



VIVA

LEISURE

VIVA LEISURE LIMITED

Consolidated Financial Statements

For the year ended 30 June 2019

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Directors' Report

The Directors of Viva Leisure Limited present their report together with the financial statements of the consolidated entity, being Viva Leisure Limited and its controlled entities (the Group) for the financial year ended 30 June 2019.

Directors

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

Harry Konstantinou	
	Managing Director and Chief Executive Officer Appointed 15 July 2015 Member of the People and Culture Committee Appointed 12 October 2018
Qualifications	BA, (University of Canberra)
Experience	Company co-founder and Director since 2004. Harry has over 25 years of experience developing, managing and selling technology services business.
Other Current Directorships	None
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	23,230,502 ordinary shares and options to acquire a further 2,170,000 ordinary shares
Bruce Glanville	
	Independent Non-Executive Director Independent Chair Member of the Audit and Risk Committee and Chair of the People and Culture Committee Appointed 12 October 2018
Qualifications	Fellow of Institute of Chartered Accountants, Member of Australian Institute of Company Directors
Experience	Appointed Board and Committee member and Chair on 12 October 2018. Bruce is a Chartered Accountant and was formerly a partner at Duesburys Rolins and Deloitte. He has extensive experience providing board leadership and governance in addition to driving growth strategies to the businesses he has led.
Other Current Directorships	None
Previous Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	300,000 ordinary shares and options to acquire a further 200,000 ordinary shares

Directors' Report

Mark McConnell	
	Non-Executive Director Member of the People and Culture Committee Appointed 12 October 2018
Qualifications	Bachelor of Science, Graduate Diploma of Employment Relations, Graduate Diploma of Logistics Management, Master of Business Administration, Fellow of Australian Institute of Company Directors
Experience	Appointed Board and Committee member on 12 October 2018. 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.
Other Current Directorships	Citadel Group Limited (ASX:CGL) Adveritas Limited (ASX:AV1)
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	4,543,296 ordinary shares
Susan Forrester AM	
	Independent Non-Executive Director Audit and Risk Committee Chair Appointed 12 October 2018
Qualifications	Bachelor of Arts, Bachelor of Law (Hons), Master of Business Administration, Fellow of the Institute of Company Directors
Experience	Appointed Board and Committee member on 12 October 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.
Other Current Directorships	Chair and Non-Executive Director of National Veterinary Care Ltd (ASX:NVL) Non-Executive Director of G8 Education Limited (ASX:GEM) Non-Executive Director of Over the Wire Holdings Limited (ASX:OTW)
Directorships held in other listed entities during the three years prior to the current year	Non-Executive Director of Xenith IP Group Limited (ASX:XIP) between 2015 and August 2019
Interest in Shares and Options	24,593 ordinary shares and options to acquire 100,000 ordinary shares

Directors' Report

Kym Gallagher	
	Company Secretary and Chief Financial Officer
Qualifications	Bachelor of Economics, Member of Institute of Chartered Accountants
Experience	Appointed Company Secretary on 12 October 2018. Kym has considerable experience as the CFO and other senior management roles of numerous ASX listed companies, commencing with RG Capital Radio (ASX:REG) in 2000, followed by Macquarie Media Group (ASX:MMG) in 2005 and Southern Cross Media (ASX:SXL) in 2010
Other Current Directorships	None
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	100,000 ordinary shares and options to acquire a further 175,000 ordinary shares

Morgan Bryant	
	Company Secretary and Group General Counsel
Qualifications	Bachelor of Arts (International Studies), Bachelor of Laws, Graduate Diploma of Legal Practice, admitted Barrister and Solicitor of the High Court of Australia
Experience	Appointed Company Secretary on 12 October 2018. Prior to joining Viva, Morgan spent the first 6-years of his career working privately in various legal and marketing roles, including with a large multi-national privately-held company, before spending a further 7-years in various executive roles within Government. Morgan is an experienced lawyer with a broad practise.
Other Current Directorships	None
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	5,000 ordinary shares

Principal Activities

The principal activities of the consolidated group during the financial year were health club operation. No significant change in the nature of these activities occurred during the year.

Review of Operations and Financial Results

Financial highlights for the year:

- Statutory total revenues from continuing operations were \$31.2 million compared with \$7.6 million in the financial year ended 30 June 2018;
- Profit before income tax from continuing operations has increased to \$4.0 million, compared with \$1.6 million in the financial year ended 30 June 2018;
- Net Profit After Tax (NPAT) from continuing operations and attributable to members was \$2.9 million compared with a financial year ended 30 June 2018 result of \$1.3 million;
- Cash and cash equivalent reserves available for deployment on acquisitions is strong at \$14.4 million, up from \$0.5 million in the financial year ended 30 June 2018; and,
- There was an increase in net assets of \$25.2 million to \$25.8 million compared to \$0.6 million at the financial year ended 30 June 2018.

Directors' Report

Ignoring the impacts of the restructure as described below and in Note 4, and assuming that there was a consistent group structure across the two financial periods:

- Statutory total revenues from continuing operations were \$33.1 million compared with \$24.1 million in the financial year ended 30 June 2018, an increase of 37.1%;
- Profit before income tax from continuing operations has increased to \$4.3 million, compared with \$3.1 million in the financial year ended 30 June 2018, an increase of 36.1%;
- Net Profit After Tax (NPAT) from continuing operations and attributable to members was \$3.2 million compared with a financial year ended 30 June 2018 result of \$2.9 million, an increase of 8.2%;

These results are consistent with the financial information presented in the Company's prospectus dated 14 May 2019. A summary comparison of the results between 2019, 2018 and the prospectus forecast appears below:

Key Information	2019	2018	Increase / (Decrease) %	Prospectus	Increase / (Decrease) %
Total revenue and other income	33,081,934	24,127,453	37.1	32,910,000	0.5
EBITDA	7,285,461	5,207,727	39.9	6,812,000	7.0
Depreciation and amortisation	(2,327,020)	(1,536,556)	51.4	(2,399,000)	(3.0)
EBIT	4,958,441	3,671,171	35.1	4,413,000	12.4
Finance costs	(682,983)	(530,597)	28.7	(713,000)	(4.2)
NPBT	4,275,458	3,140,574	36.1	3,700,000	15.6
Tax expense	(1,120,842)	(223,905)	400.6	(1,017,000)	10.2
NPAT	3,154,616	2,916,669	8.2	2,683,000	17.6

Note: these are 12-month year on year results. Refer to note 4 (b) for further information.

Operational highlights for the financial year:

- An increase in operating locations/clubs from 21 to 40;
- Member numbers increasing from 35,600 at June 2018 to 54,000 at 30 June 2019;
- Strengthening our presence in regional NSW, and entering the regional Victorian market;
- The launch of the first hiit republic boutique studio;
- Acquisitions completed of xceler8 Fitness (Wagga Wagga, NSW), Elite Physique (Canberra), Absolute Fitness (Goulburn, NSW) and Fitness 24 Seven (Albury (NSW) and Wodonga (Victoria))

Significant Changes in the State of Affairs

During the year, the following significant changes occurred within the Group:

1. Group Restructure:

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

- a. On 31st July 2018 the Company reorganised 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;
- b. On 31st July 2018 the Company acquired the businesses of the Club Group Trust for consideration of 11,850,000 shares in the Company;
- c. 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.

Directors' Report

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. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that the control is not transitory.

Where an entity within the group acquires an entity under common control, the acquirer consolidates the carrying values of the acquired entity's assets and liabilities from the date of acquisition. The consolidated financial statements of the group include the acquired entity's income and expenses from the date of acquisition onwards. Any difference between the fair value of the consideration paid/transferred by the acquirer and the net assets/ (liabilities) of the acquired entity are taken to the common control reserve.

2. Pre-IPO Investment:

On the 1st August 2018 the Company issued 3,425,000 shares (which were converted to 4,543,296 under the share reconstruction that occurred prior to the IPO. See Note 21.) for a consideration of \$3.5 million. The investment was undertaken by a controlled entity of Mark McConnell, a Director of Viva Leisure. The terms of the investment were agreed during the financial year ended 30 June 2018, but was contingent upon a corporate restructure taking place, which did not occur until early in the financial year ended 30 June 2019. The investment was settled immediately after the restructure occurred. The funds from the investment were used to fund the acquisitions described in point 3 below.

3. Acquisition of Xceler8 and Elite Physique:

In September 2018, the Company acquired the business of Xceler8 in Wagga Wagga, New South Wales for cash consideration of approximately \$3.2 million in aggregate (see note 28). The acquisition was under a business sale arrangement.

As part of the acquisition of Xceler8, Viva Leisure also assumed \$380,000 in lease finance liabilities of which \$184,000 were paid out at completion.

Intangibles resulting from these Acquisitions totalled approximately \$2.9 million, comprising member contracts at \$720,000 with the balance being goodwill.

4. Acquisition Elite Physique:

In September 2018, the Company acquired the business of Elite Physique in the Australian Capital Territory for \$575,570. The acquisition was under a business sale arrangement.

Intangibles resulting from these Acquisitions totalled \$450,000, comprising member contracts at \$250k with the balance being goodwill

5. Initial Public Offering:

The Company undertook an initial public offering of 20 million shares at an issue price of \$1.00 to raise \$20 million (less costs of the offer).

The offer was completed on 30 May 2019 with the issue of shares occurring on the 31st May 2019 and commencement of trading on the ASX on 7th June 2019.

6. Acquisition of Absolute Fitness

In April 2019, the company acquired the business of Absolute Fitness in Goulburn, NSW for cash consideration of approximately \$127,000. The acquisition was under a business sale arrangement.

7. Acquisition of Fitness 24/7

In June 2019, the Company acquired the businesses of Fitness 24/7 in the Albury, New South Wales and Wodonga, Victoria for cash consideration of approximately \$3.44 million in aggregate (see note 28). The acquisitions were under business sale arrangements.

Directors' Report

8. Repayment of related party debt

Following Completion of the IPO, the Company repaid \$3.36 million in related party debt on 11 June 2019.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the consolidated group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated group.

Directors' meetings

The number of meetings of Directors (including meetings of Committees of Directors) held during the year from the date of appointment on 12th October 2018 and the number of meetings attended by each Director is as follows:

Director's name	Board Meetings		Audit and Risk Committee		People and Culture Committee	
	A	B	A	B	A	B
Harry Konstantinou	13	13	-	-	-	-
Bruce Glanville	13	13	-	-	-	-
Mark McConnell	13	13	-	-	-	-
Susan Forrester	13	13	-	-	-	-

Where:

- column A: is the number of meetings the Director was entitled to attend
- column B: is the number of meetings the Director attended

Unissued shares under option

Unissued ordinary shares of the Company under option at the date of this report are:

Date options granted	Expiry date	Exercise price of shares (\$)	Number under option
2 May 2019	2 May 2023	1.34	1,500,000
2 May 2019	2 May 2023	1.43	1,000,000
7 June 2019	7 June 2024	0.00	295,000
			2,795,000

These options were issued under either the LTI, Tranche 1 or Tranche 2 Plans (described in Note 20.2 to the financial statements) and have been allotted to individuals on conditions as follows:

- LTI Plan Options: The vesting of those options and will be subject to the satisfaction of appropriate service-based conditions and/or performance hurdles determined by the Board. Options issued under the LTI program expire on the earlier of their expiry date or termination of the employee's employment;
- Tranche 1 and Tranche 2 Plan Options: The options are currently vested. Options issued under Tranche 1 and Tranche 2 program expire four years from the date of grant of the options.

Shares issued during or since the end of the year as a result of exercise

There have been no issued ordinary shares as a result of the exercise of options during or since the end of the financial year.

Environmental Legislation

The consolidated group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Dividends

There were no dividends paid or declared since the start of the financial year (2018: nil).

Indemnities given to, and Insurance Premiums paid for, Auditors and Officers

Insurance of Officers

During the year, Viva Leisure paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the consolidated group.

Indemnity of officers

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.

Indemnity of auditors

The Group has agreed to indemnify its auditors, Hall Chadwick, to the extent permitted by law, against any claim by a third party arising from the Group's breach of its agreement. The indemnity

Directors' Report

requires the Group to meet the full amount of any such liabilities including a reasonable amount of legal costs.

Non-audit services

During the year, Hall Chadwick, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Details of the amounts paid to the auditors of the Company, Hall Chadwick, and its related practices for audit and non-audit services provided during the year are set out in Note 25 to the financial statements. The total paid for non-audit services was \$174,907.

Proceedings on Behalf of the consolidated group

No person has applied for leave of Court to bring proceedings on behalf of the consolidated group or intervene in any proceedings to which the consolidated group is a party for the purpose of taking responsibility on behalf of the consolidated group for all or any part of those proceedings.

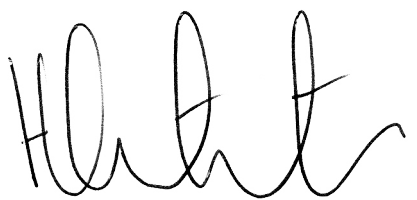
The consolidated group was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

This directors' report including the Remuneration Report on pages 12 to 18 is signed in accordance with a resolution of the Board of Directors:

Director



Harry Konstantinou

Dated this 28 day of AUGUST 2019.

Remuneration Report (audited)

The Directors of Viva Leisure Ltd (Viva Leisure, the Group, or the Company) present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

- a. Principles used to determine the nature and amount of remuneration;
- b. Details of remuneration;
- c. Service agreements;
- d. Share-based remuneration; and

a. Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align rewards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent

Viva Leisure has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a People and Culture Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The Committee has engaged independent remuneration consultants to provide any necessary information to assist in the discharge of its responsibilities (refer to the disclosures below).

The remuneration structure that has been adopted by the Group consists of the following components:

- fixed remuneration being annual salary;
- short term incentives (STIs), being cash based payments;
- long term incentives (LTIs), being participation in the form of options. The People and Culture Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

The payment of bonuses, share options and other incentive payments are reviewed by the People and Culture Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to pre-determined performance criteria.

Short Term Incentives (STIs)

Performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the Company values.

The performance measures are set annually after consultation with the Directors and executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

Remuneration Report

Entitlement to an annual STI payment for the Executive Team is 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.

Long Term Incentives (LTIs)

The table below describes the performance hurdles and vesting conditions that apply as at the date of the Prospectus and in relation to the 295,000 options granted to senior executives:

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:

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%

- For the purposes of the above performance hurdles, Earnings per Share means the Basic EPS recorded in the Company's audited financial statements.
- 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).
- 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.
- 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.

Use of Remuneration Consultants

Viva Leisure Limited's Board engaged the services of Crichton + Associates to review and to provide recommendations in respect of the amount and elements of executive remuneration, including short-term and long-term incentives. Gadens were engaged to design the long-term incentives plan and associated documentation.

Under the terms of the engagement, Crichton + Associates and Gadens provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and were paid \$8,225 and \$25,000 respectively for these services.

Each of Crichton + Associates and Gadens have confirmed that the above recommendations have been made free from undue influence by members of the Group's key management personnel.

Crichton + Associates and Gadens were engaged by, and reported directly to, the Board of Directors. The agreement for the provision of remuneration consulting services of each consultant was executed by the Chair of the Board of Directors on behalf of the Board.

The reports containing the remuneration recommendations was provided by Crichton + Associates and the documentation related to the long-term incentives plan and associated documentation by Gadens were provided directly to the Chair of the Board of Directors.

The Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

Remuneration Report

b. Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel (KMP) of Viva Leisure are shown in the table below:

Directors and other Key Management Personnel	Year	Short-term Employee Benefits		Post-employment Benefits	Long-term Benefits		Share-based Payments	Total	Performance based on % of Remuneration
		Cash salary and fees	Cash bonus	Super-annuation	Long service leave	Termination benefits	Options		
Executive Directors									
Harry Konstantinou (Managing Director)	2019	273,111	84,375	22,840	107,885	-	127,552	615,763	34.42%
	2018	230,000	-	20,139	-	-	-	250,139	Nil
Non-executive Directors									
Bruce Glanville* (Independent)	2019	73,194	200,000*	-	-	-	11,064	284,258	Nil
	2018	66,833	-	-	-	-	-	66,833	Nil
Mark McConnell (Non-Independent)	2019	60,000	-	-	-	-	-	60,000	Nil
	2018	41,666	-	-	-	-	-	41,666	Nil
Susan Forrester (Independent)	2019	68,750	-	-	-	-	5,532	74,282	Nil
	2018	-	-	-	-	-	-	-	Nil

*Rollins Consulting, an associated entity of Mr Bruce Glanville was paid a \$200,000 incentive fee for a successful initial public offering.

Note: Directors were paid as Advisory Board members until their appointment on 12th October, 2018.

Remuneration Report

Directors and other Key Management Personnel		Short-term Employee Benefits		Post-employment Benefits	Long-term Benefits		Share-based Payments		Performance based on % of Remuneration
Employee	Year	Cash salary and fees	Cash bonus	Super-annuation	Long service leave	Termination benefits	Options	Total	
Other Key Management Personnel									
Kym Gallagher (Chief Financial Officer)	2019	231,718	56,250	23,945	8,055	-	5,532	325,500	19.0%
	2018	172,869	25,000	16,583	236	-	-	214,688	11.6%
Angelo Konstantinou (Chief Technology Officer)	2019	176,029	42,063	15,356	50,769	-	5,532	289,749	16.4%
	2018	145,000	-	13,775	-	-	-	158,775	Nil
Sean Hodges (Chief Operating Officer)	2019	164,267	25,000	14,564	9,459	-	-	213,290	11.7%
	2018	148,205	6,000	14,080	7,533	-	-	175,818	3.4%
2019 Total	2019	1,047,069	407,688	76,705	176,168	-	155,212	1,862,842	30.2%
2018 Total	2018	804,573	31,000	64,577	7,769	-	-	907,919	3.4%

Remuneration Report

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration	At Risk Short-Term Incentives (STI)	At risk options
Executive Directors			
Harry Konstantinou	450,000	112,500	127,552
Other Key Management Personnel			
Kym Gallagher	300,000	75,000	5,532
Angelo Konstantinou	219,000	54,750	5,532
Sean Hodges	169,725	25,000	-

Since the long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

c. Service agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Employee	Base Salary	Term of Agreement	Notice Period
Harry Konstantinou	425,000	Three years	Six months
Kym Gallagher	275,000	Three years	Three months
Angelo Konstantinou	200,000	Three years	Three months
Sean Hodges	155,000	Three years	Three months

d. Share-based remuneration

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements.

Options granted to the Executive Team are under the LTI Plan and under Tranche 1 and Tranche 2 Plans:

- LTI Plan Options: The vesting of those options and will be subject to the satisfaction of appropriate service-based conditions and/or performance hurdles determined by the Board;
- Tranche 1 and Tranche 2 Plan Options: These options are currently vested.

Options granted under the LTI, Tranche 1 and Tranche 2 Plans carry no dividends or voting rights.

Remuneration Report

Details of options over ordinary shares in the Company that were granted as remuneration to each key management personnel are set out in the table below. Non-Executive Directors are not entitled to participate in the LTI Plan. There were no options granted at the beginning of the year.

No options under the LTI Plan have been exercised or forfeited during the year.

Employee		Number granted	Grant date	Value per Option at Grant Date	Value of Options at Grant Date	Number Vested	Exercise Proceeds (\$)	Vesting and First Exercise Date	Last Exercise Date
Directors and other Key Management Personnel									
Executive Directors									
Harry Konstantinou	Tranche 1	1,000,000	2 May 2019	\$0.055	\$55,320	-	-	7 June 2019	2 May 2023
	Tranche 2	1,000,000	2 May 2019	\$0.072	\$77,232	-	-	7 June 2019	2 May 2023
	LTI	170,000	7 June 2019	-	-	-	-	7 June 2022	7 June 2024
Non-Executive Directors									
Bruce Glanville	Tranche 1	200,000	2 May 2019	\$0.055	\$11,064	-	-	7 June 2019	2 May 2023
Susan Forrester	Tranche 1	100,000	2 May 2019	\$0.055	\$5,532	-	-	7 June 2019	2 May 2023
Other Key Management Personnel									
Kym Gallagher	Tranche 1	100,000	2 May 2019	\$0.055	\$5,532	-	-	7 June 2019	2 May 2023
	LTI	75,000	7 June 2019	-	-	-	-	7 June 2022	7 June 2024
Angelo Konstantinou	Tranche 1	100,000	2 May 2019	\$0.055	\$5,532	-	-	7 June 2019	2 May 2023
	LTI	50,000	7 June 2019	-	-	-	-	7 June 2022	7 June 2024

Remuneration Report

Shares held by Directors and Key Management Personnel

The number of ordinary shares in the Company during the 2019 reporting period held by each of the Group's key management personnel, including their related parties, is set out below

Directors and other Key Management Personnel	Balance at Start of Year	Granted as Remuneration	Received on Exercised Options	Shares Purchased	Held at the End of the Reporting Period
Executive Directors					
Harry Konstantinou	23,230,502	-	-	-	23,230,502
Non-Executive Directors					
Bruce Glanville	-	-	-	300,000	300,000
Mark McConnell	-	-	-	4,543,296	4,543,296
Susan Forrester	-	-	-	24,593	24,593
Other Key Management Personnel					
Kym Gallagher	-	-	-	100,000	100,000
Angelo Konstantinou	23,230,502	-	-	-	23,230,502
Sean Hodges	-	-	-	40,000	40,000

At 30 June 2019 there were no loans outstanding to Directors or Key Management Personnel.

Auditor's Independence Declaration

HALL CHADWICK  (NSW)

VIVA LEISURE LIMITED
ABN 76 607 079 792
AND ITS CONTROLLED ENTITIES

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

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

In accordance with Section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Viva Leisure Limited. As the lead audit partner for the audit of the financial report of Viva Leisure Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

S. Kumar

Sandeep Kumar
Partner
Dated: 28 August 2019

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Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Viva Leisure Ltd and its Controlled Entities (the Group) have adopted the third edition of the Corporate Governance Principles and Recommendations.

The Group's Corporate Governance Statement for the financial year ended 30 June 2019 is dated as at 30 June 2019 and was approved by the Board on 27 August 2019. The Corporate Governance Statement is available on Viva Leisure's Investor Relations website at <https://investors.vivaleisure.com.au> .

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
Sales revenue	5	31,069,941	2,768,323
Other income	5	90,279	4,839,175
Rental expense	6	(6,742,218)	(700,167)
Employee benefits expense	20	(9,664,619)	(2,906,387)
Bank Charges		(425,835)	(200,283)
Advertising and marketing costs		(1,007,700)	(550,273)
Utilities and cleaning		(2,383,840)	(187,819)
Licences and subscriptions		(479,020)	(96,996)
Insurances		(180,255)	(141,970)
Repairs and maintenance		(625,137)	(59,670)
Professional fees		(148,450)	(247,651)
Depreciation and amortisation expense		(2,201,812)	(165,797)
Finance costs	7	(631,570)	(84,395)
Costs of initial public offering		(913,619)	-
Other expenses		(1,780,200)	(639,153)
Profit before income tax		3,975,945	1,626,937
Tax expense	9	(1,120,842)	(281,914)
Profit for the year		2,855,103	1,345,023
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		2,855,103	1,345,023

This statement should be read in conjunction with the notes to the financial statements.

Earnings per share	23	Cents	Cents
Basic earnings per share:			
Earnings from continuing operations		5.4	N/A
Diluted earnings per share:			
Earnings from continuing operations		5.2	N/A

Consolidated Statement of Financial Position as at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	14,385,895	535,530
Trade and other receivables	11	218,443	719,641
Other current assets	12	365,306	139,359
TOTAL CURRENT ASSETS		<u>14,969,644</u>	<u>1,394,530</u>
NON-CURRENT ASSETS			
Trade and other receivables	11	114,230	1,644,043
Property, plant and equipment	15	19,196,838	943,455
Intangible assets	16	6,564,081	38,121
Deferred tax assets	17	3,460,781	223,695
TOTAL NON-CURRENT ASSETS		<u>29,335,930</u>	<u>2,849,314</u>
TOTAL ASSETS		<u>44,305,574</u>	<u>4,243,844</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	2,542,778	954,417
Borrowings	14	2,274,815	168,727
Contract liabilities	19	1,299,678	89,312
Current tax liabilities	17	1,495,149	386,615
Provisions	20	1,176,473	29,490
TOTAL CURRENT LIABILITIES		<u>8,788,893</u>	<u>1,628,561</u>
NON-CURRENT LIABILITIES			
Borrowings	14	5,668,840	1,844,364
Contract Liabilities	19	1,294,002	18,344
Provisions	20	115,937	-
Deferred tax liabilities	17	2,675,844	131,081
TOTAL NON-CURRENT LIABILITIES		<u>9,754,623</u>	<u>1,993,789</u>
TOTAL LIABILITIES		<u>18,543,516</u>	<u>3,622,350</u>
NET ASSETS		<u>25,762,058</u>	<u>621,494</u>
EQUITY			
Issued capital	21	43,715,691	120
Reserves	22	(21,430,110)	-
Retained earnings		3,476,477	621,374
TOTAL EQUITY		<u>25,762,058</u>	<u>621,494</u>

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2019

	Share Capital	Reserves	Retained Earnings (Accumulated losses)	Total Equity
	\$	\$	\$	\$
Balance at 30 June 2017	120	-	(723,649)	(723,529)
Comprehensive income		-		
Profit for the year	-	-	1,345,023	1,345,023
Total comprehensive profit for the year attributable to members of the entity	-	-	1,345,023	1,345,023
Total transactions with owners and other transfers	-	-	1,345,023	1,345,023
Balance at 30 June 2018	120	-	621,374	621,494
Balance at 1 July 2018	120	-	621,374	621,494
Transactions with owners				
Issue of shares, net of transaction costs and tax	22,715,571	-	-	22,715,571
Issue of shares under group restructure	21,000,000	-	-	21,000,000
Common control reserve arising from group restructure	-	(21,585,321)	-	(21,585,321)
Share option premium reserve	-	155,211	-	155,211
Total transactions with owners	43,715,571	(21,430,110)	-	22,285,461
Profit for the period	-	-	2,855,103	2,855,103
Total comprehensive profit for the year attributable to members of the entity	-	-	2,855,103	2,855,103
Balance at 30 June 2019	43,715,691	(21,430,110)	3,476,477	25,762,058

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows for the Year Ended 30 June 2019

		2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
	Note		
Receipts from customers		35,881,038	4,358,637
Payments to suppliers and employees		(27,470,717)	(4,503,243)
Interest received		35,699	85
Payments of tax		(469,785)	-
Net cash provided by / (used in) operating activities	24	<u>7,976,235</u>	<u>(144,521)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,928,258)	(262,858)
Proceeds from sale of property, plant and equipment		168,882	-
Purchase of intangibles		(335,431)	-
Payments for business combinations, net of cash acquired		(7,121,033)	-
Net cash (used in) investing activities		<u>(11,215,840)</u>	<u>(262,858)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		23,500,000	-
Direct costs of issue of shares		(951,652)	-
Lease payments		(1,986,449)	(150,633)
Proceeds from borrowings		-	671,272
Repayment of borrowings		(3,480,228)	-
Interest paid		(631,570)	(84,395)
Net cash provided by financing activities		<u>16,450,101</u>	<u>436,244</u>
Net increase in cash held		<u>13,210,496</u>	<u>28,865</u>
Cash at beginning of financial year		535,530	506,665
Cash acquired under Group restructure		639,869	-
Cash at end of financial year	10	<u><u>14,385,895</u></u>	<u><u>535,530</u></u>

This statement should be read in conjunction with the notes to the financial statements.

Note 1 Nature of Operations

The principal activities of the consolidated group during the financial year were health club operations. No significant change in the nature of these activities occurred during the year.

Note 2 General Information and Statement of Compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Viva Leisure Limited is a for-profit entity and statements are prepared on accruals basis under the historical cost convention.

Viva Leisure Limited is the Group's Ultimate Parent Company. Viva Leisure Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Unit 7, 141 Flemington Road, Mitchell, ACT, Australia.

The consolidated financial statements for the year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 27 August 2019.

Note 3 Changes in Significant Accounting Policies

The same accounting policies and methods of computation have been followed in this financial report as were applied in the most recent annual financial statements, taking into account the previous year's financial statements were prepared on an aggregated basis.

Amended Standards Adopted by the Group which do not have a Material Impact

Group has considered the implications of following new or amended Accounting Standards below.

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 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 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 way the Group has historically recognised its revenue.

Note 4 Summary of Accounting Policies

a. Overall Considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

b. Basis of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2019. 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. Refer to Note 29 for the list of subsidiaries.

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.

Subsequent to the FY2018 year end, a group restructure occurred whereby the following transactions took place:

- a. On 31st July 2018 the Company reorganised 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;
- b. On 31st July 2018 the Company acquired the businesses of the Club Group Trust for consideration of 11,850,000 shares in the Company;
- c. 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. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that the control is not transitory.

Where an entity within the group acquires an entity under common control, the acquirer consolidates the carrying values of the acquired entity's assets and liabilities from the date of acquisition. The consolidated financial statements of the group include the acquired entity's income and expenses from the date of acquisition onwards. Any difference between the fair value of the consideration paid/transferred by the acquirer and the net assets/ (liabilities) of the acquired entity are taken to the common control reserve.

The impact of these transactions is that prior to the restructure certain entities and businesses under common control were not consolidated for financial reporting purposes for the comparative period to 30 June 2018, and not restated in the numbers presented in this report.

The table below at b. (i) provide details of the Statement of Profit or Loss and Other Comprehensive Income if those entities and businesses were included for the comparative period to 30 June 2018.

In addition, the consolidated group as presented in this report contains approximately 11 months of results post restructure. The table below at b. (ii) provide details of the Statement of Profit or Loss and Other Comprehensive Income if those entities and businesses were included for the 12 months.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2019

b. (i) Comparative Period - Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2018

	Year Ended 30 June 2018	
	Aggregated \$	As Presented \$
Sales revenue	24,101,642	2,768,323
Other income	25,811	4,839,175
Rental expense	(4,907,908)	(700,167)
Employee benefits expense	(8,337,129)	(2,906,387)
Bank Charges	(247,571)	(200,283)
Advertising and marketing costs	(619,199)	(550,273)
Utilities and cleaning	(2,029,513)	(187,819)
Licences and subscriptions	(322,247)	(96,996)
Insurances	(160,465)	(141,970)
Repairs and maintenance	(467,099)	(59,670)
Professional fees	(254,854)	(247,651)
Depreciation and amortisation expense	(1,536,556)	(165,797)
Finance costs	(530,597)	(84,395)
Costs of initial public offering	-	-
Other expenses	(1,573,741)	(639,153)
Profit before income tax	3,140,574	1,626,937
Tax expense	(223,905)	(281,914)
Profit for the year	2,916,669	1,345,023
Total other comprehensive income for the year	-	-
Total comprehensive income for the year	2,916,669	1,345,023

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2019

b. (ii) 12 Month's Results - Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	12 Months	As Presented
	\$	\$
Sales revenue	32,991,655	31,069,941
Other income	90,279	90,279
Rental expense	(7,123,775)	(6,742,218)
Employee benefits expense	(10,186,787)	(9,664,619)
Bank Charges	(425,835)	(425,835)
Advertising and marketing costs	(1,009,800)	(1,007,700)
Utilities and cleaning	(2,539,302)	(2,383,840)
Licences and subscriptions	(496,736)	(479,020)
Insurances	(180,255)	(180,255)
Repairs and maintenance	(658,880)	(625,137)
Professional fees	-	(148,450)
Depreciation and amortisation expense	(2,327,020)	(2,201,813)
Finance costs	(682,983)	(631,570)
Costs of initial public offering	(913,619)	(913,619)
Other expenses	(2,261,484)	(1,780,199)
Profit before income tax	4,275,458	3,975,945
Tax expense	(1,120,842)	(1,120,842)
Profit for the year	3,154,616	2,855,103
Total other comprehensive income for the year	-	-
Total comprehensive income for the year	3,154,616	2,855,103

The accompanying notes form part of these financial statements.

Earnings per share	Cents	Cents
Basic earnings per share:		
Earnings from continuing operations	6.0	5.4
Diluted earnings per share:		
Earnings from continuing operations	5.7	5.2

c. Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately. See note 16.

d. Fair Value of Assets and Liabilities

Where applicable, the Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

e. Revenue

Revenue is derived mainly from the sale of health club membership services to its customers.

To determine whether to recognise revenue, the Group follows a 5-step process:

- (i) Identifying the contract with a customer;
- (ii) Identifying the performance obligations
- (iii) Determining the transaction price
- (iv) Allocating the transaction price to the performance obligations
- (v) Recognising revenue when/as performance obligation(s) are satisfied

The health club membership 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.

All revenue is stated net of the amount of goods and services tax.

f. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

g. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred at fair value;
- (ii) any non-controlling interest (determined under either the fair value or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2019

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

h. Other 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.

i. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

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. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 4 k. for details of impairment).

The cost of fixed assets constructed within the consolidated 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 consolidated 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 consolidated 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%
Leasehold improvements	5-20%

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2019

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.

j. Leases

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 consolidated 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.

k. Impairment Testing of Goodwill, Other Intangible Assets and Property, Plant and Equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing

procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

I. Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable)

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Group assumes that the credit risk has not increased significantly since initial recognition.

In order to make such a determination that the financial asset has low credit risk, the Group applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the Group assesses the credit risk and recognises a loss allowance if appropriate. Any movement in the loss allowance from prior year is treated as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the consolidated 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.

m. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

n. Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and / or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2019

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Viva Leisure Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

o. 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.

p. Employee Benefits

Short-term employee benefits

Provision is made for the consolidated 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 consolidated 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 consolidated group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the consolidated 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.

All employees of the consolidated group receive defined contribution superannuation entitlements, for which the consolidated 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 consolidated 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 consolidated group's statement of financial position.

q. Share-based Employee Remuneration

The Group operates equity-settled share-based remuneration plans for its employees (see note 20). None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

r. Provisions

Provisions are recognised when the consolidated 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.

s. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

t. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. The comparatives reflect the consolidated group. Refer to Note 4(d) for the aggregated year on year results.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2019

Where the consolidated group retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

u. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated group.

Key estimates and uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

v. New Accounting Standards for Application in Future Periods

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2019

- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

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 contracts 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.

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

The Group has elected not to recognise lease liabilities for short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 \$77 million and Right of Use Asset of approximately \$78 million and related deferred tax;
- the take up of a provision for make good of approximately \$2.1 million and related deferred tax;
- the removal of deferred rental and deferred fitout incentive liabilities of approximately \$1.5m 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 \$0.4 million.

Note 5 Revenue and Other Income

		2019	2018
		\$	\$
Revenue from contracts with customers	5a	31,069,941	2,768,323
Other sources of income	5b	35,699	4,839,175
		<u>31,105,640</u>	<u>7,607,498</u>
Other income	5c	54,580	-
Total revenue and other income		<u>31,160,220</u>	<u>7,607,498</u>
The group operates in one segment, health club services.			
a. Revenue from contracts with customers:		31,069,941	2,768,323
Timing of revenue recognition			
Over time		<u>31,069,941</u>	<u>2,768,323</u>
Total revenue from contracts with customers		<u>31,069,941</u>	<u>2,768,323</u>
b. Other revenue:			
Interest received		35,699	85
Trust distribution received		-	1,027,175
Shared services income		-	3,811,915
Total other revenue		<u>35,699</u>	<u>4,839,175</u>
c. Other income:			
Gain on disposal of property, plant and equipment		54,580	-
Total other income		<u>54,580</u>	<u>-</u>

Note 6 Profit for the Year

	2019	2018
	\$	\$
Profit before income tax from continuing operations includes the following specific expenses:		
Rental expense on operating leases		
• Minimum lease payments	<u>6,742,218</u>	<u>700,167</u>

Note 7 Finance costs and Finance Income

	2019	2018
	\$	\$
Interest expense from borrowings at amortised cost:		
External entities	209,127	-
Interest expenses for finance lease arrangements	422,443	84,395
Total interest expense	<u>631,570</u>	<u>84,395</u>

Note 8 Segment reporting

Management have determined that the Group operates in one business segment – health club operation; and one geographic segment.

Note 9 Income tax expense

The major components of tax expense and the reconciliation of expected tax expense based on the effective tax rate of Viva Leisure Limited at 27.5% (2018: 27.5%) and the reported tax expense in profit or loss are as follows:

	2019 \$	2018 \$
Profit before tax	3,927,857	1,626,937
Domestic tax rate	27.5%	30.0%
Expected tax expense	<u>1,080,161</u>	<u>488,081</u>
Adjustment for non-deductible expenses:		
Non-deductible expenses	52,022	7,327
Prior year's over provision of tax	(11,341)	(213,494)
Actual tax expense / (income)	<u>1,120,842</u>	<u>281,914</u>
Tax expense comprises		
Current tax expense	1,465,952	367,751
Deferred tax expense	(345,110)	(85,837)
	<u>1,120,842</u>	<u>281,914</u>

Note 10 Cash and Cash Equivalents

	2019 \$	2018 \$
Cash at bank and on hand	3,392,562	384,280
Short-term bank deposits	10,000,000	-
Cash backed bank guarantees	993,333	151,250
	<u>14,385,895</u>	<u>535,530</u>

The effective interest rate on short-term bank deposits was 2.49% (2018: 0.5%); these deposits have an average maturity of 90 days.

Note 11 Trade and Other Receivables

	2019	2018
	\$	\$
Current		
Trade receivables	202,184	716,765
Other receivables	16,260	2,876
	<u>218,444</u>	<u>719,641</u>
Non-current		
Bonds held	114,230	-
Loans to other related parties	-	1,644,043
	<u>114,230</u>	<u>1,644,043</u>
Total trade and other receivables	<u>332,674</u>	<u>2,363,683</u>

The net carrying of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables are within current terms and therefore at 30 June 2019 there is no expected losses recognised.

Note 12 Other Current Assets

	2019	2018
	\$	\$
Current		
Stock on hand	167,989	24,405
Prepayments	197,317	114,954
	<u>365,306</u>	<u>139,359</u>

Note 13 Financial assets and liabilities**13.1 Categories of financial assets and liabilities**

Note 4 I. provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Notes	Amortised Cost 2019	Total 2019
		\$	\$
Financial assets			
Cash and cash equivalents	10	14,385,895	14,385,895
Trade and other receivables	11	332,674	332,673
		<u>14,718,569</u>	<u>14,718,568</u>
Financial liabilities			
Current borrowings	14	2,274,815	2,274,815
Trade and other payables	18	2,542,778	2,542,778
Non-current borrowings	14	5,668,840	5,668,840
		<u>10,486,433</u>	<u>10,486,433</u>

The financial instrument classifications in the prior period are in accordance with AASB 139 as follows:

		Amortised Cost 2018	Total 2018
Financial assets			
Cash and cash equivalents	10	535,530	535,530
Trade and other receivables	11	2,363,684	2,363,683
		<u>2,899,213</u>	<u>2,899,213</u>
Financial liabilities			
Current borrowings	14	168,727	168,727
Trade and other payables	18	954,417	954,417
Non-current borrowings	14	1,844,364	1,844,364
		<u>2,967,508</u>	<u>2,967,508</u>

A description of the Group's financial instrument risks, including risk management objectives and policies is given in Note 31. Financial assets and financial liabilities measured at fair value in the statement of financial position are measured at amortised cost.

Note 14 Borrowings

	Current		Non-current	
	2019 \$	2018 \$	2019 \$	2018 \$
At amortised cost:				
Finance lease liabilities	2,274,815	168,727	5,668,840	210,786
Loans from other related parties	-	-	-	1,633,578
	2,274,815	168,727	5,668,840	1,844,364

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.

Finance lease liabilities are secured against the underlying leased equipment and are at an average interest rate of 6.2%

The related party loan was unsecured, and the interest rate payable was nil. This amount was offset as an elimination under the Group's restructure.

The carrying amount of the finance lease liabilities is considered to be a reasonable approximation of the fair value.

Note 15 Property, Plant and Equipment

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

	Plant and Equipment \$	Furniture and Fittings \$	Motor Vehicles \$	Leasehold Improvements \$	Leased Plant and Equipment \$	Total \$
Gross carrying amount						
Balance at 1 July 2018	110,360	4,880	73,421	327,854	426,940	943,455
Additions	833,852	55,428	99,990	3,539,046	5,505,706	10,034,022
Acquisitions through Group restructure	1,192,901	258,833	53,925	2,630,936	4,503,478	8,640,073
Acquisitions through business combination	1,119,508	101,844	-	228,975	167,806	1,618,133
Disposals	(41,592)	-	(26,069)	-	(46,639)	(114,300)
Depreciation expense	(360,146)	(50,686)	(33,187)	(350,880)	(1,129,646)	(1,924,545)
Carrying amount at 30 June 2019	2,854,883	370,299	168,080	6,375,931	9,427,645	19,196,838

	Plant and Equipment \$	Furniture and Fittings \$	Motor Vehicles \$	Leasehold Improvements \$	Leased Plant and Equipment \$	Total \$
Gross carrying amount						
Balance at 1 July 2017	85,735	5,482	43,147	324,369	356,537	815,270
Additions	43,125	-	42,478	22,301	148,960	256,864
Depreciation expense	(18,500)	(602)	(12,204)	(18,816)	(78,557)	(128,679)
Carrying amount at 30 June 2018	110,360	4,880	73,421	327,854	426,940	943,455

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

Note 16 Intangibles

Details of the Group's intangibles and their carrying amounts are as follows:

	Goodwill	Customer Contracts	Trademarks	Capitalised Software	Digital Assets	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance at 1 July 2018	-	-	1,432	36,689	-	38,121
Additions	-	-	4,582	317,800	13,050	335,432
Acquisitions through Group restructure	-	-	37,926	76,515	-	114,441
Acquisitions through business combination	4,773,354	1,570,000	10,000	-	-	6,353,354
Amortisation expense	-	(180,327)	(3,470)	(93,309)	(161)	(277,267)
Carrying amount at 30 June 2019	4,773,354	1,389,673	50,470	337,695	12,889	6,564,081

	Goodwill	Customer Contracts	Trademarks	Capitalised Software	Digital Assets	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance at 1 July 2017	-	-	1,606	67,392	-	68,998
Additions	-	-	-	6,244	-	6,244
Amortisation expense	-	-	(174)	(36,947)	-	(37,121)
Carrying amount at 30 June 2018	-	-	1,432	36,689	-	38,121

All amortisation is included in within depreciation and amortisation expense.

16.1 Impairment Testing

For the purpose of annual impairment testing, the Group has one cash-generating unit which is expected to benefit from the synergies of the business combinations in which the goodwill arises.

The following key assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Health Clubs	3%	8%

The recoverable amount above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five-year period plus a terminal value calculated using a terminal growth rate of 3% less selling costs as determined by management. The present value of the expected cash flows is determined by applying an estimated weighted average cost of capital (WACC) of 8.0%.

16.2 Growth Rates

The growth rates reflect the estimated long-term average growth rates for mature health clubs.

16.3 Discount Rates

The discount rates reflect appropriate adjustments relating to market risk and any specific risk factors.

16.4 Cash Flow Assumptions

Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market. Cash flow projections reflect stable profit margins achieved immediately before the budget period. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

Apart from the considerations described in determining the value-in-use of the cash-generating units described above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Note 17 Tax

	1 July 2018	Acquired Businesses under Group Reconstruction	Recognised in Equity	Recognised in Profit and Loss	30 June 2019
	\$	\$	\$	\$	\$
Non-Current Assets					
Property, plant and equipment	5,768	(1,308,053)	-	1,224,800	(77,485)
Leased assets	(117,408)	-	-	(2,475,194)	(2,592,602)
Other intangible assets	16,361	(5,274)	-	(16,843)	(5,757)
Non-Current Liabilities					
Provisions	-	-	-	171,408	171,408
Lease liabilities	57,966	541,952	-	959,013	1,558,931
Deferred legal costs	6,001	77,414	-	100,091	183,507
Current Liabilities					
Provisions	8,110	180,339	-	(4,444)	184,005
Accruals	61,494	-	-	(36,744)	24,750
Lease liabilities	46,400	405,375	-	173,799	625,574
Contract liabilities	7,922	88,077	-	322,701	418,700
Equity					
Costs of IPO put direct to equity	-	-	367,383	(73,477)	293,906
	92,614	(20,170)	367,383	345,110	784,937

	1 July 2017	Recognised in Profit and Loss	30 June 2018
	\$	\$	\$
Non-Current Assets			
Property, plant and equipment	-	5,768	5,768
Leased assets	-	(117,408)	(117,408)
Other intangible assets	-	16,361	16,361
Non-Current Liabilities			
Lease liabilities	-	57,966	57,966
Deferred legal costs	-	6,001	6,001
Current Liabilities			
Provisions	-	8,110	8,110
Accruals	-	61,494	61,494
Lease liabilities	-	46,400	46,400
Contract liabilities	-	7,922	7,922
		92,614	92,614

All deferred tax assets have been recognised in the statement of financial position.

Tax Payable	2019	2018
	\$	\$
CURRENT		
Income tax payable	1,495,149	386,615

Note 18 Trade and Other Payables

	2019 \$	2018 \$
CURRENT		
Trade payables	1,533,550	307,163
Sundry payables and accrued expenses	1,009,228	647,253
	<u>2,542,778</u>	<u>954,416</u>

All amounts are short-term. The carrying values of trade and other payables are considered to be the fair value.

Note 19 Contract Liabilities

	2019 \$	2018 \$
CURRENT		
Amounts received in advance for sale of gym memberships	1,071,135	78,849
Operating lease fitout incentives received	174,121	-
Operating lease rent incentives received	54,422	10,463
	<u>1,299,678</u>	<u>89,312</u>
NON-CURRENT		
Operating lease fitout incentives received	1,006,400	-
Operating lease rent incentives received	287,602	18,344
	<u>1,294,002</u>	<u>18,344</u>
Total contract liabilities	<u>2,593,680</u>	<u>107,656</u>

Refer to note 4 e. for the revenue recognition policy.

Note 20 Employee Remuneration

	2019 \$	2018 \$
20.1 Employee benefits - expense		
Expenses recognised for employee benefits are analysed below:		
Wages and salaries	8,289,001	2,540,256
Employee leave entitlements	537,523	140,732
Share based payments	155,211	-
Superannuation	682,884	225,399
Employee Benefits Expense	9,664,619	2,906,387

20.2 Share-Based Employee Remuneration

As at 30 June 2019, the Company maintained a Long-Term Incentive (LTI) share-based payment scheme for employee remuneration, which will be settled in equity. In addition, the Company has issued Tranche 1 and Tranche 2 options.

Options granted to the Executive Team are under the LTI Plan and under Tranche 1 and Tranche 2 Plans:

- LTI Plan Options: The vesting of those options and will be subject to the satisfaction of appropriate service-based conditions and/or performance hurdles determined by the Board;
- Tranche 1 and Tranche 2 Plan Options: These options are currently vested.

Options granted under the LTI, Tranche 1 and Tranche 2 Plans carry no dividends or voting rights.

Long Term Incentives (LTIs)

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:

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:

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%

- For the purposes of the above performance hurdles, Earnings per Share means the Basic EPS recorded in the Company's audited financial statements.
- 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).
- 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.
- 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.

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements.

There were no share options exercised during the reporting period.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2019

	LTI	Tranche 1	Tranche 2
	No of Options	No of Options	No of Options
Outstanding at 1 July 2018			
Granted	295,000	1,500,000	1,000,000
Exercised	-	-	-
Outstanding at 30 June 2019	295,000	1,500,000	1,000,000
Exercisable at 30 June 2019	-	1,500,000	1,000,000

The fair values of options granted were determined using the Black Scholes option pricing model. The following principal assumptions were used in the valuation:

	LTI	Tranche 1	Tranche 2
	No of Options	No of Options	No of Options
Grant date	7 June 2019	7 June 2019	7 June 2019
Vesting period ends	Release of FY2021 results	7 June 2019	7 June 2019
Share price at grant date	1.00	1.00	1.00
Volatility	25%	25%	25%
Option Life	5 years	4 years	4 years
Dividend yield	0%	0%	0%
Risk free investment rate	2%	2%	2%
Fair value at grant date	Nil	82,979	72,232
Exercise price at date of grant	Nil	1.34	1.43
Exercisable from	Release of FY2021 Results	7 June 2019	7 June 2019
Exercisable to	7 June 2024	2 May 2023	2 May 2023
Weighted average remaining contractual life	4.95 Years	3.94 Years	3.94 Years

The underlying expected volatility was determined by reference to historical data of comparable listed entities over a period of time. No special features inherent to the options granted were incorporated into measurement of fair value.

In total, \$155,211 (2018: \$nil) of employee remuneration expense (all of which related to equity-based payment transactions) has been included in profit or loss and credited to share option reserve.

	2019	2018
20.3 Employee benefits - liabilities		
Current:		
Employee leave entitlements	1,176,473	29,490
Non-Current:		
Employee leave entitlements	115,937	-
Total employee obligations	1,292,410	29,490

Note 21 Equity

21.1 Share Capital

The share capital of Viva Leisure consists only of fully paid ordinary shares. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Viva Leisure.

	2019 Shares	2018 Shares	2019 \$	2018 \$
Shares issued and fully paid:				
Beginning of the year	120	120	120	120
Shares issued	3,425,000	-	3,500,000	-
Group restructure	21,000,000	-	21,000,000	-
Share reconstruction	7,974,880	-	-	-
Initial Public Offer (less costs of offer)	20,200,000	-	19,215,571	-
Total contributed equity at 30 June	52,600,000	120	43,715,691	120

Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

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

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio remains below 70%. The gearing ratios for the years ended 30 June 2019 and 30 June 2018 are as follows:

	2019 \$	2018 \$
Total borrowings	7,943,655	2,013,091
Less cash and cash equivalents	14,385,895	535,530
Net debt	(6,442,240)	1,477,561
Total equity	25,762,058	621,494
Total capital	19,319,818	2,099,055
Gearing ratio	N/A	70.4%

Note 22 Reserves**a. Common Control Reserve**

A common control reserve was created when the Group restructure took place as it was determined to occur under the control of the same shareholders. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that the control is not transitory.

Where an entity within the group acquires an entity under common control, the acquirer consolidates the carrying values of the acquired entity's assets and liabilities from the date of acquisition. The consolidated financial statements of the group include the acquired entity's income and expenses from the date of acquisition onwards. Any difference between the fair value of the consideration paid/transferred by the acquirer and the net assets/ (liabilities) of the acquired entity are taken to the common control reserve.

	2019	2018
	\$	\$
Common Control Reserve		
Measurement under Group restructure	(21,585,321)	-
Movement in common control reserve	<u>(21,585,321)</u>	<u>-</u>

b. Share Options Reserve

The share option reserve records items recognised as expenses on valuation of employee share options.

	2019	2018
	\$	\$
Share Options Reserve		
Issue of options to key management personnel	155,211	-
Movement in share options reserve	<u>155,211</u>	<u>-</u>

Note 23 Earnings per Share and Dividends

23.1 Earnings per Share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company as the numerator (i.e. no adjustments to profit were necessary in 2019 or 2018).

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2019 \$	2018 \$
Weighted average number of shares used in basic earnings per share*	52,600,000	N/A
Shares deemed to be issued for no consideration in respect of options granted	2,795,000	N/A
Weighted average number of shares used in diluted earnings per share	55,395,000	N/A

*The weighted average shares are calculated from the date of listing on 7th June 2019.

23.2 Dividends

There were no dividends declared or paid during the year (2018: nil)

23.3 Franking Credits

	2019 \$	2018 \$
The amount of franking credits available for subsequent reporting periods are:		
Balance at the end of the reporting period	485,676	12,087
Franking credits that will arise from payment of the amount of provision for income tax	1,495,149	-
Total franking credits	1,980,825	12,087

Note 24 Reconciliation of Cash Flows

	2019	2018
	\$	\$
Cash flows from operating activities		
Profit after income tax	2,855,103	1,345,023
Non-cash flows in profit		
— depreciation and amortisation	2,201,813	165,797
— net (gain)/loss on disposal of property, plant and equipment	(54,580)	-
— interest expenses included in financing activities	631,570	84,395
— tax effect of expenses taken to equity	167,383	-
— charges to common control reserve	(194,349)	-
— charges to share options reserve	155,211	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
— (increase)/decrease in trade and term debtors	322,987	176,456
— (increase)/decrease in other assets	(57,825)	41,955
— (increase)/decrease in deferred tax	(526,293)	(85,837)
— increase/(decrease) in payables	(840,004)	(1,600,305)
— increase/(decrease) in current tax	1,000,513	367,751
— increase/(decrease) in other liabilities	1,707,563	(655,978)
— increase/(decrease) in provisions	607,143	16,222
Net cash from operating activities	7,976,235	(144,521)

Non-cash Financing and Investing Activities**Share issue:**

200,000 shares were granted to Bruce Glanville as consideration for services performed during the group's listing on the ASX. These have been reflected as a cost of capital in the statement of financial position.

Finance Lease Additions:

During the year the group had additions to property, plant and equipment via way of finance lease of \$6,146,560.

Note 25 Auditor Remuneration

	2019	2018
	\$	\$
Remuneration of the auditor for:		
Audit and review of financial statements		
• Financial year ended 30 June 2019	43,500	-
• Financial year ended 30 June 2018	-	35,000
Total audit services	43,500	35,000
Other non-audit services		
• Financial year ended 30 June 2016*	26,500	-
• Half year ended 31 December 2018*	18,148	-
• Taxation and business services	40,050	-
• Investigating Accountant services for the initial public offering	90,209	-
Total non-audit services	174,907	-
Total auditor remuneration	218,407	35,000

*These relate to work performed as part of the Group's listing on the ASX.

Note 26 Related Party Transactions

The Group's related parties include key management of the Group which are considered to be any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Related parties continue to own several properties which are leased by the Group as described below. 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, KGFUND Pty Ltd and The Club Group Pty Ltd (a Subsidiary of the Company) were 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 was repaid by the Company on behalf of the Club Group Pty Ltd on 14th June 2019. On the repayment of the KGFUND Loan, the loan agreement was terminated and the Group has no outstanding liabilities owing to KGFUND Pty Ltd.

	2019 \$	2018 \$
26.1 Transactions with Key Management Personnel		
Short-term Employee Benefits:		
Wages and salaries (including bonuses and Annual Leave entitlements)	1,454,757	835,573
Superannuation	76,705	64,577
Total short-term employee benefits		
Long service leave	176,168	7,769
Total other long-term benefits		
Share-based payments	155,212	-
Total remuneration	1,862,842	907,919

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options granted on grant date (see Note 20.2).

Further information in relation to KMP remuneration can be found in the directors' report and at Note 20.

	2019 \$	2018 \$
26.2 Related Party Properties		
Total related party property transactions	<u><u>2,537,853</u></u>	<u><u>-</u></u>

Note 27 **Contingent Liabilities**

The company has no contingent assets or liabilities.

Note 28 Business Combinations**(a) Elite Physique – Phillip, ACT**

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 existing territories where it sees demand for its services.

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 acquired	
Plant and equipment	200,000
Intangible assets	250,000
Total non-current assets	450,000
Trade and other receivables	859
Total current assets	859
Trade and other payables	(1,297)
Other liabilities	(73,992)
Total current liabilities	(75,289)
Identifiable net assets	375,570
Goodwill on acquisition	200,000
Net cash outflow on acquisition	575,570
Acquisition costs charged to the profit and loss	4,250
Net cash paid relating to the acquisition	579,820

(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 income tax purposes.

(iii) Contribution to the Group's results

Elite contributed \$626,975 and \$149,892 to the Group's revenues and profits from the date of the acquisition to 30 June 2019.

(b) **Xceler8 – Wagga Wagga, NSW**

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
Finance lease liabilities assumed	196,439
	<u>3,229,984</u>
Recognised amounts of identifiable net assets acquired	
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	<u>3,033,545</u>
Acquisition costs charged to the profit and loss	4,250
Net cash paid relating to the acquisition	<u><u>3,037,795</u></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.

(ii) 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.

(iii) 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 income tax purposes.

(iv) Contribution to the Group's results

Xceler8 contributed \$2,179,879 and \$586,154 to the Group's revenues and profits respectively from the date of the acquisition to 30 June 2019.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2019

(c) Fitness 24/7 Albury, NSW and Wodonga, Victoria

On 14 June 2019, the Group acquired the health club businesses Fitness 24/7 from Changing Shapes Pty Limited for a purchase consideration of \$3,439,887. The acquisition is part of the Group's overall strategy to expand into other territories.

The purchase was satisfied by the payment of \$3,439,887.

	\$
Fair value of consideration transferred	
Amount settled in cash	3,439,887
Recognised amounts of identifiable net assets acquired	
Plant and equipment	780,000
Intangible assets	610,000
Total non-current assets	1,390,000
Prepayments	17,180
Total current assets	17,180
Provisions	(50,074)
Other liabilities	(277,219)
Total current liabilities	(327,293)
Identifiable net assets	1,079,887
Goodwill on acquisition	2,360,000
Net cash outflow on acquisition	3,439,887
Net cash paid relating to the acquisition	3,439,887

(i) Identifiable net assets

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 income tax purposes.

(iii) Contribution to the Group's results

Fitness 24/7 contributed \$104,907 and \$39,613 to the Group's revenues and profits from the date of acquisition to 30 June 2019.

(d) Absolute Fitness, Goulburn NSW

In April 2019, the company also acquired the business of Absolute Fitness in Goulburn, NSW for cash consideration of approximately \$127,000, after liabilities of approximately \$4,500 were assumed.

Note 29 Interests in Subsidiaries

Name of Subsidiary	Principal Activity	Proportion of Ownership Interests held by the Group	
		30 June 2019	30 June 2018
Viva Leisure Limited	Parent		
Viva Leisure Operations Pty Limited	Health club operation	100%	100%
Viva Leisure People Pty Limited	Health club operation	100%	100%
Viva Leisure Property Pty Limited	Health club operation	100%	100%
Viva Leisure Memberships Pty Limited	Health club operation	100%	100%
Psycle Life Pty Limited	Health club operation	100%	100%
The Club Group Pty Limited	Health club operation	100%	-
The Club Group (Greenway) Pty Limited	Health club operation	100%	100%
Club MMM! Pty Limited	Health club operation	100%	-
HIIT Republic Australia Pty Limited	Health club operation	100%	-
Club Lime Pty Limited	Dormant	100%	-
Club Pink Pty Limited	Dormant	100%	-
Club Blue Pty Limited	Dormant	100%	-
Club Swim Pty Limited	Dormant	100%	-
Club Team Pty Limited	Dormant	100%	-

As part of the Group restructure that occurred during the year the following companies under common control were acquired (refer Note 4(b)):

Name of Subsidiary	Principal Activity		
The Club Group Pty Limited	Health club operation	100%	-
Club MMM! Pty Limited	Health club operation	100%	-
Club Lime Pty Limited	Dormant	100%	-
Club Pink Pty Limited	Dormant	100%	-
Club Blue Pty Limited	Dormant	100%	-
Club Swim Pty Limited	Dormant	100%	-
Club Team Pty Limited	Dormant	100%	-

Note 30 Leases**30.1 Finance Leases (as lessee)**

The majority of the Group's health club equipment is held under finance lease arrangements. As of 30 June 2019, the net carrying amount of the equipment is \$9,427,644 (2018: \$426,940)

The Group's finance lease liabilities, which are secured by the related assets held under finance leases, are classified as follows:

	2019 \$	2018 \$
Current		
Finance lease liabilities	2,274,815	168,727
Non-Current		
Finance lease liabilities	5,668,840	210,786

Future minimum finance lease payments at the end of each reporting period under review were as follows:

	Minimum Lease Payments Due			Total \$
	Within 1 Year \$	1 to 5 Years \$	After 5 Years \$	
30 June 2019				
Lease payments	2,726,832	6,249,321	-	8,976,153
Finance charges	(452,017)	(580,481)	-	(1,032,498)
Net present values	2,274,815	5,668,840	-	7,943,655
30 June 2018-				
Lease payments	194,374	232,659	-	427,034
Finance charges	(25,647)	(21,873)	-	(47,520)
Net present values	168,727	210,786	-	379,514

30.2 Operating Leases (as lessee)

The Group leases health club and office space under operating leases. The future minimum lease payments are as follows:

	Minimum Lease Payments Due			Total \$
	Within 1 Year \$	1 to 5 Years \$	After 5 Years \$	
30 June 2019	8,807,608	36,944,474	31,410,576	77,162,658
30 June 2018	723,364	2,814,433	2,173,576	5,711,373

Note 31 Financial Instrument Risk

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 13.1. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

31.1 Market Risk Analysis

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, which result from its operating and investing activities.

	Short term exposure \$	Long term exposure \$
30 June 2019		
Financial assets	14,718,569	-
Financial liabilities	(4,817,593)	(5,668,840)
Total exposure	9,900,976	(5,668,840)
30 June 2018		
Financial assets	1,255,171	1,644,043
Financial liabilities	(1,123,144)	(1,844,364)
Total exposure	132,027	(200,321)

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 30 June 2019, the Group is not exposed to changes in market interest rates as its borrowings are at fixed interest rates. The Group's investments in term deposits all pay fixed interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2018: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the Year		Equity	
	\$ +1%	\$ -1%	\$ +1%	\$ -1%
30 June 2019	67,749	(67,749)	67,749	(67,749)
30 June 2018	1,560	(1,560)	1,560	(1,560)

31.2 Credit Risk Analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example receivables to customers, placing deposits, investment in term deposits, etc.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2019

Credit risk management

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The majority of the Group's customer pay on an upfront basis by way of direct debit and as such, the Group does not provide for bad debts as revenue is not recorded until received.

31.3 Liquidity Risk Analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below.

See Note 14 for details of borrowings during the financial periods under review. At 30 June 2019, the Group had no debt facilities in place, apart from finance lease liabilities as described in Note 30.

31.4 Financial Risk Management

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$
Consolidated Group								
Financial liabilities due for payment								
Trade and other payables	2,542,778	954,417	-	-	-	-	2,542,778	954,417
Contract liabilities	1,299,678	89,312	261,870	18,344	1,032,132	-	2,593,680	107,656
Finance lease liabilities	2,274,815	168,727	5,668,840	210,786	-	-	7,943,655	379,514
Amounts payable to related parties	-	1,633,578	-	-	-	-	-	1,633,578
Total expected outflows	6,117,271	2,846,034	5,930,710	229,130	1,032,132	-	13,080,113	3,075,165
Financial assets – cash flows realisable								
Cash and cash equivalents	14,385,895	535,530	-	-	-	-	14,385,895	535,530
Trade receivables	218,443	719,641	114,230	-	-	-	332,673	719,641
Total anticipated inflows	14,604,338	1,255,171	114,230	-	-	-	14,718,568	1,255,171
Net (outflow)/inflow on financial instruments	8,487,067	(1,590,864)	(5,816,480)	(229,130)	(1,032,132)	-	1,638,455	(1,819,994)

Note 32 Fair Value Measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are measured at amortised cost.

Note 33 Parent Entity Information

	2019 \$	2018 \$
Statement of Financial Position		
Current Assets	22,584,246	120
Non-Current Assets	11,838	28,494
Total Assets	22,596,084	28,614
Current Liabilities	12,087	28,743
Non-Current Liabilities	-	-
Total Liabilities	12,087	28,743
Net Assets	22,583,997	(129)
Issued Capital	43,715,691	120
Reserves	(21,430,110)	-
Retained Earnings	298,416	(249)
Total Equity	22,583,997	(129)
Statement of Profit and Loss and Other Comprehensive Income		
Profit for the year	298,665	(249)
Other comprehensive income	-	-
Total Comprehensive Income	298,665	(249)

Guarantees and 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.

Contractual commitments

At 30 June 2019, Viva Leisure Limited has the following contractual commitments. The Company had entered into binding agreements to lease certain rental properties, but the lease terms had not commenced as at the reporting date:

	Contractual Commitments			
	Within 1	1 to 5	After 5	Total
	Year	Years	Years	
	\$	\$	\$	\$
30 June 2019	1,785,046	11,504,094	18,618,400	31,907,541
30 June 2018	-	-	-	-

Note 34 Events After the Reporting Period

The following events occurred after the reporting period:

- The acquisition of Project Fitness Group was completed on 24 July 2019
- The acquisition of Fitness 24 Seven Wodonga occurred on the 13 August 2019

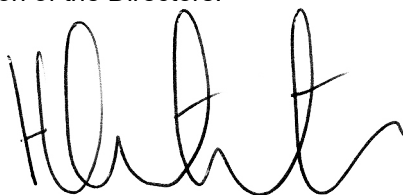
Note 35 Company Information

Viva Leisure Limited is the Group's Ultimate Parent Company. Viva Leisure Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Unit 7, 141 Flemington Road, Mitchell, ACT, Australia.

Viva Leisure Group Directors' Declaration

- 1) In the opinion of the Directors of Viva Leisure Ltd:
 - a) The consolidated financial statements and notes of Viva Leisure Ltd are in accordance with the Corporations Act 2001, including:
 - i) Giving a true and fair view of its financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
 - ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b) There are reasonable grounds to believe that Viva Leisure Ltd will be able to pay its debts as and when they become due and payable.;
- 2) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2019.
- 3) Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



Director

Harry Konstantinou

Dated this 28 day of AUGUST 2019.

**VIVA LEISURE LIMITED
ABN 76 607 079 792
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF VIVA LEISURE LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

Opinion

We have audited the financial report of Viva Leisure Limited (the Company and its and controlled entities "the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Viva Leisure Limited and controlled entities is in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended; and
- b. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2019. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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VIVA LEISURE LIMITED
 ABN 76 607 079 792
 AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE
 MEMBERS OF VIVA LEISURE LIMITED

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Accounting for Group Restructure Refer to Note 4(b) '<i>Basis of consolidation</i>'</p> <p>During the year ended 30 June 2019 the group underwent a group restructure whereby the company acquired the business of Club Group Trust, The Club Group Pty Limited and its subsidiary Club MMM! Pty Limited. This resulted in a common control reserve of \$21,585,321.</p> <p>This was considered a key audit matter as there is significant judgement in determining the transaction values and the accounting complexities of a common control transaction.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Held discussions with management to understand the nature of the transactions • Obtained and assessed managements calculation of the restructure and support for the transaction values used in finalising the accounting entries • Assessed the appropriateness of the disclosures in the financial statements in relation to the group restructure.
<p>Revenue Recognition and Contract Liabilities Refer to Note 4(e) '<i>Revenue and Other Income</i>' and Note 19 '<i>Contract Liabilities</i>'</p> <p>Refer to Note 4(e) for the group's revenue recognition policy. The group recognises revenue from health club membership services and is recognised as the customer consumes these services. Customers pay in advance for these services and this consideration is recorded as contract liability. The revenue recognised for the year ended 30 June 2019 was \$31,069,941.</p> <p>At 30 June 2019 the group recognised \$1,071,135 in contract liabilities for consideration received in advance for health club membership services.</p> <p>We focused on this area as a key audit matter given the significance of the balance and that there is a risk that revenue may not be recognised in accordance with the revenue recognition principles as set out in AASB 15: Revenue from Contracts with Customers.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of the key controls in the revenue recognition cycle. • Sample tested revenue transactions throughout the year to ensure that revenue was recognised in accordance with AASB 15: Revenue from Contracts with Customers. • We ensured the carrying value of the contract liabilities were accurate and complete.

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INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF VIVA LEISURE LIMITED

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Accounting for Business Combinations Refer to Note 28 ' <i>Business Combinations</i> '	
During the financial year ended 30 June 2019 the group made a number of acquisitions as disclosed in Note 28. Accounting for acquisitions is complex and involves a number of significant judgements. We focused on this area as a key audit matter due to amounts involved being material and the judgements involved in determining the fair value of the assets acquired and liabilities assumed.	Our procedures included, amongst others, the following: <ul style="list-style-type: none"> • Reviewing the purchase agreements to understand the terms and conditions of the acquisitions and evaluating management's assessments under AASB3 Business combinations • Assessing the fair value of the assets acquired and the liabilities assumed • Assessing the adequacy of the Group's disclosures in the financial statements
Carrying value of goodwill Refer to Note 16 ' <i>Intangible Assets</i> '	
The Group has recognised goodwill of \$4,773,354 at 30 June 2019 resulting from business combinations. The assessment of impairment of the group's goodwill balances incorporated significant judgement in respect of factors such as forecasted revenue, costs, discount rates and terminal growth rates. We have focused on this area as a key audit matter due to amounts involved being material and the inherent subjectivity associated with critical judgements being made in relation to forecasted revenue, costs, discount rates and terminal growth rates.	Our procedures included, amongst others, the following: <ul style="list-style-type: none"> • Evaluated management's impairment assessment of goodwill. • Reviewed key inputs in the value-in-use model such as forecasted revenue, costs, discount rates and terminal growth rates. • Involved our valuation specialists to recalculate management's discount rates based on external data where available. The valuation specialist was also involved in assessing the value-in use model used for valuation methodology including treatment of terminal value calculations and the net present value calculations. • Performed sensitivity analysis on the assumptions used such as terminal growth; and discount rate. • Assessed the Group's disclosures of the quantitative and qualitative considerations in relation to the valuation of goodwill and other intangible assets, by comparing these disclosures to our understanding of the matter.

**VIVA LEISURE LIMITED
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**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF VIVA LEISURE LIMITED**

Information Other than the Financial Report and Auditor's Report thereon

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Director's Responsibilities of the Director for the Financial Report

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

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

**VIVA LEISURE LIMITED
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AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF VIVA LEISURE LIMITED**

Auditor's Responsibility for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**VIVA LEISURE LIMITED
ABN 76 607 079 792
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF VIVA LEISURE LIMITED**

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 18 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Viva Leisure Limited for the year ended 30 June 2019 complies with s 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

S. Kumar

Sandeep Kumar
Partner
Dated: 28 August 2019

Additional Information for Listed Companies

The following information is current as at 1st August 2019

1. Distribution of Shareholders

The Distribution of issued capital is as follows:

Holding	Total No. of Shares Held	No. of Shareholders
100,001 and over	48,394,051	19
10,001 – 100,000	3,354,940	84
5,001 – 10,000	452,836	58
1,001 – 5,000	378,311	139
1 – 1,000	19,862	29
	52,600,000	329

2. Distribution of Options

Holding	Total No. of Options Held	No. of Shareholders
100,001 and over	2,695,000	4
10,001 – 100,000	100,000	1
5,001 – 10,000	-	-
1,001 – 5,000	-	-
1 – 1,000	-	-
	2,795,000	5

3. 20 Largest Shareholders

Shareholder	Number Held	% of Issued Shares
SHJA MANAGEMENT PTY LTD	21,688,434	41.2%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,531,640	10.5%
MERA VALE NO 1 PTY LTD	4,543,296	8.6%
NATIONAL NOMINEES LIMITED	3,559,816	6.8%
DOMA EQUITIES PTY LTD	3,000,000	5.7%
ANGELO KONSTANTINOU	1,542,068	2.9%
HARRY KONSTANTINOU	1,542,068	2.9%
SPIROS KONSTANTINOU	1,542,067	2.9%
JOHN KONSTANTINOU	1,542,067	2.9%
CITICORP NOMINEES PTY LIMITED	1,472,321	2.8%
BNP PARIBAS NOMINEES PTY LTD	600,000	1.1%
BNP PARIBAS NOMINEES PTY LTD	394,237	0.7%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	254,037	0.5%
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	250,000	0.5%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	250,000	0.5%
ROBERT MCCLURE SUPER FUND PTY LTD	250,000	0.5%
TRENWITH NOMINEES PTY LIMITED	300,000	0.6%
MRS KRISTIN JANE ARTHUR	128,000	0.2%
BOND STREET CUSTODIANS LIMITED	104,000	0.2%
JJCOJ PTY LTD	100,000	0.2%
JOSHN EQUITIES PTY LTD	100,000	0.2%
MR DEREK HILL & MRS JOANNA HILL	100,000	0.2%
DYNAMIC ADVISORS PTY LTD	100,000	0.2%
BOURKES HILL STATION PTY LTD	100,000	0.2%
GLENN BATES CONSULTING PTY LIMITED	100,000	0.2%
MR KYM RAYMOND GALLAGHER & MRS CAMILLA KATE GALLAGHER	100,000	0.2%
S BORSKY PTY LTD	100,000	0.2%
BEAUMY PTY LTD	100,000	0.2%

4. Substantial Shareholders

The names of the substantial shareholders listed in the holding company's register as at 1 August 2019 are:

Shareholder	Number Held	% of Issued Shares
SHJA MANAGEMENT PTY LTD	21,688,434	41.2%
HSBC CUSTODY NOMINEES	5,531,640	10.5%
MERA VALE NO 1 PTY LTD	4,543,296	8.6%
NATIONAL NOMINEES LIMITED	3,559,816	6.8%
DOMA EQUITIES PTY LTD	3,000,000	5.7%

5. Less than Marketable Parcel of Ordinary Shares

There is one shareholder with an unmarketable parcel totalling 1 share.

6. Unquoted Equity Securities

The company had the following unquoted securities on issue as at 1 August 2019

Security	No. of Securities
Unquoted Options	2,795,000

7. Restricted Securities

The company had the following restricted securities on issue as at 1 August 2019:

Class	No. of Shares	% of Issued Shares
Fully paid ordinary shares - voluntary escrow		
Restricted until the earlier of lodgement of the company's financial reports for the year ended 30 June 2020 and 24 months	21,688,434	41.2%
Restricted until the earlier of lodgement of the company's financial reports for the year ended 30 June 2020 and 24 months	4,543,296	8.6%
Restricted until the earlier of lodgement of the company's financial reports for the year ended 30 June 2020 and 24 months	1,542,068	2.9%
Restricted until the earlier of lodgement of the company's financial reports for the year ended 30 June 2020 and 24 months	1,542,068	2.9%
Restricted until the earlier of lodgement of the company's financial reports for the year ended 30 June 2020 and 24 months	200,000	0.4%

7. Voting Rights

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll. Performance rights and Options have no voting rights.

8. On-market Buy Backs

There is no current on-market buy-back in relation to the Company's securities

Other Information

Company Secretaries:

Kym Gallagher and Morgan Bryant

Registered office and principal place of business:

Unit 7, 141 Flemington Road, Mitchell, ACT, Australia.

Registers of securities are held at the following addresses:

Link Market Services

Level 12, 680 George Street, Sydney, NSW

Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.