on whether they are considered to be a "good leaver" or a "bad leaver" under the LTI plan rules and will be as set out in the LTI plan rules; and
- if a change of control event occurs, those options may be subject to accelerated vesting in accordance with LTI plan rules and subject to the discretion of the Board.

6. Key People, Interests and Benefits

6.3.4 Options issued to Directors and senior executives

Prior to the issue of this Prospectus, the Company issued a number of Tranche 1 Options and Tranche 2 Options to certain Directors and senior executives. The terms and conditions of those options are as follows:

- each option was issued for nil consideration and:
 - in relation to each Tranche 1 Option, has an exercised price equal to an amount that is a 34% premium of the Offer Price; and
 - in relation to each Tranche 2 Option, has an exercised price equal to an amount that is a 43% premium of the Offer Price;
- each option represents a right to an ordinary share in the Company;
- the options do not entitle the option holders to any voting or dividend rights;
- the options are exercisable by the option holders on, and from the grant date;
- the options remain exercisable by an option holder for a period of up to four years from the date of the grant of the option. Any unexercised options will then automatically lapse;
- the option holders must comply with the ASX Listing Rules and the Corporations Act in relation to the conversion of the options and any on sale of Shares issued following the exercise of the options;
- the options are not capable of being transferred, sold or encumbered; and
- the options do not carry participation rights for the issue of new shares.

6.3.5 Director's Protection Deed

The Company has entered into deeds of access, indemnity and insurance with each Director (**Director's Protection Deed**) which confirm and extend the Director's statutory and general law rights of access to Board papers and the books and records of the Company and its Subsidiaries. The Director's Protection Deeds provide that the Director be allowed access to and a copy of records in certain circumstances.

In accordance with the Constitution, the Company must indemnify any current and former Directors and officers of the Company and its Subsidiaries against any liability incurred by that person in that capacity, including legal costs. The Director's Protection Deed also requires the Company to indemnify the Director for liability incurred as an officer of the Company and its Subsidiaries, including reasonably incurred legal costs, to the maximum extent permitted by law.

The Constitution also allows the Company to enter into and pay premiums on contracts insuring any liability incurred by any current and former Directors and officers of the Company and its Subsidiaries, which is incurred by them in that capacity, including legal costs.

Accordingly, the Director's Protection Deed requires the Company to maintain, to the extent permitted by law, an insurance policy which insures Directors and officers against liability as a Director or officer of the Company and its Subsidiaries.

6.4 VOLUNTARY ESCROW DEEDS

Each Director and Senior Executive who hold Existing Shares on Completion of the Offer together with Bruce Glanville in relation to the 200,000 Shares to be issued to him (see Section 6.3.1), and any Shareholder through which a Director or senior executive has a Relevant Interest in those Shares (**Escrowed Shareholders**) have each agreed to enter into a voluntary escrow deed with the Company (**Voluntary Escrow Deed**) under which each of the Escrowed Shareholders will be restricted from dealing with their Existing Shares (and in relation to Bruce Glanville, the 200,000 Shares) from Completion (**Voluntary Escrow Shares**). The Voluntary Escrow Deeds do not prevent the Escrowed Shareholders from exercising their voting entitlements or any rights to receive dividends and distributions or participate in any rights issue or bonus issue.

The Voluntary Escrow Deeds will prevent the Escrowed Shareholders from disposing of the Voluntary Escrow Shares until the earlier of, lodgement by Viva Leisure of its financial reports for the financial year ending 30 June 2020 with the ASX in relation to Escrowed Shareholders who are Existing Shareholders and 24 months after the date of the Voluntary Escrow Deed.

There are limited circumstances in which the Voluntary Escrow Shares may be released from escrow namely:

- **Takeover** – to allow Escrowed Shareholders to accept an offer under a takeover bid (including proportional takeover bids) in relation to its Voluntary Escrow Shares where holders of at least 50% of the Shares which are the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid;
- **Merger by way of scheme** – to allow the Voluntary Escrow Shares to be transferred or cancelled as part of an amalgamation, merger, restructure under a scheme of arrangement under Part 5.1 of the Corporations Act or similar transaction in relation to the Company;
- **Buy-back or return of capital** – to allow the Voluntary Escrow Shares to be brought-back pursuant to a buy-back, redemption or return of capital, but only in proportion to the number of Voluntary Escrow Shares that are being brought back by the Company over the total number of Shares on issue and where the buy-back is available to all Shareholders of the Company on a pro rata basis;

- **Court order** – where required pursuant to a court order compelling any Voluntary Escrow Shares to be disposed of or a security interest granted over them; or
- **Transfers to affiliates** – if the dealing constitutes a disposal of, but not the creation of a security interest, in some or all of the Voluntary Escrow Shares to a company wholly-owned by the Escrowed Shareholder, a trust in relation to which the relevant Escrowed Shareholder is the beneficiary, or an affiliate of a relevant Escrowed Shareholder, provided that the transferee also enters into an escrow deed with the Company in respect of those relevant Voluntary Escrow Shares on substantially the same terms as the Voluntary Escrow Deeds referred to in this Section 6.4 and the controller of the Voluntary Escrow Shares retains its full economic interest in the affected Voluntary Escrow Shares.

The restriction on dealing is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Voluntary Escrow Shares, creating any mortgage, charge, pledge, lien or other security interest over the Voluntary Escrow Shares, or doing any other thing in respect of the voting or distribution rights attaching to the Voluntary Escrow Shares.

6.5 CORPORATE GOVERNANCE

This Section 6.5 explains how the Board will oversee the management of the Company's business.

The Board is responsible for the overall performance of the Company and accordingly is accountable for monitoring the Company's business affairs and strategic direction, establishing policies and overseeing the Company's financial position and performance. The Board is committed to maximising performance, generating appropriate levels of returns for Shareholders and sustaining the growth and success of the Company. Accordingly, the Board has adopted corporate governance policies and procedures designed to promote the responsible management of the Company.

The Company has adopted its corporate governance policies having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (**ASX Recommendations**). As a listed entity, the Company will be required to report annually on the extent to which it has followed the ASX Recommendations during each financial year. If it has not followed a particular ASX Recommendation during any particular financial year, the Company must disclose its reasons for not doing so.

The Company notes that the 4th Edition of the Corporate Governance Principles and Recommendations (**4th Edition**) was released in February 2019. However, the 4th Edition takes effect for a listed entity's first full financial year commencing on or after 1 January 2020. Upon the Company's admission to the ASX, it will continue to report against the ASX Recommendations until such time as the 4th Edition takes effect for the Company.

Copies of the Company's key corporate governance policies and charters are available at <https://investors.vivaleisure.com.au/>.

6.5.1 The Board

The following table provides information regarding the composition of the Board and the position and experience of each Director.

NAME	POSITION	INDEPENDENCE
Harry Konstantinou	Chief Executive Officer and Managing Director	Executive Director
Bruce Glanville	Chair	Independent, Non-Executive Director
Susan Forrester AM	Non-Executive Director	Independent, Non-Executive Director
Mark McConnell	Non-Executive Director	Non-Executive Director

Biographies of the Directors are set out in Section 6.1.

Each Non-Executive Director has confirmed to the Company that they anticipate being available to perform their duties as Non-Executive Directors without constraints from other commitments.

The Board considers an independent Director to be a Non-Executive Director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interest of the Company. The materiality of the interest, position, association or relationship will be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's characterisation as an independent Director.

In assessing independence, the Board will have regard to the factors set out in the ASX Recommendations and one of those factors is whether a Director has a substantial holding in the Company (a relevant interest of 5% or more) or is otherwise associated with a substantial holder of the Company.

6. Key People, Interests and Benefits

The following Directors have substantial holdings in the Company:

- Harry Konstantinou; and
- Mark McConnell.

In this regard, for the purposes of the ASX Recommendations, those Directors will have an interest that may affect the characterisation as an independent Director. Notwithstanding, the Board considers that following Completion of the Offer the interests of those Directors in the Shares work to align their interests with those of other Shareholders and does not impede their ability to bring an independent judgement to bear on issue before the Board and act in the best interests of the Company.

6.5.2 Board Charter

The Board Charter has been adopted to provide a framework for the effective operation of the Board. The Board Charter sets out:

- the Board's composition;
- the role and responsibilities of the Board;
- the role and responsibilities of the Chairperson and Company Secretary;
- the relationship between the Board and the CEO and management;
- procedure for the conduct of Board meetings;
- the ability of Directors to seek independent advice; and
- the process for periodic performance evaluations of the Board, each Director and the Board committees.

The Board's role includes to:

- represent and serve the interests of Shareholders by overseeing and assessing the Company's performance, strategic direction and policies;
- optimise the Company's performance to build sustainable value for Shareholders;
- review the Company's compliance with the Company's values and its governance framework; and
- ensure that Shareholders are kept informed of the Company's performance.

6.5.3 Board committees

The Board may, from time to time, establish committees to assist in the discharge of its responsibilities. In accordance with the Board Charter and ASX Recommendations, the Board has established the following committees:

- (a) Audit and Risk Committee; and
- (b) People and Culture Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements, and the skill and expertise of individual Directors.

6.5.4 Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's financial and corporate reporting, risk management and compliance structures and external functions.

The Committee comprises of:

- (a) Susan Forrester AM (Chair); and
- (b) Bruce Glanville.

The Audit and Risk Committee Charter sets out:

- the composition of the Committee, including that the Committee must comprise of:
 - only Non-Executive Directors;
 - a majority of independent Directors of the Company;
 - an independent Chair, who is not Chair of the Board; and
 - a minimum of two members.
- the Committee's ability to have access to Company records and employees and the external auditor for the purposes of carrying out its responsibilities;
- that the Committee may seek the advice of independent advisors on any matter relating to the responsibilities and duties of the Committee; and

- the specific responsibilities of the Committee in relation to:
 - overseeing the Company's relationship with its external and internal auditors and audit functions generally;
 - overseeing the preparation of financial statements and reports; and
 - managing the process of identification of risk and the management of risk strategies.

6.5.5 People and Culture Committee

The role of the People and Culture Committee is to make recommendations to the Board on remuneration packages and policies in respect of Directors and senior executives of the Company and to ensure that the remuneration packages and policies adopted by the Board are consistent with the strategic objectives of the Board.

The Committee comprises of:

- (a) Bruce Glanville (Chair);
- (b) Susan Forrester AM;
- (c) Mark McConnell; and
- (d) Harry Konstantinou.

The People and Culture Charter sets out:

- the composition of the Committee, including that the Committee must comprise of:
 - a minimum of three members; and
 - an independent Director of the Company as Chair.
- the Committee's ability to have access to Company records and employees and the external auditor for the purposes of carrying out its responsibilities;
- that the Committee may seek the advice of independent advisors on any matter relating to the responsibilities and duties of the Committee; and
- the specific responsibilities of the Committee in relation to:
 - assisting the Board with developing a skills matrix for the Board and identifying the mix of skills and diversity required for Board membership;
 - developing criteria for Board membership and identifying specific individuals for nomination;
 - making recommendations in relation to the composition of Board committees;
 - undertaking periodic reviews of the Company's corporate governance policies and making recommendations to the Board in relation to the development of those policies;
 - assessing and reviewing the effectiveness of the Diversity Policy;
 - reviewing and making recommendations to the Board on the Company's remuneration framework, remuneration packages and policies which apply to senior executives and Directors;
 - reviewing and making recommendations to the Board on the equity based remuneration plans available to the executive team and employees;
 - ensuring that the Company's remuneration packages and policies attract, retain and motivate high calibre executives and employees; and
 - establishing a review processes for the performance of Directors, Board committees and the Board as a whole and the implementation of those processes.

6.5.6 Corporate governance policies

(a) Securities Trading Policy

The Company has adopted a Securities Trading Policy to:

- ensure that all Directors, employees and contractors of the Company (and their associates) are aware of the Australian insider trading laws as they apply to trading in securities of the Company; and
- protect the reputation of the Company and its Directors and employees by seeking to avoid the possibility that misconceptions, misunderstandings or suspicions might arise as a result of trading by Directors and others who may be, or may be perceived to be, in possession of inside information.

The policy seeks to achieve its objectives by setting certain parameters and restrictions on the trading of securities by Directors, senior executives and other specified employees (**Restricted Persons**).

6. Key People, Interests and Benefits

The policy provides an explanation of insider trading and what trading is prohibited by the Corporations Act. In addition, the policy also provides additional procedures that must be followed by Restricted Persons in relation to trading in the Company's securities. These procedures include:

- prohibitions on trading during blackout periods, being the periods between the end of the full or half financial year and until 10:00am on the trading date after the release of the Company's results for that period or any other period the Board may specify;
- requirements for prior clearance for trading outside the blackout periods as well as reporting after the trading has occurred;
- prohibitions on entering into a margin loan or other security arrangement in respect of Viva Leisure's securities, unless they obtain the prior written approval of the Chair (or their delegate);
- prohibitions on short selling of Viva Leisure's securities; and
- prohibitions on entering into hedging arrangements.

The policy also provides that Restricted Persons must ensure that any trading by their close family members or closely connected entities also complies with the restrictions and procedures in the policy.

(b) Continuous Disclosure Policy

As an entity listed on the ASX, the Company will be subject to the continuous disclosure requirements set out in the ASX Listing Rules and the Corporations Act.

Subject to certain exceptions contained in the ASX Listing Rules, the Company will be required to disclose to the ASX information relating to the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The purpose of the Continuous Disclosure Policy adopted by the Company is to promote awareness of the Company's continuous disclosure requirements and to establish policies and procedures to assist the Directors and management with ensuring compliance with those requirements in relation to the timely disclosure of material price-sensitive information.

The policy:

- provides reporting protocols and processes for determining whether information should be disclosed to the market; and
- designates responsibility for managing and monitoring the Company's compliance with its continuous disclosure obligations.

All relevant information provided to the ASX will be posted on the Company's website after the ASX confirms the appropriate announcement has been made.

The policy also incorporates a shareholder communication policy which is aimed at providing and promoting an effective framework for the Company for communication with Shareholders to ensure that the Shareholders have sufficient information to assess the performance of the Company and are informed of all major developments affecting the Company.

The policy sets out:

- the manner in which Company announcements are to be made (including that they must be made in a timely manner, easily accessible and readable);
- the regular communications to be received by Shareholders from the Company;
- the manner in which the Company's website is to be used to communicate with Shareholders; and
- the manner meetings of Shareholders are to be conducted.

In addition, the Company is required by law to communicate to Shareholders through the lodgement of all relevant financial and other information with ASX and, in some instances, mailing information to Shareholders.

(c) Code of Conduct

The Company has approved the adoption of a formal Code of Conduct which outlines the manner in which the Company expects its Directors and employees to behave and conduct business in the workplace. The Code of Conduct applies to Directors and all employees of the Company.

The objectives of the Code of Conduct are to:

- provide a benchmark for ethical and professional behaviour;
- promote healthy, respectful and positive working environments for all employees and Directors;
- ensure that there is compliance with laws, regulations, policies and procedures relevant to the Company;
- ensure there are appropriate mechanisms and procedures in place for employees and Directors to report breaches of the Code of Conduct; and
- ensure that employees and Directors are aware of the consequences for breaching the Code of Conduct.

The Code of Conduct is available on the Company's website.

(d) Diversity Policy

The Company recognises the importance of diversity and inclusion in the business. In this regard, the Company has adopted the Diversity Policy in order to ensure that the Company's commitment to diversity and inclusion is clearly documented.

The policy recognises that diversity not only includes gender diversity, but also includes other matters such as, age, ethnicity, religious, cultural background and sexual orientation. The policy includes a commitment to diversifying recruitment and merit-based appointments, as well as recognition that the Company will not tolerate workplace discrimination, harassment, vilification or victimisation.

The policy also includes requirements for the Board to set measurable objectives for achieving gender diversity and to assess the Company's annual achievement of those objectives. These objectives and the progress in achieving them will be disclosed in the Company's annual corporate governance statement, along with the respective proportions of men and women on the Board and in senior executive positions throughout the Company.

(e) Occupational Health and Safety Policy

The Company is committed to providing and maintaining a safe working environment which minimises risks to health for all of the Company's Directors, employees, contractors, consultants, clients or visitors.

The Company has adopted the Occupational Health and Safety Policy. The objective of the policy is to ensure:

- the Company is able to provide and maintain, so far as is reasonably practicable, a safe working environment without risks to health for all of the Company's Directors, employees, contractors, consultants, clients or visitors;
- that the Company's Directors, employees, contractors and consultants are aware of their various duties and responsibilities to ensure a safe working environment;
- there are appropriate mechanisms and procedures for the notification of incident which have, or may have, caused harm to the health and safety of any of the Company's Directors, employees, contractors, consultants, clients or visitors;
- the appropriate management of health and safety incidents which may occur in the work environment; and
- ensure employees of the Company are aware of the consequences for breaches of the Occupational Health and Safety Policy.

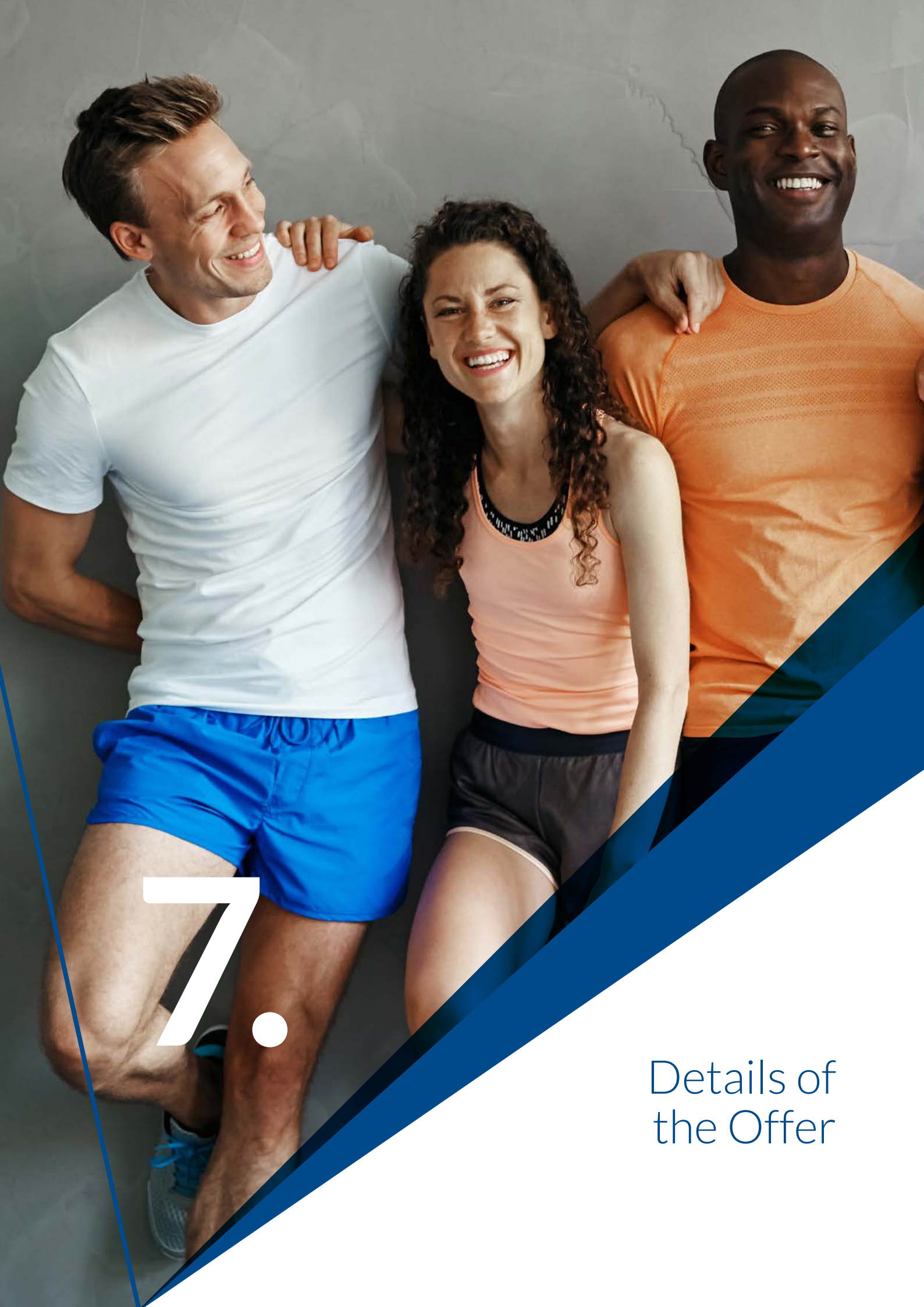
6.5.7 Compliance

Viva Leisure is seeking to list on the ASX. The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations (3rd Edition) (**ASX Recommendations**) for entities listed on ASX in order to promote investor confidence and to assist companies to meet shareholders' expectations. The Company notes that the 4th Edition of the Corporate Governance Principles and Recommendations (**4th Edition**) was released in February 2019. However the 4th Edition takes effect for a listed entity's first full financial year commencing on or after 1 January 2020. Upon the Company's admission to the ASX, it will continue to report against the ASX Recommendations until such time as the 4th Edition takes effect for the Company.

The ASX Recommendations are not mandatory, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report or on its website, and also in an Appendix 4G that it must lodge with ASX at the time it lodges its annual report, disclosing the extent to which it has followed the ASX Recommendations. The Company must identify the recommendation that has not been followed and give reasons for not following it.

As at the date of Completion of the Offer and admission to the ASX, the Company will be compliant with the ASX Recommendations except as set out below:

- (a) Recommendation 2.4 (among other things) states that a listed entity's Board should comprise of a majority of independent Directors. As at the date of Listing, the Board will not comprise of a majority of independent Directors. However, the Company considers that the current composition of the Board is suitable for Viva Leisure given its resources, size and operations. In particular, the current size and composition of the Board has been determined having regard to the operations and skill set of the Directors both individually and collectively, and the best interest of Shareholders.
- (b) Recommendation 2.1, 4.1, 7.1 and 8.1 (among other things) states that a listed entity's committees should comprise of at least three members of which a majority of who are independent Directors. As at the date of Listing, the Audit and Risk Committee of the Company will comprise of two members, both being independent Directors and the People and Culture Committee will comprise of all of the Directors, but will not contain a majority of independent Directors. However, the Company considers that the current composition of the committees are suitable for Viva Leisure given its resources, size and operations.



7.

Details of
the Offer

7. Details of the Offer

7.1 THE OFFER

This Prospectus relates to the initial public offering of 20.0 million shares at an issue price of \$1.00, and admission of the Company to the Official List of ASX.

The Shares offered under this Prospectus will represent 38.0% of the Share on issue at Completion. At Completion, there will be a total of 52.6 million Shares on issue. All Shares will rank equally with each other.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises the:

- Broker Firm Offer, which consists of an offer of Shares to eligible sophisticated and retail investors in Australia who have received a firm allocation from their Broker; and
- Institutional Offer, which consists of an offer to Institutional Investors in Australia, New Zealand, Hong Kong, Singapore and certain other jurisdictions around the world.

The Offer has been fully underwritten pursuant to an Underwriting Agreement under which the Lead Manager has been appointed to arrange and act as lead manager, bookrunner and underwriter of the Offer. Further details in relation to the Underwriting Agreement are set out in Section 9.5.

7.1.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- provide the Company with access to capital markets to improve financial flexibility for growth; and
- provide a liquid market for the Shares.

The proceeds of the Offer will be applied to:

- execution of Viva Leisure's business model and expansion opportunities;
- repayment of the KGFUND Loan (details of which are set out in Section 9.8);
- increase cash and cash equivalents; and
- payment of costs associated with the Offer.

Offer sources and uses

SOURCE OF FUNDS	\$ MILLION
Issue of Offer Shares	20.0
Total	20.0

USE OF PROCEEDS	\$ MILLION
Funds execution of Viva Leisure's business model and expansion opportunities	11.6
Payment for Albury/Wodonga business acquisition	3.8
Repayment of related party debt (KGFUND Loan)	3.4
Pay costs of the Offer ¹	1.2
Total	20.0

NOTE

¹ Impact of the Offer of \$18.8 million, being the net proceeds expected under the Offer of \$20.0 million, less the expected cash Offer costs of \$1.2 million.

7.1.3 Pro forma historical consolidated statement of financial position

The Company's pro forma statement of financial position following Completion, including details of the pro forma adjustments is set out in Section 4.4.

7.1.4 Capitalisation and indebtedness

The Company's capitalisation and indebtedness as at 31 December 2018 before and following Completion of the Offer, is set out in Section 4.4.

7. Details of the Offer

7.1.5 Shareholding structure

The details of the ownership of Shares (which includes Relevant Interests in Shares) as at the Prospectus Date and Shares on Completion of the Offer are set out below:

Shareholding structure

SHAREHOLDER	SHARES HELD PRIOR TO THE OFFER AT PROSPECTUS DATE	PRE-OFFER %	SHARES ON COMPLETION OF THE OFFER	COMPLETION %	RELEVANT INTEREST IN SHARES AT COMPLETION OF THE OFFER	RELEVANT INTEREST %
SHJA Management Pty Ltd ¹	21,688,434	66.9%	21,688,434	41.2%	21,688,434	41.2%
Mera Vale No. 1 Pty Ltd ²	4,543,296	14.0%	4,543,296	8.6%	4,543,296	8.6%
Harry Konstantinou ¹	1,542,068	4.8%	1,542,068	2.9%	23,230,502	44.2%
Angelo Konstantinou ¹	1,542,068	4.8%	1,542,068	2.9%	23,230,502	44.2%
Spiros Konstantinou ¹	1,542,067	4.8%	1,542,067	2.9%	23,230,501	44.2%
John Konstantinou ¹	1,542,067	4.8%	1,542,067	2.9%	23,230,501	44.2%
Non-Executive Directors	nil	nil	300,000	0.6%	300,000	0.6%
Other senior executives	nil	nil	140,000	0.3%	140,000	0.3%
New Shareholders	nil	nil	19,760,000	37.6%	19,760,000	37.6%
TOTAL	32,400,000	100.0%	52,600,000	100.0%	n/a	n/a

NOTES

- Each of Spiros Konstantinou, Harry Konstantinou, Angelo Konstantinou and John Konstantinou are Directors and shareholders of SHJA Management Pty Ltd and have a Relevant Interest in the Shares held by SHJA Management Pty Ltd.
- Mera Vale No. 1 Pty Ltd is controlled by Mark McConnell, who is a Director.

7.1.6 Control implications of the Offer

The Directors expect that SHJA Management Pty Ltd will control (as defined by section 50AA of the Corporations Act) the Company on Completion on the basis that SHJA Management Pty Ltd will hold 41.2% of the Shares on issue. Each of Harry Konstantinou, Spiros Konstantinou, John Konstantinou and Angelo Konstantinou are Directors and shareholders of SHJA Management Pty Ltd and otherwise hold Shares in each of their own right.

7.1.7 Potential effect of the fundraising on the future of the Company

The Directors believe that on Completion, the Company will have sufficient funds available from cash proceeds of the Offer to fulfil the purposes of the Offer and meet the Company's stated business objectives.

7.2 Terms and conditions of the Offer

Offer terms and conditions

TOPIC	SUMMARY
What type of security is being offered?	Shares (being fully paid ordinary shares in the capital of the Company).
What are the rights and liabilities attached to the Shares?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.10.
What consideration is payable for each Share?	The Offer Price is \$1.00 per Share.
What is the Offer Period?	The key dates, including details of the Offer, are set out on page 4 of this Prospectus.
What are the cash proceeds to be raised?	Approximately \$20.0 million will be raised if the Offer proceeds.

TOPIC	SUMMARY
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Lead Manager.
What is the minimum and maximum Application size under the Offer?	The minimum Application size under the Offer is \$2,000 worth of Shares (equivalent to 2,000 Shares at the Offer Price). There is no maximum value of Shares which Applicants may apply for under the Offer.
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Manager in consultation with the Company.</p> <p>For Broker Firm Offer participants, the Lead Manager will decide as to how it will allocate Shares among Applicants under the Broker Firm Offer.</p> <p>The Lead Manager, in consultation with the Company, has absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion.</p>
When will I receive confirmation that my Application has been successful?	It is expected that the initial holding statements will be despatched by standard post on or about Tuesday, 4 June 2019
Will the Shares be listed on ASX?	<p>The Company will apply to the ASX for the admission to the Official List and quotation of Shares on the ASX (which is expected to be under ASX code VVA).</p> <p>Completion of the Offer is conditional on the ASX approving the Company's listing application. If approval is not given within three months after the Original Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p>
Is the Offer conditional?	<p>Yes. The contracts formed on acceptance of applications and confirmations of allocations of Shares will be conditional on:</p> <ul style="list-style-type: none"> — The ASX agreeing to admit the Company to the Official List and to quote the Shares; and — Completion in respect of the allotment of Shares in accordance with the Underwriting Agreement. <p>Trades occurring on the ASX before issue occurring will be conditional on the above matters occurring and the issue of Shares to Successful Applicants under the Offer.</p>
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on Friday, 7 June 2019.
Are there any escrow arrangements?	Yes. Details of the Voluntary Escrow Deed are set out in Section 6.4.
Has any ASX waiver or ASIC relief been obtained or relied on?	Yes. Details are contained in Section 9.10.
Are there any tax considerations?	Refer to Section 9.11. The tax consequences of any investment in Shares will depend on an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest in the Company.
Is there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
What should you do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the Offer Information Line on 1800 647 819 (toll free within Australia) or +61 1800 647 819 (outside Australia) from 8:30am until 5:30pm (Melbourne Time), Monday to Friday during the Offer Period.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, lawyer, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>

7. Details of the Offer

7.3 BROKER FIRM OFFER

7.3.1 Who may apply

The Broker Firm Offer is open to persons who have received an invitation to participate from their Broker and who have a registered address in Australia. If you have received an invitation to participate from your Broker, you will be treated as an Applicant under the Broker Firm Offer. You should contact your Broker to determine whether you can receive an invitation from them under the Broker Firm Offer.

7.3.2 How to apply

If you have received an invitation to participate from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Application Form or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker or the Viva Leisure Offer Information Line on 1800 647 819 (toll free within Australia) or +61 1800 647 819 (outside of Australia) to request a Prospectus and an Application Form, or download a copy at www.vivaleisure.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (Melbourne Time) on the Closing Date or any earlier closing date as determined by your Broker.

If you are an investor under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given this Prospectus, together with an Application Form. ***The Corporations Act prohibits any person passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.***

The minimum application under the Broker Firm Offer is \$2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company and the Lead Manager reserve the right to aggregate any applications which they believe may be multiple applications from the same person or reject or scale back any applications in the Broker Firm Offer. The Company may determine whether a person is eligible to participate in the Broker Firm Offer and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion, in compliance with applicable laws.

The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 8:30am (Melbourne time) on Monday, 13 May 2019 and is expected to close on 5:00pm (Melbourne time) on Thursday, 23 May 2019. The Company and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for further instructions.

7.3.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by their Broker.

7.3.4 Allocation policy under the Broker Firm Offer

Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that retail clients who they have received a firm allocation from, receive their Shares.

7.3.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by you to the Company to apply for the amount of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in the Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the terms regarding quotation on the ASX in Section 7.2 and the acknowledgement in Section 7.11). To the extent permitted by law, an Application by an Applicant is irrevocable.

An Applicant may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants.

The Lead Manager, in agreement with the Company, reserves the right to reject any Application which is not correctly completed, or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

7.3.6 Application Monies

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applications.

Applicants whose applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be determined by the Applicant's Broker.

Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

7.4 INSTITUTIONAL OFFER

7.4.1 Invitations to apply

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australian and a number of other eligible jurisdictions to apply for Shares. The Lead Manager separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.4.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager in consultation with the Company. The Lead Manager and the Company had the absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

- (a) number of Shares bid for by a particular Applicant;
- (b) the timeliness of the bid by a particular Applicant;
- (c) the Company's desire for an informed and active trading market following Listing;
- (d) the Company's desire to establish a wide spread of institutional Shareholders;
- (e) overall level of demand under the Broker Firm Offer and the Institutional Offer;
- (f) the size and type of funds under management of particular Applicants;
- (g) the likelihood that particular Applicants will be long term Shareholders; and
- (h) any other factors the Company and the Lead Manager considers appropriate.

7.5 UNDERWRITING ARRANGEMENT

The Offer is fully underwritten by the Lead Manager.

The Lead Manager and Company have entered into the Underwriting Agreement pursuant to which the Lead Manager agrees, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer. The Underwriting Agreement sets out a number of circumstances under which the Lead Manager may terminate the agreement and its underwriting obligations.

A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is set out in Section 9.5.

7.6 DISPOSAL RESTRICTIONS ON SHARES

Each of the Escrowed Shareholder has agreed to enter into a Voluntary Escrow Deed with the Company under which each of the Escrowed Shareholder will be restricted from dealing with their Voluntary Escrow Shares. The Voluntary Escrow Deeds do not prevent the Escrowed Shareholders from exercising their voting entitlements or any rights to receive dividends and distributions or participate in any rights issue or bonus issue. Further details relating to the Voluntary Escrow Deeds are set out in Section 6.4.

7.7 RESTRICTIONS ON DISTRIBUTION

7.7.1 General

No action has been taken to register or qualify this Prospectus, the Shares, the Offer or otherwise to permit a public offering of Shares in any jurisdiction outside of Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or invitation or issue under this Prospectus.

7. Details of the Offer

This Prospectus may not be released or distributed in the United States or elsewhere outside of Australia, unless it has attached to it the selling restrictions in the jurisdictions outside Australia; and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States.

7.7.2 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Future Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any document issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities law of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell or offer to sell such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

7.7.3 New Zealand

The offer of Shares in this document is restricted to persons in New Zealand who are “Wholesale investors” within the meaning of clause 3(2) or 3(3)(a) of Schedule 1 to the Financial Markets Conduct Act 2013 (**FMC Act**), being a person who:

- is an “investment business” within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is “large” within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a “government agency” within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an “eligible investor” within the meaning of clause 41 of Schedule 1 of the FMC Act.

(collectively **Excluded Disclosure Investors** for the purpose of this document).

Applications or requests for information from persons who are not Excluded Disclosure Investors will not be accepted and the Company reserves the right to accept or reject any or all applications at any time. The Company may also require further information, documentation or certification from an Applicant to confirm their eligibility as an Excluded Disclosure Investor.

Please note that this document is not a regulated document. In particular, this document is not a product disclosure statement for the purposes of the FMC Act. Potential investors therefore need to make their own enquiries as to the appropriateness of this investment for them.

If an investor has any doubt as to any aspect of the Offer referred to in this document, they should consult their financial or legal advisor.

7.7.4 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase of, Shares, may not be issued, circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with, the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company’s Shares; (ii) an “institutional investor” (as defined in the SFA); or (iii) a “accredited investor” (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares and as such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

7.8 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application or allocate to any Applicant fewer Shares than those applied for.

7.9 ASX LISTING, REGISTERS AND HOLDING STATEMENTS

7.9.1 Application to the ASX for listing of the Company and quotation of Shares

The Company will apply within seven days after the Original Prospectus Date for admission to the Official List and for quotation of the Shares on the ASX. The Company's expected ASX code will be VVA.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription or purchase.

If approval is not granted for the official quotation of the Shares on the ASX within three months after the Original Prospectus Date (or any later date permitted by law), all Application Monies will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

7.9.2 CHESS and issuer sponsored holdings

The Company will apply to participate in the ASX's CHESS and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters; an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS register. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Security holder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.10 RIGHTS ATTACHING TO SHARES

Rights attaching to the Shares arise from the Corporations Act, the ASX Listing Rules and the Company's Constitution. The following is a broad summary (though not an exhaustive or definitive statement) of the rights, privileges and restrictions which attach to Shares as set out in the Constitution of the Company.

7.10.1 Notices and voting

Each member is entitled to receive notice of, and to attend and vote at, general meetings.

At a general meeting every member present in person or by proxy or by attorney has one vote on a show of hands and, on a poll, one vote for each share held.

7.10.2 Dividends

Subject to the Corporations Act and the rights of the persons holding shares with special rights to dividends (at present there are no such shares on issue), amounts which the Directors from time to time determine to distribute by way of dividends are divisible amongst the members in proportion to the amount paid up on the shares held by them.

7. Details of the Offer

7.10.3 Rights on winding up

If the Company is wound up the liquidator may, subject to a special resolution of the Company, divide the assets of the Company amongst the members and may determine how the division shall be carried out as between members and different classes of members.

7.10.4 Transfer of shares

Except where required by law or the Constitution and subject to the ASX Listing Rules, there are no restrictions on the transfer of Shares.

7.10.5 Issue of further securities

Subject to the provisions of the Constitution, the Corporations Act and the ASX Listing Rules, the Directors may allot or otherwise dispose of further securities on such terms and conditions as they see fit.

7.10.6 Variation of Rights Attaching to shares

The rights and restrictions attaching to a class of shares can be altered with the approval of a resolution passed at a separate general meeting of that class by a three quarters majority of the members of that class present and voting, or with the written consent of the holders of at least three-quarters of the shares on issue in that class within two months of the date of the meeting.

7.11 ACKNOWLEDGMENTS

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and be bound by the terms of the Constitution and the terms of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) included in or accompanying the Application Form and having read them in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian Dollar amount shown on the front of the Application Form;
- agreed to be allocated the number of Shares applied for (or a lower number allocated in a way described in this Prospectus) or no Shares at all;
- authorised the Company and the Lead Manager and their respective officers or agents to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends or that dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in circumstances prescribed in this Prospectus; and
- acknowledged and agreed that if the Listing does not occur for any reason, the Offer will not proceed.

The Applicant(s) is/are to be taken to have represented and warranted and agreed as follows:

- they understand that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of the United States and may not be offered, sole or resold in the United States;
- they are not in the United States;
- they have not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- they will not offer or sell the Shares in the United States or in any other jurisdiction outside of Australia.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.



8.

Investigating Accountant's Report

8. Investigating Accountant's Report



INVESTIGATING ACCOUNTANT'S REPORT

3 May 2019

The Directors
Viva Leisure Limited
1/141 Flemington Road
Mitchell ACT 2911

Dear Sirs,

Investigating Accountant's Report on Historical, Pro-forma Historical and Pro-forma Forecast Financial Information

We have prepared this Investigating Accountant's Report (report) at the request of the Directors of Viva Leisure Limited (the "Company"), for inclusion in a Prospectus relating to the proposed issue by the Company of shares to raise \$20 million before the costs of the issue ("the Prospectus").

Capitalised terms defined in the Prospectus have the same meaning in this report.

Hall Chadwick Corporate (NSW) Limited holds an Australian Financial Services License (No. 227902) issued by the Australian Securities and Investments Commission for use in providing financial product advice, including an Investigating Accountant's report.

Viva Leisure Limited acts as a holding company for Viva Leisure and Club Group of companies detailed in the Prospectus, referred to as the "Group".

Scope

You have requested Hall Chadwick Corporate (NSW) Limited to review the following financial information of Viva Leisure Limited (the responsible party) included in the Prospectus.

The Historical, Pro-forma Historical and Pro-forma Forecast Financial Information ("the Financial Information") is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Historical Financial Information

- a) The aggregated historical income statements for the financial years ended 30 June 2017 ("FY2017") and 30 June 2018 ("FY2018") and consolidated historical income statements for the half year ended 31 December 2018 ("HY2019");
- b) the aggregated historical cash flow statements for FY2017 and FY2018 and consolidated historical cash flow statements for HY2019; and
- c) the consolidated historical Statement of Financial Position as at 31 December 2018.

together "the Historical Financial Information".

**HALL CHADWICK CORPORATE
(NSW) LIMITED**

ACN 080 462 488

SYDNEY

Level 40, 2 Park Street Sydney
NSW 2000 Australia

GPO Box 3555 Sydney NSW
2001

Ph: (612) 9263 2600

Fx: (612) 9263 2800

E: hcsyinfo@hallchadwick.com.au

com.au

www.hallchadwick.com.au



The Historical Financial Information has been extracted from the aggregated financial reports of the Group for FY2017 and FY2018, which were subject to audit by Hall Chadwick and the consolidated financial report for the Group for HY2019, which was subject to an auditors review by Hall Chadwick.

The historical financial information was presented as aggregated consolidated financial information for FY2017 and FY2018 as the entities in the Group were not wholly owned by the Company during these periods.

Pro-forma Historical Financial Information

- a) the pro-forma consolidated historical income statements for FY2017, FY2018 and HY2019;
- b) the pro-forma consolidated historical cash flow statements for FY2017, FY2018 and HY2019;
- c) the pro-forma consolidated historical Statement of Financial Position as at 31 December 2018, assuming completion of the Offer and other material transactions occurring after 31 December 2018.

The Financial Information includes the financial impact of three business acquisitions, Elite Physique in ACT and Xceler8 in Wagga Wagga, NSW from the date of their acquisitions in September 2018, and Fitness 24/7 in Albury NSW and Wodonga, Victoria from the date of acquisition (expected to complete in June 2019). The financial results of Fitness 24/7 have been audited for FY2017 and FY2018 and reviewed for HY2019 by RSM Australia Pty Ltd. Due to the size of the acquisitions, the financial results of Elite Physique and Xceler8 for FY2017 and FY2018 were not subject to audit.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and Pro-forma Historical Financial information and the events or transactions to which the pro-forma adjustments relate, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro-forma Historical Financial Information does not represent the Company's actual or prospective financial performance, cash flows or financial position.

Pro-forma Forecast Financial Information

- a) The Pro-forma consolidated forecast income statements for the years ending 30 June 2019 ("FY2019") and 30 June 2020 ("FY2020"); and
- b) the Pro-forma consolidated forecast cash flow statement for FY2019 and FY2020.

together "the Pro-forma Forecast Financial Information".

The Directors' best-estimate assumptions underlying the Pro-forma Forecast Financial Information are described in Section 4.7 of the Prospectus.

The stated basis of preparation used in the preparation of the forecasts is the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies.

8. Investigating Accountant's Report

Directors' Responsibilities

The Directors of Viva Leisure Limited are responsible for the preparation of the Financial Information, including the selection and determination of pro-forma adjustments made to the Historical Financial Information and included in the Pro-forma Historical Financial Information, and the best-estimate assumptions underlying the Pro-forma Forecast Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Pro-forma Historical Financial Information and Pro-forma Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, Pro-forma Historical Financial Information and the Pro-forma Forecast Financial Information, the best-estimate assumptions underlying the Pro-forma Forecast Financial Information, and the reasonableness of the Pro-forma Forecast Financial Information itself, based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

Conclusions

Historical and Pro-forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical and Pro-forma Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in the Prospectus.

Pro-forma Forecast Financial Information

Based on our limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to our attention which causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the Pro-forma Forecast Financial Information for FY2019 and FY2020 do not provide reasonable grounds for the forecast; and
- in all material respects, the Pro-forma Forecast Financial Information:
 - is not prepared on the basis of the Directors' best-estimate assumptions;

- is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies; and
- the Pro-forma Forecast Financial Information itself is unreasonable.

The Pro-forma Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of Viva Leisure Limited for FY2019 and FY2020.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Pro-forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Pro-forma Forecast Financial Information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Viva Leisure Limited.

Evidence may be available to support the Directors' best-estimate assumptions on which the Pro-forma Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Viva Leisure Limited, which are detailed in the Prospectus, and the inherent uncertainty relating to the Pro-forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks as described in Section 5 of the Prospectus. The sensitivity analysis described in Section 4.8 of the Prospectus demonstrates the impact on the Pro-forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Pro-forma Forecast Financial Information will be achieved.

We have assumed and relied on representations from certain members of management of Viva Leisure Limited, that all material information concerning the prospects and proposed operations of Viva Leisure Limited has been disclosed to users and that the information provided to users for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Independence

Hall Chadwick Corporate (NSW) Limited does not have any interest in the outcome of this issue other than in its capacity as Investigating Accountant for which normal professional fees will be received. Hall Chadwick Corporate (NSW) Limited does not hold nor have any interest in the ordinary shares of the Company.

8. Investigating Accountant's Report



Restriction on Use

Without modifying our conclusions, we draw attention to Section 4 of the Prospectus, which describes the purpose of the financial information being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial information to which it relates, for any purpose other than that for which it was prepared.

Hall Chadwick Corporate (NSW) Limited was not involved in the preparation of any part of the Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus.

Hall Chadwick Corporate (NSW) Limited consents to the inclusion of this report in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully



Drew Townsend
Director

HALL CHADWICK CORPORATE (NSW) LIMITED

FINANCIAL SERVICES GUIDE

Dated 3 May 2019

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (**HCC**).

This FSG includes information about:

- HCC and how they can be contacted;
- the services HCC is authorised to provide;
- how HCC are paid;
- any relevant associations or relationships of HCC;
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Investigating Accountant's Report (**Report**) which has been prepared for inclusion in a disclosure document. The purpose of the disclosure document is to help you make an informed decision in relation to a financial product. The contents of the disclosure document, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that HCC is authorised to provide

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you

HCC has been engaged by the Directors of Viva Leisure Limited to prepare an investigating accountant's report (**Report**) for inclusion in a Prospectus in relation to the initial public offering of shares in Viva Leisure Limited on the ASX (**Offer**).

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Prospectus. HCC nor the employees of HCC are acting for any person other than Viva Leisure Limited. HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As HCC has been engaged by Viva Leisure Limited, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Prospectus before making any decision in relation to the Offer.

Fees HCC may receive

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Viva Leisure Limited. Fees are agreed on either a fixed fee or a time cast basis. In this instance, Viva Leisure Limited has agreed to pay HCC \$75,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

8. Investigating Accountant's Report

HCC officers and representatives receive a salary or a partnership distribution from Hall Chadwick Sydney professional advisory and accounting practice (the Hall Chadwick Sydney Partnership). Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

Referrals

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend, director of HCC and partner in the Hall Chadwick Sydney Partnership, has prepared this Report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (**HC Entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. HC Entities have provided, and continue to provide, a range of audit, tax and advisory services to the Client for which professional fees are received. Over the past two years professional fees of \$258,000 have been invoiced to Viva Leisure Limited and Club Group in relation to the financial due diligence, accounting and taxation services.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, Viva Leisure Limited or has other material financial interests in the Offer.

Complaints resolution

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:

The Complaints Officer
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on (02) 9263 2600 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA provides free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at their website www.afca.org.au or by contacting them directly at:

Australian Financial Complaints Authority Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1800 931 678
Facsimile (03) 9613 6399
Email: info@afca.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact details

You may contact HCC at:

Hall Chadwick Corporate (NSW) Limited

GPO Box 3555

Sydney NSW 2001

Telephone: (02) 9263 2600

Facsimile: (02) 9263 2800

A full-page background image of a muscular man with short brown hair and a light beard, wearing a bright yellow tank top. He is running on a treadmill in a gym, looking down at the console. The gym is filled with various exercise equipment and other people in the background, though they are out of focus. A large white number '9.' is overlaid on the bottom left of the image, partially covering the treadmill. A thick blue diagonal line runs from the bottom left towards the top right, separating the image from the text area.

9.

Additional
Information

9. Additional Information

9.1 INCORPORATION

The Company was registered in the Australian Capital Territory on 15 July 2015 as a proprietary company limited by shares.

On 18 October 2018, in accordance with section 162(1) of the Corporations Act, the Company converted from a proprietary company limited by shares to a public company limited by shares.

9.2 SUBSIDIARIES

Viva Leisure is the ultimate holding company of each of the following entities:

- (a) Viva Leisure Operations Pty Ltd, which owns the key business assets and is the main operating entity of the Group;
- (b) Viva Leisure Property Pty Ltd, which holds the leaseholds interests of the Group;
- (c) Viva Leisure People Pty Ltd, which employs the staff of the Group;
- (d) Viva Leisure Membership Pty Ltd, which is party to the membership terms;
- (e) Club MMM! Pty Ltd, which operates a day spa;
- (f) Psycle Life Pty Ltd;
- (g) The Club Group (Greenway) Pty Ltd;
- (h) HIIT Republic Australia Pty Ltd;
- (i) The Club Group Pty Ltd;
- (j) Club Lime Pty Ltd;
- (k) Club Pink Pty Ltd;
- (l) Club Blue Pty Ltd;
- (m) Club Swim Pty Ltd; and
- (n) Club Team Pty Ltd.

The Subsidiaries listed in paragraphs (f) to (n) above do not currently conduct any operational activities.

9.3 COMPANY TAX STATUS

The Company will be subject to tax at the Australian corporate tax rate.

9.4 LONG-TERM INCENTIVE PLAN

The Company has established a Long-Term Incentive (**LTI**) plan conditional on Completion of the Offer to assist in the motivation, retention and reward of Viva Leisure senior executives. The LTI plan is designed to align the interests of the senior executives more closely with the interests of Shareholders by providing an opportunity for the senior executives to receive an equity interest in the Company through the grant of options.

Under the LTI plan, Directors, management and other key employees identified by the Board can be offered participation in the form of options (including options with a zero-exercise price) and/or performance rights.

The Company has granted 295,000 options to senior executives. The exercise of the options is subject to the satisfaction of certain performance hurdles which are determined by the Board.

9. Additional Information

The key terms of the LTI plan are set out below:

ISSUE	DETAILS OF LTI																		
Eligible Participants	A person is eligible to participate in the LTI plan if that person is declared by the Board to be eligible to participate in the LTI plan and that person is a Director of any member of the Group, a full-time or part-time employee of any member of the Group permanent, or any other person declared by the Board to be eligible (Eligible Participant).																		
Securities to be issued	As part of the LTI plan, Eligible Participants may be issued the following securities in the Company: <ul style="list-style-type: none"> — options for Shares; and — performance rights, (Awards). 																		
Payment for the grant of Awards or exercise of Awards	The Board may determine, in its absolute discretion, the fee (if any) payable by an Eligible Participant granted an Award (Participant). The Board may also determine, in its absolute discretion, the exercise price of any option.																		
Number of securities to be issued	The number of Awards offered to an Eligible Participant from time to time will be determined by the Board in its absolute discretion and in accordance with the terms of the LTI plan.																		
Vesting of Options and Rights	<p>The Board may determine, in its absolute discretion, the terms and conditions (including performance hurdles and/or vesting conditions) which apply to the vesting of any options or performance rights.</p> <p>The table below describes the performance hurdles and vesting condition that apply as at the date of the Prospectus and in relation to the 295,000 options granted to senior executives:</p> <table> <tr> <th>Performance Hurdles</th><th>Earnings per Share (EPS) Cumulative Compound Annual Growth Rate (CAGR)</th></tr> <tr> <td></td><td>The percentage of options that vest for each % EPS CAGR is illustrated in the following table:</td></tr> <tr> <td></td><td> <table> <tr> <th>EPS CAGR OVER THE THREE FINANCIAL YEARS ENDING 30 JUNE 2021</th><th>PERCENTAGE OF OPTIONS THAT VEST</th></tr> <tr> <td>Less than 15% (Minimum target)</td><td>0%</td></tr> <tr> <td>15% to 20% (Within target range)</td><td>50%–100% (on a straight line basis)</td></tr> <tr> <td>Greater than 20% (Above maximum target)</td><td>100%</td></tr> </table> </td></tr> <tr> <td></td><td> <p>For the purposes of the above performance hurdles, Earnings per Share means the Basic EPS recorded in the Company's audited financial statements.</p> <p>The Basic EPS may be adjusted for items which the Board, in its discretion, considers should be excluded from the EPS result (such as items of a one-off and non-recurring nature).</p> <p>The Company's Basic EPS for FY2019 will be calculated following the IPO and confirmation of the number of Shares on issue as at the date of listing.</p> <p>The Performance Hurdle will be tested only once the Vesting Condition has been met by the grantee senior executive and following the Company's audited accounts being finalised for FY2021.</p> </td></tr> <tr> <td>Vesting Condition</td><td>The grantee senior executive remaining employed by the Company.</td></tr> </table>	Performance Hurdles	Earnings per Share (EPS) Cumulative Compound Annual Growth Rate (CAGR)		The percentage of options that vest for each % EPS CAGR is illustrated in the following table:		<table> <tr> <th>EPS CAGR OVER THE THREE FINANCIAL YEARS ENDING 30 JUNE 2021</th><th>PERCENTAGE OF OPTIONS THAT VEST</th></tr> <tr> <td>Less than 15% (Minimum target)</td><td>0%</td></tr> <tr> <td>15% to 20% (Within target range)</td><td>50%–100% (on a straight line basis)</td></tr> <tr> <td>Greater than 20% (Above maximum target)</td><td>100%</td></tr> </table>	EPS CAGR OVER THE THREE FINANCIAL YEARS ENDING 30 JUNE 2021	PERCENTAGE OF OPTIONS THAT VEST	Less than 15% (Minimum target)	0%	15% to 20% (Within target range)	50%–100% (on a straight line basis)	Greater than 20% (Above maximum target)	100%		<p>For the purposes of the above performance hurdles, Earnings per Share means the Basic EPS recorded in the Company's audited financial statements.</p> <p>The Basic EPS may be adjusted for items which the Board, in its discretion, considers should be excluded from the EPS result (such as items of a one-off and non-recurring nature).</p> <p>The Company's Basic EPS for FY2019 will be calculated following the IPO and confirmation of the number of Shares on issue as at the date of listing.</p> <p>The Performance Hurdle will be tested only once the Vesting Condition has been met by the grantee senior executive and following the Company's audited accounts being finalised for FY2021.</p>	Vesting Condition	The grantee senior executive remaining employed by the Company.
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Vesting Condition	The grantee senior executive remaining employed by the Company.																		

Any option or performance right held by a Participant which has not vested by the relevant expiry date determined by the Board will lapse.

ISSUE	DETAILS OF LTI
Cessation of employment	<p>Where a Participant ceases employment or office with any member of the Group as a result of a resignation of the Participant or a termination of that Participant's employment or office in certain circumstances (i.e. due to poor performance, serious or persistent breaches of their employment or engagement contract or serious or gross misconduct):</p> <ul style="list-style-type: none"> — vested options may continue to be exercisable up to the expiry date unless otherwise determined by the Board; — vested performance rights which have not been exercised will be immediately exercised unless otherwise determined by the Board; and — any unvested option or performance right held by that Participant will immediately lapse and be forfeited. <p>If a Participant ceases employment or office with any member of the Group for another reason other than those specified above (i.e. dies, becomes permanently disabled, retires from the workforce or is made redundant):</p> <ul style="list-style-type: none"> — vested options which have not been exercised will continue to be exercisable up to the expiry date; — vested performance rights which have not been exercised will be immediately exercised; and — the Board can determine, in its absolute discretion, the manner in which unvested options or performance rights will be dealt with.
Variation of LTI	<p>The Board will have the power to vary the terms of the LTI plan at any time and in any manner in which it thinks fit. However, the Board may only amend a provision which materially reduces the rights of Participants in respect of Awards where the amendment is required for the purposes of complying with any law or the Listing Rules, the amendment is to correct any manifest error or mistake, the amendment will provide the Participant with a more favourable taxation treatment in relation to his or her participation in the LTI plan, or the amendment will allow the implementation of a trust arrangement in relation to the holding of Shares under the plan.</p>
Change of control	<p>If:</p> <ul style="list-style-type: none"> — a person or entity becomes a legal or beneficial owner of 50% or more of the issued share capital of the Company; — a person or entity becomes entitled to, acquires, holds or has an equitable interest in more than 50% of the issued share capital of the Company; or — the Board determines that another transaction has occurred, or is likely to occur, which involves a significant change to the structure or control of the Company which may adversely affect the value of the options or performance rights, <p>then unless otherwise determined by the Board:</p> <ul style="list-style-type: none"> — unvested options and performance rights will vest where the Board considers that all vesting conditions and performance hurdles relating to those options or performance rights have been met; — unvested options and performance rights granted will vest only on a pro rata basis where relevant performance hurdles have not yet been met; and — any option or performance right the Board determines will not vest as specified above will automatically lapse.
Buyback	<p>Subject to applicable law, the Company may buy-back Awards or Shares issued on the exercise of Awards held by a Participant for:</p> <ul style="list-style-type: none"> — an amount agreed with the Participant; — the market value of the Awards or the relevant Shares (without agreement of the Participant); or — where there is a formal takeover offer made for at least 5% of the Shares, at the price or prices offered by the bidder under the takeover offer.
Restrictions on disposal	<p>Awards issued to a Participant may not be assigned, transferred or encumbered with a security interest unless otherwise agreed by the Board or that assignment or transfers occurs by force of law on the death of a Participant.</p> <p>The Board may determine, in its absolute discretion whether there will be any restrictions on the disposal of or the granting of any security interests over any Shares issued on the exercise of Awards.</p>
Voting rights	<p>The Awards will not give a Participant any voting rights to until the relevant Awards have converted into Shares.</p>
Dividends and Awards	<p>The Awards will not give a Participant any right to participate in any dividends until the relevant Awards have converted into Shares.</p>

9. Additional Information

9.5 UNDERWRITING AGREEMENT

The Company and the Lead Manager have entered into an Underwriting Agreement dated 3 May 2019, pursuant to which the Lead Manager has agreed to underwrite the Offer. Pursuant to the Underwriting Agreement, the Company has also appointed the Lead Manager to act as the exclusive manager of the Offer and to allocate Shares by agreement with the Company. The following is a summary of the principal provisions of the Underwriting Agreement.

9.5.1 Fees and expenses

On Completion of the Offer, which is expected to occur on Thursday, 30 May 2019 (**Completion Date**), the Company must pay the Lead Manager:

- (a) a management fee of 1.0% of the proceeds of the Offer; and
- (b) an underwriting fee of 3.0% of the proceeds of the Offer.

The Company may also elect, at its absolute discretion, to pay the Lead Manager on the Completion Date a discretionary incentive fee of up to 0.50% of the proceeds of the Offer.

The Lead Manager must pay, on behalf of the Company, any fees due to any Brokers or sub-underwriters appointed by the Lead Manager under the Underwriting Agreement.

The Company has agreed to reimburse the Lead Manager for reasonable costs and expenses of, and incidental to, the Offer.

9.5.2 Termination events not subject to materiality

The Lead Manager may, at any time from the date of execution of the Underwriting Agreement until the Completion Date, terminate the Underwriting Agreement (without any cost or liability to the Lead Manager) by notice to the Company, if any of the events set out below occur:

- **disclosures in Prospectus** – in the reasonable opinion of the Lead Manager a statement in the Prospectus is misleading or deceptive or likely to mislead or deceive, or there is an omission from the Prospectus of material required to be included in it (including, without limitation, having regard to the provisions of Part 6D.2 of the Corporations Act);
- **supplementary prospectus** – the Company:
 - issue or, in the reasonable opinion of the Lead Manager are required to issue, a supplementary prospectus because of the operation of section 719(1) of the Corporations Act; or
 - lodge a supplementary prospectus with ASIC in a form and substance that has not been approved by the Lead Manager in circumstances required by the Underwriting Agreement;
- **market fall** – at any time the S&P/ASX Small Ordinaries Index falls to a level that is 90% or less of the level as at the close of trading on the date of the Underwriting Agreement and closes at or below that 90% level on:
 - at least two consecutive business days during any time after the date of the Underwriting Agreement and prior to the Completion Date; and
 - the business day immediately prior to the Completion Date;
- **Voluntary Escrow Deed** – any of the Voluntary Escrow Deeds are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- **fraud** – any of the Company or any of its Directors or officers (as those terms are defined in the Corporations Act) engage, or have been alleged by a Government Agency to have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- **listing and quotation** – approval is refused or not granted, or approval is granted subject to conditions other than customary conditions (in the reasonable opinion of the Lead Manager), to:
 - the Company's admission to the official list of the ASX on or before the date that the Company is required to notify the Lead Manager of the shortfall in subscriptions under the Offer; or
 - the quotation of the Shares on the ASX or for the Shares to be traded through CHESS on or before the commencement of trading of Shares on the ASX,or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions in the reasonable opinion of the Lead Manager) or withheld;
- **notifications** – any of the following notifications are made in respect of the Offer:
 - ASIC issues an order (including an interim order) under section 739 of the Corporations Act and any such inquiry or hearing is not withdrawn within three business days or if it is made within three business days of the Completion Date it has not been withdrawn by the business day before the Completion Date;
 - ASIC holds a hearing under section 739(2) of the Corporations Act;

- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer, the Prospectus or a document related to the Offer or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer, the Prospectus or a document related to the Offer, and any such application, inquiry or hearing is not withdrawn within three business days or if it is made within three business days of the Completion Date, it has not been withdrawn by the business day before the Completion Date;
- any person who has previously consented to the inclusion of its name in the Prospectus (other than the Lead Manager) withdraws that consent; or
- any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus (other than the Lead Manager, co-lead manager or co-manager);
- **certificate** – the Company does not provide a certificate as and when required by the Underwriting Agreement;
- **withdrawal** – the Company withdraws the Prospectus or the Offer;
- **timetable** – an event specified in the Offer timetable up to and including the Completion Date is delayed by more than two business days (other than in accordance with the Underwriting Agreement);
- **unable to issue or transfer Shares** – the Company is prevented from issuing the Shares, by applicable laws, an order of a court of competent jurisdiction or a Government Agency, within the time required by the Listing Rules and the Corporations Act;
- **force majeure** – there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any Governmental Agency which makes it illegal for the Lead Manager to satisfy a material obligation of the Underwriting Agreement, or to market, promote or settle the Offer;
- **change to Company** – the Company:
 - alters the issued capital of the Company or a member of the Group; or
 - disposes or attempts to dispose of a substantial part of the business or property of the Group,
 without the prior written approval of the Lead Manager (not to be unreasonably withheld or delayed);
- **constitution** – the Company varies any term of its constitution without the prior written consent of the Lead Manager;
- **insolvency events** – any member of the Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Group becoming insolvent;
- **regulatory approvals** – if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement, such that the Company is rendered unable to perform its obligations under the Underwriting Agreement;
- **change in management** – a change in the Managing Director or Chief Financial Officer of the Company occurs, or there is a change in the Board of Directors of the Company without the prior written consent of the Lead Manager (which must not be unreasonably withheld or delayed);
- **vacancy in office** – the Managing Director or Chief Financial Officer of the Company, or a Director, vacates his or her office (or announces an intention to do so); or
- **prosecution** – any of the following occurs:
 - a Director or proposed Director of the Company is charged with an indictable offence; or
 - any Director of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act.

9.5.3 Termination events subject to materiality

The Lead Manager may, at any time from the date of execution of the Underwriting Agreement until the Completion Date, terminate the Underwriting Agreement (without any cost or liability to the Lead Manager) by notice to the Company, if any of the events set out below occur and the Lead Manager believes, acting reasonably, that the occurrence of the relevant event:

- has or is likely to have a material adverse effect on:
 - the success, settlement, marketing or outcome of the Offer or the availability of the Lead Manager to market, promote or settle the Offer; or
 - the willingness of investors to subscribe for Shares; or
- has given or would be likely to give rise to a liability for the Lead Manager under, or a contravention by the Lead Manager of, the Corporations Act or any applicable laws.

The relevant termination events are as follows:

- **compliance with law** – the Prospectus or related documents, or any aspect of the Offer, does not comply with the Corporations Act, the Listing Rules, or any other applicable law or regulation;

9. Additional Information

- **new circumstances** – there occurs a new circumstance that arises after the Prospectus is lodged, that would have been required to be included in the Prospectus if it had arisen before lodgement;
- **other disclosures** – a statement in any of the documents related to the Offer (other than the Prospectus) is or becomes misleading or deceptive or is likely to mislead or deceive;
- **disclosures in the due diligence report** – the report of the due diligence committee in respect of the Offer is, or becomes, false, misleading or deceptive, including by way of omission;
- **information supplied** – any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a Group member to the Lead Manager in connection with the Offer is, or is found to be, misleading or deceptive or likely to mislead or deceive (including by omission);
- **legal proceedings** – any of the following occurs:
 - the commencement of legal proceedings against the Company or any other member of the Group or against any Director of any of them in that capacity; or
 - any regulatory body commences any Inquiry against any member of the Group or the Company;
- **material contracts** – if any of the obligations of the relevant parties under any of the contracts described in this Prospectus are not capable of being performed in accordance with their terms (in the opinion of the Lead Manager) or if all or any part of any of the relevant contracts:
 - is terminated, withdrawn, rescinded, avoided or repudiated;
 - is altered, amended or varied without the consent of the Lead Manager;
 - is breached, or there is a failure by a party to comply;
 - ceases to have effect, otherwise than in accordance with its terms; or
 - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and effect, or its performance is or becomes illegal;
- **adverse change** – an event occurs which is, or is likely to give rise to:
 - an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those disclosed in the Prospectus; or
 - an adverse change in the nature of the business conducted by the Group as disclosed in the Prospectus;
- **forecasts** – there are not, or there ceases to be, reasonable grounds in the opinion of the Lead Manager (acting reasonably) for any statement or estimate in the Prospectus or related documents which relate to a future matter or any statement or estimate in these documents which relate to a future matter is, in the opinion of the Lead Manager (acting reasonably), unlikely to be met in the projected timeframe (including in each case financial forecasts);
- **misleading certificate** – a statement in any certificate given under the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect;
- **breach of laws** – there is a contravention by the Company or any entity in the Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the ASIC Act, its constitution, the Listing Rules or any other applicable law;
- **representations and warranties** – a representation or warranty contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- **breach** – the Company defaults on one or more of its undertakings or obligations under the Underwriting Agreement;
- **change of law** – there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- **hostilities** – in respect of any one or more of Australia, New Zealand, the United States, Japan, the United Kingdom and the Peoples' Republic of China:
 - hostilities not presently existing commence;
 - a major escalation in existing hostilities occurs (whether war is declared or not);
 - a declaration is made of a national emergency or war;
 - a major terrorist act is perpetrated; or
- **disruption in financial markets** – any of the following occurs:

- a general moratorium on commercial banking activities in Australia, New Zealand, the United States, Japan, the United Kingdom and the Peoples' Republic of China is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
- any adverse effect on the financial markets in Australia, New Zealand, the United States, Japan, the United Kingdom and the Peoples' Republic of China, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or
- trading in all securities quoted or listed on the ASX, the London Stock Exchange, the New York Stock Exchange, the Shanghai Stock Exchange or the Tokyo Stock Exchange is suspended for at least one day on which that exchange is open for trading.

9.5.4 Representations, warranties and undertakings

The Underwriting Agreement contains representations, warranties and undertakings provided by the Company to the Lead Manager.

The representations and warranties relate to matters such as their powers and capacities, their conduct (including in respect of their compliance with applicable laws and the ASX Listing Rules, business and status, due diligence and disclosure), certain documents issued by the Company in connection with the Offer (which includes the Offer Documentation), the information provided (including the Financial Information), insolvency, the conduct of the Offer, litigation and insurance.

The Company undertakings include that they will not, from the date of the Underwriting Agreement up until 180 days after Completion of the Offer, without the prior written consent of the Lead Manager (which must not be unreasonably withheld or delayed), issue or agree to issue any Shares or other securities of the Company or permit any member of the Group to do any of the foregoing, other than the issue of securities of the Company under the Offer, the Underwriting Agreement, an employee share plan, non-underwritten dividend reinvestment plan or bonus share plan, or as specifically contemplated in the Prospectus.

9.5.5 Indemnity

The Company agrees to keep the Lead Manager and certain of its affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including fraud, wilful misconduct, recklessness and gross negligence).

9.6 ACQUISITION OF FITNESS 24/7 IN ALBURY/WODONGA

Viva Leisure has entered into a Business Sale Agreement to acquire a business that operates 24 hour gymnasium facilities trading as "Fitness 24/7" located in Albury (New South Wales) and Wodonga (Victoria).

The purchase price for the acquisition is \$3.75 million subject to customary adjustments such as an adjustment for accrued employee entitlements and financing liabilities.

The purchase price is intended to be funded from the proceeds of the Offer. However, completion of the acquisition is not conditional on the completion of the Offer.

The acquisition is conditional on customary conditions including the assignment of premises leases and other key contracts, the payout of finance leases and there being no material adverse change in the business before completion.

The Company expects that completion of the acquisition will occur after the completion of the Offer.

The Business Sale Agreement contains other customary provisions including restrictions on seller activities before completion, seller's warranties and restraints.

9.7 INTEREST OF ADVISERS

The following professional advisers have been engaged by the Company in relation to the Offer:

(a) Ord Minnett

Ord Minnett has been engaged by the Company as Lead Manager in relation to the Offer.

The Company has agreed to enter into the Underwriting Agreement with the Lead Manager and pay the Lead Manager fees specified in Section 9.5.

The services provided by the Lead Manager include marketing the Offer, making recommendations in relation to the structure of the Offer, and making recommendations to the Company on the optimal allocation of Shares under the Offer.

(b) Gadens

Gadens has been engaged by the Company as legal adviser in relation to the Offer.

The Company has paid, or agreed to pay, approximately \$280,000 (excluding disbursements and GST) for legal services provided in relation to the Offer. Further amounts may be payable to Gadens in accordance with its normal time-based charges.

9. Additional Information

(c) Hall Chadwick Corporate

Hall Chadwick Corporate has acted as Investigating Accountant in relation to the Offer and has prepared the Investigating Accountant's Report set out in Section 8.

The Company has paid, or agreed to pay, approximately \$75,000 (excluding disbursements and GST) to Hall Chadwick Corporate for services performed in relation to the Offer. Further amounts may be payable to Hall Chadwick Corporate in accordance with its normal time-based charges.

9.8 TRANSACTIONS WITH RELATED PARTIES

Related parties of Harry Konstantinou will continue to own several properties which are leased by the Group. The Board considers that each of these arrangements are on arm's length terms, commercial terms and are subject to the usual risks associated with other leases entered by the Company. The Board has obtained independent valuation advice to confirm that the arrangements are arm's length.

A related party of Harry Konstantinou, KGFUND Pty Ltd and The Club Group Pty Ltd (a Subsidiary of the Company) are parties to a loan agreement under which KGFUND Pty Ltd has advanced a loan to The Club Group Pty Ltd in the amount of \$3.4 million (**KGFUND Loan**) to assist that Subsidiary with its working capital requirement. The KGFUND Loan will be repaid by the Company on behalf of the Club Group Pty Ltd from the proceeds of the Offer. On the repayment of the KGFUND Loan, the loan agreement will be terminated and the Group will have no outstanding liabilities owing to KGFUND Pty Ltd.

Except as described above, as at the Prospectus Date, there are no other arrangements between the Company and its Directors or other related parties.

9.9 SECURITY INTERESTS

There are several asset specific security interests registered on the PPS Register against each of the following members of the Group:

- Viva Leisure Operations Pty Ltd;
- The Club Group (Greenway) Pty Limited;
- The Club Group Pty Ltd; and
- Psyche Life Pty Ltd.

These security interests generally relate to equipment finance leases for the provision of gymnasium equipment, office equipment and motor vehicles for the purposes of the ordinary trading of the Group.

In addition to the asset specific security interests described above, there are also security interests registered on the PPS Register over all of the present and after acquired property of:

- Viva Leisure Operations Pty Ltd; and
- Viva Leisure Property Pty Ltd,

each in favour of the National Australia Bank Limited (**NAB**).

The security interest registered against Viva Leisure Operations Pty Ltd by NAB relates to a general security deed granted by Viva Leisure Operations Pty Ltd to NAB in connection with a corporate cards facility and a bank guarantee facility.

The security interest registered against Viva Leisure Property Pty Ltd by NAB relates to a general security deed granted by Viva Leisure Property Pty Ltd to NAB in connection with a bank guarantee facility.

9.10 REGULATORY RELIEF

The Company has relied on class relief granted by ASIC from section 734(2) of the Corporations Act in ASIC Corporations (Market Research and Roadshows) Instrument 2016/79 to allow companies to conduct limited market research and roadshow presentations in relation to offers which require a disclosure document.

In circumstances where an offer or intended offer requires a disclosure document, section 734(2) of the Corporations Act prohibits a person from:

- advertising the offer or intended offer; or
- publish a statement which:
 - directly or indirectly refers to an offer or intended offer; or
 - is reasonably likely to induce a person to apply for securities.

On 1 May 2019 ASIC granted the following exemptions from, and modifications to, the Corporations Act:

- an exemption pursuant to section 741(1)(a) of the Act from compliance with section 734(2) (Restrictions on advertising and publicity) to allow the Company to communicate with its employees and shareholders of the Company in relation to the Offer, on the terms and subject to the conditions, set out in the relief instrument; and
- relief from section 606 of the Corporations Act allowing the Company to acquire a relevant interest in 20% or more of the Shares by virtue of the Voluntary Escrow Deeds on certain conditions, as well as a modification of section 671B of the Corporations Act to require the Company to make substantial holding disclosure of the relevant interest it would have acquired, but for the relief, as a result of the Voluntary Escrow Deed.

The Company has applied for, and expects that upon receipt of the Company's listing application, ASX will grant a waiver from Listing Rule 1.1, Condition 12, in relation to options granted under the Company's LTI plan with a zero exercise price.

9.11 AUSTRALIAN TAX CONSIDERATIONS

The following tax comments are based on the tax law in Australia in force as at 9:00am on the date of the Prospectus. The summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor or otherwise relied upon by an investor as tax advice. The tax consequences discussed below may change if there is a change in tax law after the date of this Prospectus. They do not take into account the tax laws of countries other than Australia.

The comments provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus and hold their Shares on capital account for Australian income tax purposes and are not acquiring Shares through a permanent establishment outside of Australia. The categories of Shareholders are limited to individuals, companies (other than life insurance companies), trusts (other than management investments trusts), partnerships and complying superannuation funds.

These comments do not apply to Shareholders that hold their Shares on revenue account or as trading stock, or to non-Australian tax resident Shareholders. They also do not apply to Shareholders that are banks, insurance companies, management investment trusts or taxpayers that carry on a business of trading in shares or who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth).

Australian tax laws are complex. The precise implications of ownership or disposal of the Shares by Shareholders will depend upon each Shareholders' specific circumstances. It is strongly recommended that Shareholders obtain specialist taxation advice on the consequences of acquiring, holding or disposing of the Shares, taking into account their own specific circumstances.

9.11.1 Dividends paid on Shares

The Company may declare and pay dividends on Shares. Dividends paid by the Company will constitute assessable income of Australian tax resident Shareholders.

The Company may attach 'franking credits' to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of the profits that have been subject to Australian income tax. It is possible for a dividend to be fully franked, partly franked, or unfranked.

9.10.2 Individuals and complying superannuation entities

Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is received, together with any franking credit attached to that dividend.

Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, the Shareholder should be entitled to a tax refund equal to the excess.

To the extent that the dividend is unfranked, the Shareholder will generally be taxed at his or her prevailing marginal rate on the dividend received, with no franking tax off-set available.

9.10.3 Corporate Shareholders

Australian tax resident corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income.

Franked dividends received by a Shareholder that is a company will generally give rise to a franking credit in the Shareholder's franking account to the extent of the franking credit on the dividend received. These Shareholders may then pass on the benefit of the franking credits to its own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund for a company but will be converted into tax losses that may be able to be carried forward.

9. Additional Information

9.11.4 Trusts and partnerships

Shareholders who are Australian tax resident trusts and trustees (other than trustees of complying superannuation entities) or partnerships should also include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax off-set equal to the beneficiary's or partner's share of the net income of the trust or partnership.

9.11.5 Shares held at risk

To be eligible for the franking credit and tax offset, a Shareholder must satisfy the 'holding period' rule and 'related payments' rule. This requires that a Shareholder hold the Shares "at risk" for a continuous period of not less than 45 days (excluding the days of acquisition and disposal) and that the benefit of the dividend is not passed on within 45 days. Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied. The holding period rules will not apply to a Shareholder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed \$5,000.

9.11.6 Dividend washing

The Australian Government has enacted a specific integrity rule in the tax law to address 'dividend washing' arrangements. Under a dividend washing arrangement, a shareholder in a company holds a parcel of shares which they sell on the ordinary market on an ex dividend basis, then purchases a substantially identical parcel of shares on a special market, which includes the right to receive a dividend. The acquirer may be either the shareholder or a related party. If a dividend washing arrangement in respect of franked distributions is entered into, the tax off-set associated with the distribution on the acquired shares will not be available and will not be included in the purchaser's assessable income.

The integrity rule does not apply to individuals who receive \$5,000 or less in franking credits in the relevant income year, although general anti-avoidance rules may still apply.

Shareholders should seek professional advice to determine if these rules apply.

9.11.7 Disposal of Shares

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event where the Shareholder holds their Share on capital account.

A capital gain will arise where the capital proceeds received on disposal of the Share exceeds the cost base of the Share. A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal of that Share. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years. Broadly, the cost base and reduced cost base of a Share would usually be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal). The cost base and reduced cost base of the Share may be different if a CGT roll-over applied to the acquisition of the Share.

Generally, all capital gains and losses made by a Shareholder for an income year, plus any net capital losses carried forward from an earlier income year, will need to be aggregated to determine whether the Shareholder has made a net capital gain or net capital loss for the year.

A net capital gain is included in the Shareholder's assessable income, whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years.

If a Shareholder is an individual, complying superannuation entity or trust, and has held the Share for at least 12 months before disposal of the Share, the Shareholder may be entitled to a "CGT discount" for any net capital gain made on the disposal of the Share. A company is not entitled to a CGT discount.

Where the CGT discount applies, any net capital gain arising may be reduced by 50% in the case of individuals and trusts, and by one-third in the case of complying superannuation entities. Shareholders that are companies are not entitled to a CGT discount.

Where the Shareholder is a trustee of a trust that has held the Share for at least 12 months before disposal, the CGT discount may flow through to the beneficiaries of that trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

9.11.8 Tax file numbers and Australian Business Numbers

A Shareholder is not required to quote their tax file number (TFN), or where relevant, Australian Business Number (ABN) to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, Australian tax may be required to be deducted by the Company from certain distributions (other than fully franked dividends) at the maximum marginal tax rate plus the Medicare levy. A Shareholder that holds Shares as part of an enterprise may quote its ABN instead of its TFN.

9.11.9 Australian Goods and Services Tax (GST)

Shareholders should not be liable for goods and services tax in respect of their acquisition or disposal of Shares. No GST should be payable by Shareholders on receiving dividends distributed by the Company.

An Australian resident Shareholder that is registered for GST may not be entitled to claim input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Shares.

Investors should seek their own advice on the impact of GST in their own particular circumstances.

9.11.10 Stamp duty

No Australian stamp duty should be payable by Shareholders in respect of their acquisition or disposal of their Shares. Individual Shareholders should obtain their own independent advice depending on their individual circumstances.

9.12 EXPENSES OF THE OFFER

If the Offer proceeds, the total estimated costs in connection with the Offer (including advisory, legal, accounting, tax, listing and administrative fees, the Lead Manager's management fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses) are currently estimated to be \$1.2 million. This does not include the non-cash component of the expenses of the Offer described in the notes to Table 3 of Section 4.3.

This amount will be paid by the Company.

9.13 PRIVACY

Persons whom make an Application for Shares will be providing personal information to the Company directly or indirectly to the Share Registry. The Company and the Share Registry may collect, hold and use personal information to process and assess Applications for Shares, service the needs as a security holder, facilitate distribution payments and corporate communications with the security holder, provide facilities requested and carry out appropriate administration. The Australian taxation legislation and the Corporations Act require personal information about Applicants, including name, address and details about Shares, to be included on the Share register. Personal information held on the Share register must be accessible to the public under the Corporations Act and will continue to be included on the Share register where you cease to be a security holder.

Personal information of security holders may also be used from time to time and disclosed for purposes relating to their investment to the Company's agents and service providers it may engage with in connection with the ordinary conduct of its operations, persons inspecting the register, bidders for securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, legal and accounting firms, auditors and other advisers for the purpose of advising on the Shares, print service providers, mail houses, the Share Registry or as otherwise required under the *Privacy Act 1988* (Cth). The Company's agents may be located outside of Australia where your personal information may not receive the same level of protection as required by Australian law. From time to time the Company may contract overseas commercial organisations to provide products or services to the Company or its client.

The Company aims to ensure the personal information it holds is accurate, complete and up to date. You may request access to, correction of and an update to the personal information that the Company holds about you by contacting the Share Registry or the Company. You will generally be provided access to your personal information, subject to some exceptions permitted by law. You may be required to pay a reasonable fee to the Share Registry or the Company to gain access to your personal information. Please contact the Company or the Share Registry if you wish to lodge a complaint about the management of your personal information, request access or amendment to your personal information or obtain further information about the Company's privacy practices by using the relevant contact numbers set out on the inside back cover of this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. Persons who make an Application should note that if all the information required on the Application Form is not provided, the Company may not be able to accept or process the Application.

9.14 LEGAL PROCEEDINGS

From time to time the Company and the Subsidiaries may be party to various disputes and legal proceedings incidental to the conduct of its business.

As at the Prospectus Date, so far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

9.15 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the law applicable in Victoria, and each Applicant submits to the exclusive jurisdiction of the courts of Victoria.

9. Additional Information

9.15 CONSENTS TO BE NAMED AND STATEMENT OF DISCLAIMERS OF RESPONSIBILITY

Other than as set out below, each of the parties in the following table:

- has given, and has not withdrawn prior to the lodgement of the Prospectus with ASIC, its written consent to be named in this Prospectus in the form and the context in which it is named;
- has not made, and does not purport to make, any statement or representation in the Prospectus or any statement or representation on which a statement or representation made in the Prospectus is based; and
- does not cause or authorise the issue of the Prospectus, and to the maximum extent permitted by law (together with its affiliates) expressly disclaims, makes no representation regarding, and takes no responsibility for any statements or material in or omissions from the Prospectus and excludes and disclaims all liability or damage, loss (whether direct, indirect or consequential), cost or expense that may be incurred by an applicant for, or investor in, the Shares as a result of the Prospectus being inaccurate or incomplete in any way for any reason.

ROLE	CONSENTING PARTIES
Lead Manager/Underwriter	Ord Minnett
Australian Legal Adviser	Gadens Lawyers
Tax Adviser	Hall Chadwick
Investigating Accountant	Hall Chadwick Corporate
Auditor	Hall Chadwick
Share Registry	Link Market Services Limited

Hall Chadwick Corporate has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of its Investigating Accountant's Report in Section 8, in the form and context in which it is included (and all other references to that report and those statements) in this Prospectus.

9.16 STATEMENT OF DIRECTORS

This Prospectus is authorised by each Director of the Company, each of whom has consented to its lodgement with ASIC.



Appendix A: Significant Accounting Policies

Appendix A: Significant Accounting Policies

This appendix provides a list of significant accounting policies adopted in the preparation of the aggregated Historical Financial Information and the consolidated Pro Forma Forecast Financial Information to the extent they have not already been disclosed. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Principles of aggregation (Historical Financial Information)

The financial statements aggregate the assets, liabilities and results of entities in the Viva Leisure aggregated group ("the Group") at the end of the reporting period, namely the financial statements of:

- (i) Viva Leisure Pty Limited;
- (ii) Viva Leisure Operations Pty Limited;
- (iii) Viva Leisure People Pty Limited;
- (iv) Viva Leisure Property Pty Limited;
- (v) Psyche Life Pty Limited;
- (vi) The Club Group Pty Limited;
- (vii) The Club Group (Greenway) Pty Limited;
- (viii) Club MMM! Pty Limited; and
- (ix) The Club Group Trust.

(b) Principles of consolidation (Pro forma Forecast Period)

The Pro Forma Forecast Period financial information consolidates those of the Parent Company and all of its subsidiaries as if they were a consolidated group as at 30 June 2018, namely the financial information of:

- (i) Viva Leisure Operations Pty Ltd;
- (ii) Viva Leisure Property Pty Ltd;
- (iii) Viva Leisure People Pty Ltd;
- (iv) Viva Leisure Membership Pty Ltd;
- (v) Psyche Life Pty Ltd;
- (vi) The Club Group (Greenway) Pty Ltd;
- (vii) HIIT Republic Australia Pty Ltd;
- (viii) The Club Group Pty Ltd;
- (ix) Club MMM! Pty Ltd;
- (x) Club Lime Pty Ltd;
- (xi) Club Pink Pty Ltd;
- (xii) Club Blue Pty Ltd
- (xiii) Club Swim Pty Ltd; and
- (xiv) Club Team Pty Ltd.

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations other than those associated with the issue of a financial instrument are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(d) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds a less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value ("full goodwill method") or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ("proportionate interest method"). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold. Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(e) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the Group in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Appendix A: Significant Accounting Policies

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note (h) of Appendix A for details of impairment).

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATE
Plant and equipment	10–40%
Furniture and fittings	10–20%
Motor Vehicles	15–25%
Leased plant and equipment	5–20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(g) Leases (to 31 December 2018)

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to the Group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Leases (from 1 January 2019)

At inception of a contract, the group assess 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 assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- The contract involves the use of an identified asset – this may be explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - The Group has the right to operate the asset; or
 - The Group has designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or at the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discounted rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents the right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(h) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Appendix A: Significant Accounting Policies

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments. Accordingly, such interests are accounted for on a cost basis.

(i) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

The group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The group adopts the simplified approach in measuring its expected credit losses. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: *Revenue from Contracts with Customers* and contain a significant financing component.

(j) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in the profit or loss arising from derecognition of an intangible asset is measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(k) Employee benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(n) Revenue and other income

Provision of gym services

The gym services revenue stream focuses on providing customers with access to the groups' gym facilities. Revenue is recognised as the customers are provided access to the gym. Under AASB 15: *Revenue from Contracts with Customers*, this happens over time as customers pay in advance of receipt of this service. The consideration received in advance of providing these services is recognized as a contract liability. Therefore, revenue is recognised over time as the customer consumes these services. The transaction price is determined with reference to the contract price as stated in the customers contract.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax.

(o) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

At the end of each reporting period, the carrying amount of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in statement of comprehensive income.

(p) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.



Glossary

Glossary

TERM/ABBREVIATION	EXPLANATION
AASB	The Australian Accounting Standards Board
AM	Member of the Order of Australia
Applicant	A person who submits an Application Form
Application	An application made using the Application Form to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)
Application Monies	The amount accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001 (Cth)</i>
ASX	Australian Securities Exchange or ASX Limited (ACN 008 624 691), as the context requires
ASX Listing Rules	The official listing rules of the ASX
ASX Recommendation	The third edition of the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Limited (ACN 008 504 532)
ATO	Australian Taxation Office
AUD, \$	Australian dollars
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
Australian Consumer Law	Schedule 2 to the <i>Competition and Consumer Law Act 2010 (Cth)</i>
Board	The Board of Directors of the Company
Broker	Any ASX participating organisation selected by the Lead Manager to participate in the Broker Firm Offer
Broker Firm Offer	The invitation to apply for Shares under this Prospectus to Australian resident clients of Brokers who have received an invitation to participate from their Broker
Broker Firm Offer Application Form	The application form attached to or accompanying this Prospectus in respect of a Broker Firm Offer
Business Day	ASX business day in terms of the operating rules of the ASX markets and clearing and settlement facilities
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHES	Clearing House Electronic Subregister System operated in accordance with the Corporations Act
CGT	Capital gains tax
CISAC	The Canberra International Sports and Aquatic Centre which includes three facilities operated by Viva Leisure, being two health clubs and an aquatic centre.
Closing Date	The date at which the Offer closes
Company	Viva Leisure Limited (ACN 607 079 792)
Completion	Completion in respect of the allotment of Shares in accordance with the Underwriting Agreement
Completion Date	The date on which the Offer is Completed

Glossary

TERM/ABBREVIATION	EXPLANATION
Conditions	The conditions to Completion of the Offer, being ASX's approval of the Company's listing application
Constitution	The constitution of the Company
COO	Chief Operating Officer
Corporations Act	<i>Corporations Act 2001</i> (Cth)
CY	Calendar year beginning 1 January and ended or ending 31 December
Director(s)	The Director or Directors of the Company
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
Escrowed Shareholder	The Directors and senior executives who hold Shares and who have entered into the Voluntary Escrow Deeds in accordance with Section 6.4
Existing Shareholders	The Shareholders as at the Prospectus Date
Existing Shares	The Shares on issue at the Prospectus Date
Exposure Period	The period specified in section 723(3) of the Corporations Act, being a minimum of seven days from the Original Prospectus Date, during which an Application must not be accepted. ASIC may extend this period by up to a further seven days after the end of this period
Financial Information	The Financial Information set out in Section 4.4.1
Forecast Financial Information	The Pro Forma Forecast Income Statement, Pro Forma Forecast Cash Flow Statement and the Pro Forma Balance Sheet
Forecast Period	Financial year ending 30 June 2019 and 30 June 2020
FY	Financial year beginning 1 July and ended or ending 30 June
Group	Viva Leisure and each of its Subsidiaries
Government	The Australian Government
Government Agency	Any government or any public, statutory, governmental (including a local government), semi-governmental or judicial body, entity, department or authority and includes any self-regulatory organisation established under statute
GST	Goods and services or similar tax imposed in Australia
GSTA	<i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth)
Hall Chadwick	Hall Chadwick Sydney Partnership
Hall Chadwick Corporate	Hall Chadwick Corporate (NSW) Limited
IFRS	International Financial Reporting Standards
Institutional Investor	An investor to whom offers of, or invitation to apply for, Shares can be made without the need to lodge a prospectus, including in Australia persons to whom offers or invitations can be made without the need to lodge a prospectus under section 708(8) or 708(11) of the Corporations Act
Institutional Offer	The invitation to bid for Shares made to Institutional Investors under this Prospectus as set out in Section 7.4
Investigating Accountant	Hall Chadwick
Investigating Accountant's Report	The Investigating Accountant's Report set out in Section 8

TERM/ABBREVIATION	EXPLANATION
IPO	Initial Public Offering
ITAA97	<i>Income Tax Assessment Act 1997</i>
KGFUND Loan	The related party loan referred to in Section 9.8
Lead Manager	Ord Minnett Limited
Listing	The listing of the Company on ASX following Completion of the Offer
NAB	National Australia Bank Limited (ACN 004 044 937)
New Shareholders	Persons acquiring New Shares
New Shares	Shares issued pursuant to the Offer
Non-Executive Director	A Director who is not an employee or executive of the Company
NPAT	Net profit after tax
NPATA	NPATA means NPAT adjusted for non-cash amortisation relating to the finite life of intangible assets recognised as part of acquisitions See Section 4 for further details
Offer	The offer under this Prospectus of 20.0 million Shares by the Company
Offer Documentation	The documents issued or published by, or on behalf of the Company in respect of the Offer including the Prospectus
Offer Information Line	1800 647 819 (toll free within Australia) or +61 1800 647 819 (outside Australia) in each case, open from 8:30am to 5:30pm (Melbourne time) Monday to Friday during the Offer Period
Offer Period	The period from the Opening Date and ending on the Closing Date
Offer Price	The price per Share that all Successful Applicants will pay for Shares under the Offer, being \$1.00 per Share
Official List	The official list of entities that ASX has admitted and not removed from listing
Opening Date	The date on which the Offer opens, expected to be 13 May 2019
Ord Minnett	Ord Minnett Limited (ACN 002 733 048)
Original Prospectus	Means the prospectus dated on the Original Prospectus Date (including the electronic form of that document)
Original Prospectus Date	Means the date of the Original Prospectus, being 3 May 2019
PBT	Profit before tax
PE	Price to earnings
PPS Register	The Personal Property Securities Register maintained by the Commonwealth Government pursuant to the <i>Personal Property Security Act 2009</i> (Cth)
Prospectus	This document dated 14 May 2019 (including the electronic form of this document), and any replacement or supplementary prospectus in relation to this document
Prospectus Date	The date of this Prospectus, being 14 May 2019
Relevant Interest	Has the meaning given to that term in the Corporations Act
Share	A fully paid ordinary share in the capital of the Company
Share Register	The share register of the Company
Share Registry	Link Market Services Limited (ACN 083 214 537)
Shareholder	A person recorded in the Company's share register as the holder of a Share

Glossary

TERM/ABBREVIATION	EXPLANATION
Subsidiaries	The wholly owned subsidiaries of the Company at the Prospectus Date as set out in Section 9.1
Successful Applicant(s)	Any one or all Applicant(s) who is issued Shares under the Offer
TFN	Tax file number
Tranche 1 Options	The options issued in the Company which are exercisable for Shares in accordance with Section 6.3.4
Tranche 2 Options	The options issued in the Company which are exercisable for Shares in accordance with Section 6.3.4
Total Proceeds	The number of New Shares to be issued under the Offer multiplied by the Offer Price
Underwriter	Ord Minnett
Underwriting Agreement	The agreement of that name between the Company and the Underwriter dated on or about the Original Prospectus Date
Viva Leisure	The Company
Voluntary Escrow Deed	The agreement of that name between each Escrowed Shareholder and the Company as set out in Section 6.4
Voluntary Escrow Shares	The Shares held by the Escrowed Shareholders at Completion as described at Section 6.4
VVA	The expected ASX code of the Company

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Viva Leisure Limited ("VVA") Shares. Further details about the Shares are contained in the Prospectus dated 14 May 2019 issued by Viva Leisure Limited. The Prospectus will expire on 3 June 2020. While the Prospectus is current, Viva Leisure Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of \$2,000 worth of Shares. There is no maximum value of Shares which Applicants may apply for under the Offer. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Viva Leisure Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Viva Leisure Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Viva Leisure Pty Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

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Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Corporate Directory

REGISTERED OFFICE

Viva Leisure Limited
Unit 7, First Floor
141 Flemington Road
Mitchell ACT 2911

DIRECTORS

Harry Konstantinou
Bruce Glanville
Mark McConnell
Sue Forrester

LEAD MANAGER

Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney NSW 2000

SHARE REGISTRY

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

COMPANY'S WEBSITE

www.vivaleisure.com.au

LEGAL ADVISERS

Gadens Lawyers
Level 25, 600 Bourke Street
Melbourne VIC 3000

INVESTIGATING ACCOUNTANT

Hall Chadwick Corporate (NSW) Limited
Level 40, 2 Park Street
Sydney NSW 2000

AUDITORS

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

VIVA LEISURE IPO OFFER INFORMATION LINE:

1800 647 819 (within Australia)
+61 1800 647 819 (outside Australia)
From 8:30am to 5:30pm (Melbourne time)
Monday to Friday

VIVA
LEISURE