



VIVA LEISURE GROUP

**Interim Financial Statements
For the Half-Year Ended
31 December 2018**

Viva Leisure Group

Interim Financial Statements for the Half-Year Ended 31 December 2018

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VIVA LEISURE GROUP

DIRECTORS' REPORT

The Directors of Viva Leisure Limited (Viva Leisure) present their Report together with the financial statements of the Consolidated Entity, being Viva Leisure Limited (the Company) and its controlled entities (Viva Leisure Group or the Group) for the half-year ended 31 December 2018.

Directors

The following persons were Directors of Viva Leisure during or since the end of the financial half-year:

- Harry Konstantinou
- Bruce Glanville (appointed 18 October 2018)
- Mark McConnell (appointed 18 October 2018)
- Susan Forrester (appointed 18 October 2018)

Review of Operations and Financial Results

The profit of the Group has decreased to \$1,265,655 (2017: \$1,366,325) mainly due to the expensing of one-off IPO costs incurred of \$396,238 before tax.

Subsequent to the 30 June 2018 year end, a group restructure occurred whereby the following transactions took place:

- On 31st July 2018 the Company reorganized its share capital by executing a share split of 37,500 ordinary class shares for every one share issued, to increase issued capital to 4,500,000 ordinary shares;
- On 31st July 2018 the Company acquired the businesses of the Club Group Trust for consideration of 11,850,000 shares in the Company;
- On 1st August 2018 the Company acquired the share capital of The Club Group Pty Limited and its subsidiary Club MMM! Pty Limited for consideration of 4,650,000 shares in the Company.

As the restructure was determined to occur under the control of the same shareholders, a common control reserve was created in the equity section of the balance sheet.

Capital raising activities were undertaken during the period which raised \$3.5m and allowed the Group to fund the acquisitions via a cash settlement.

This directors' report is signed in accordance with a resolution of the Board of Directors:



Director

Harry Konstantinou

Dated this 8 day of March 2019.

VIVA LEISURE LIMITED AND CONSOLIDATED ENTITIES
ABN 76 607 079 792

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF VIVA LEISURE LIMITED

SYDNEY

Level 40
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Sydney NSW 2000
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I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2018 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Sandeep Kumar

Sandeep Kumar
Partner
Date: 8 March 2019

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VIVA LEISURE GROUP
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
HALF-YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018	31 Dec 2017
	\$	\$
Sales revenue	15,032,991	11,554,651
Other income	19,067	-
Rental expense	(3,150,248)	(2,380,157)
Employee benefits expense	(5,167,114)	(4,030,547)
Advertising and marketing costs	(406,161)	(320,662)
Utilities and cleaning	(1,217,493)	(1,011,089)
Licenses and subscriptions	(229,667)	(151,414)
Repairs and maintenance	(248,950)	(233,638)
Depreciation and amortisation expense	(1,019,422)	(623,880)
Finance costs	(312,643)	(254,745)
Other expenses	(1,512,981)	(981,194)
Profit before income tax	<u>1,787,379</u>	<u>1,567,325</u>
Tax expense	(521,724)	(201,000)
Profit for the year	<u>1,265,655</u>	<u>1,366,325</u>
Total comprehensive income for the year	<u>1,265,655</u>	<u>1,366,325</u>

The accompanying notes form part of these financial statements.

VIVA LEISURE GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31 Dec 2018 \$	30 June 2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,636,792	1,062,176
Trade and other receivables		241,336	142,370
Inventories		181,795	145,958
Other current assets	2	460,394	146,179
TOTAL CURRENT ASSETS		<u>2,520,317</u>	<u>1,496,683</u>
NON-CURRENT ASSETS			
Financial assets		-	79
Property, plant and equipment		13,054,023	9,630,147
Intangible assets		3,281,618	39,565
Deferred tax assets		113,466	258,644
TOTAL NON-CURRENT ASSETS		<u>16,449,107</u>	<u>9,928,435</u>
TOTAL ASSETS		<u>18,969,424</u>	<u>11,425,118</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,458,261	1,988,460
Borrowings		5,298,840	3,323,713
Contract liabilities		932,730	926,264
Current tax liabilities		1,051,112	494,636
Provisions		545,573	668,827
TOTAL CURRENT LIABILITIES		<u>10,286,516</u>	<u>7,401,900</u>
NON-CURRENT LIABILITIES			
Borrowings		3,706,452	4,079,303
Provisions		463,251	12,631
TOTAL NON-CURRENT LIABILITIES		<u>4,169,703</u>	<u>4,091,934</u>
TOTAL LIABILITIES		<u>14,456,219</u>	<u>11,493,834</u>
NET ASSETS		<u>4,513,205</u>	<u>(68,716)</u>
EQUITY			
Issued capital		24,500,395	395
Reserves		(21,183,734)	-
Retained earnings		1,196,544	(69,111)
TOTAL EQUITY		<u>4,513,205</u>	<u>(68,716)</u>

The accompanying notes form part of these financial statements.

VIVA LEISURE GROUP

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

	Share Capital	Reserves	Retained Earnings (Accumulated losses)	Total
	\$	\$	\$	\$
For the half-year ended 31 December 2018				
Balance at 1 July 2018	395	-	(69,111)	(68,716)
Issue of share capital	3,500,000	(183,734)	-	3,316,266
Transactions with owners	3,500,000	(183,734)	-	3,316,266
Profit for the period	-	-	1,265,655	1,265,655
Total comprehensive profit for the year attributable to members of the entity	-	-	1,265,655	1,265,655
Total transactions with owners and other transfers	3,500,000	(183,734)	1,265,655	4,581,921
Balance at 31 December 2018	3,500,395	(183,734)	1,196,544	4,513,205

	Share Capital	Reserves	Retained Earnings (Accumulated losses)	Total
	\$	\$	\$	\$
For the half-year ended 31 December 2017				
Balance at 1 July 2017	395	-	(2,121,859)	(2,121,464)
Issue of share capital	-	-	-	-
Issue of share capital under group restructure	-	-	-	-
Common control reserve created under group restructure	-	-	-	-
Transactions with owners	-	-	-	-
Profit for the period	-	-	1,366,325	1,366,325
Total comprehensive profit for the year attributable to members of the entity	-	-	1,366,325	1,366,325
Total transactions with owners and other transfers	-	-	1,366,325	1,366,325
Balance at 31 December 2017	395	-	(755,534)	(755,139)

VIVA LEISURE GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018	31 Dec 2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	16,448,154	12,924,305
Payments to suppliers and employees	(12,957,502)	(10,782,571)
Interest received	6,162	142
Net cash provided by operating activities	<u>3,496,814</u>	<u>2,141,876</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,876,355)	(748,824)
Proceeds from sale of property, plant and equipment	61,895	16,879
Purchase of intangibles	(14,582)	-
Payments for business combinations, net of cash acquired	(3,293,354)	-
Net cash (used in) investing activities	<u>(5,122,396)</u>	<u>(731,945)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,500,000	-
Proceeds from borrowings from related parties	1,487,723	(557,049)
Lease payments	(874,882)	(470,895)
Repayment of borrowings	(1,600,000)	-
Interest paid	(312,643)	(254,745)
Net cash provided by / (used in) financing activities	<u>2,200,198</u>	<u>(1,282,689)</u>
Net increase in cash held	574,616	127,243
Cash at beginning of financial period	1,062,176	624,457
Cash at end of financial period	<u>1,636,792</u>	<u>751,700</u>

The accompanying notes form part of these financial statements.

VIVA LEISURE GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Note 1: Summary of Significant Accounting Policies

a. Nature of Operations

Viva Leisure Limited and its Subsidiaries' (Viva Leisure Group or the Group) principal activities are health club operation. No significant change in the nature of these activities occurred during the year.

b. General Information and Basis of Preparation

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2018 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2018.

c. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of following new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant nor material.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

There was no material impact from the adoption of this standard.

AASB 15 Revenue from contracts with customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

The Directors determined that the application of this standard does not impact the Group's principal activities.

VIVA LEISURE GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	2018	2017
	\$	\$
Note 2 Other Current Assets		
Prepaid due diligence costs relating to IPO	179,333	-
Prepaid operating expenses	281,061	146,179
	<u>460,394</u>	<u>146,179</u>

Note 3 Business Combinations

- (a) On 10 September 2018, the Group acquired the health club business Elite Physique (Elite) from Changing Shapes Pty Limited for a purchase consideration of \$575,570. The acquisition is part of the Group's overall strategy to expand into other territories.

The purchase was satisfied by the payment of \$575,570.

	\$
Fair value of consideration transferred	
Amount settled in cash	575,570
Recognised amounts of identifiable net assets	
Property, plant and equipment	200,000
Intangible assets	<u>250,000</u>
Total non-current assets	450,000
Trade and other receivables	<u>859</u>
Total current assets	859
Trade and other payables	(1,297)
Other liabilities	<u>(73,992)</u>
Total current liabilities	<u>(75,289)</u>
Identifiable net assets	375,570
Goodwill on acquisition	<u>200,000</u>
Net cash outflow on acquisition	575,570
Acquisition costs charged to expenses	<u>4,250</u>
Net cash paid relating to the acquisition	<u>579,820</u>

(i) Consideration transferred

Acquisition-related costs amounting to \$4,250 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

(i) Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to \$859. The Directors believe the receivables are fully recoverable and no provision for impairment is required.

The fair value of identifiable intangible assets has been determined taking into consideration forecast sales derived from the existing member base adjusted for estimated churn rates.

(ii) Goodwill

The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the strong geographic positioning in relation to other Group health clubs which cannot be recognised as an intangible asset.

The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

(iii) Contribution to the Group's results

Elite contributed \$262,349 and \$133,278 to the Group's revenues and profits before depreciation, amortisation, interest and tax.

VIVA LEISURE GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

- (b) On 28 September 2018, the Group acquired the health club business, Xceler8 from Xceler8 Fitness Centre Pty Limited for a purchase consideration of \$3,229,984. The acquisition is part of the Group's overall strategy to expand into other territories.

The purchase was satisfied by the payment of \$2,850,141 plus the payout of certain finance lease liabilities at completion of \$183,404 plus the assumption of other finance lease liabilities of \$196,439.

	\$
Fair value of consideration transferred	
Amount settled in cash	2,850,141
Finance lease liabilities paid out	183,404
	<u>3,033,545</u>
Recognised amounts of identifiable net assets	
Property, plant and equipment	616,766
Intangible assets	720,000
Total non-current assets	1,336,766
Trade and other receivables	6,831
Total current assets	6,831
Borrowings	(196,432)
Total non-current liabilities	(196,432)
Provisions	(134,281)
Other liabilities	(112,692)
Total current liabilities	(246,973)
Identifiable net assets	900,192
Goodwill on acquisition	2,133,353
Net cash outflow on acquisition	3,033,545
Acquisition costs charged to expenses	4,250
Net cash paid relating to the acquisition	<u>3,037,795</u>

(ii) Consideration transferred

Acquisition-related costs amounting to \$4,250 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

(iii) Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to \$6,831. The Directors believe the receivables are fully recoverable and no provision for impairment is required.

The fair value of identifiable intangible assets has been determined taking into consideration forecast sales derived from the existing member base adjusted for estimated churn rates.

(iv) Goodwill

The goodwill that arose on the combination can be attributed to the synergies expected to be derived from the combination and the strong geographic positioning in relation to other Group health clubs which cannot be recognised as an intangible asset.

The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

(v) Contribution to the Group's results

Xceler8 contributed \$772,887 and \$377,436 to the Group's revenues and profits before depreciation, amortisation, interest and tax respectively from the date of the acquisition to 31 December.

VIVA LEISURE GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

Note 4. Segment reporting

Management has determined that it operates one business segment, being health club services which represents the main service provided by the group. There are no other distinguishable components of the Group that are subject to risks and returns that are different from the main business segment, relating either to the nature, production, class, distribution or regulatory environment of the main service.

In addition, management has determined that the Group operates in one geographic segment.

Note 5. Contingent Liabilities and Contingent Assets

The Group has no contingent assets or liabilities.

Note 6. Events After the Reporting Period

The following events occurred after the reporting period:

- In February 2019, the group opening a health club and aquatic facility at the Australian National University, Canberra
- In February 2019, the group opened a health club in Googong, NSW

Note 7. Financial Instruments

There was no material impact from the adoption of this standard.

VIVA LEISURE GROUP DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Viva Leisure Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 12, are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Director

Harry Konstantinou

Dated this 8 day of March 2019.

VIVA LEISURE LIMITED AND CONSOLIDATED ENTITIES
ABN 76 607 079 792
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
VIVA LEISURE LIMITED

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia
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Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Viva Leisure Limited, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Viva Leisure Limited are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Independence

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

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VIVA LEISURE LIMITED AND CONSOLIDATED ENTITIES
ABN 76 607 079 792
INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
VIVA LEISURE LIMITED

SYDNEY

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Viva Leisure Limited is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of Viva Leisure Limited's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

Skumar

Sandeep Kumar

Partner

Date: 8 March 2019