ANNUAL REPORT 2020

VIVA
LEISURE

YEAR ENDED 30 JUNE 2020

OUR MISSION

Viva Leisure's mission is to connect as many people as possible to a healthy lifestyle, delivering to its members an uncompromising fitness experience via accessible, affordable and quality facilities and services.

About this Report

This 2020 Annual Report for Viva Leisure Limited (ACN 607 079 792) has been prepared as at 2 October 2020. Please note that terms such as Viva Leisure, VVA and Viva Leisure Limited have the same meaning unless the context requires otherwise.

Viva Leisure is committed to reducing the environmental footprint associated with the production of this annual report and printed copies are only posted to shareholders who have elected to receive a printed copy. Shareholders can request a printed copy of the Annual Report free of charge by emailing *investor.relations@vivaleisure.com.au* or by writing to the Company Secretary, PO Box 1, Mitchell ACT 2911.

CONTENT

OUR BRANDS AND LOCATIONS

CLUBLIME

hiit republic

CLUBLIME AQUATICS
CLUBLIME SWIM SCHOOL
GROUNDUP
CLUBLIME PERSONAL TRAINER
CLUBLIME LADIES ONLY
CLUBLIME PSYCLE LIFE
Studio BY CLUB LIME
FNF
Plus fitness

2020 HIGHLIGHTS

REVENUE - UP 23.6%

$40.9M

MEMBERSHIPS - UP 74.3%

94,196

LOCATIONS - UP 97.5%

79

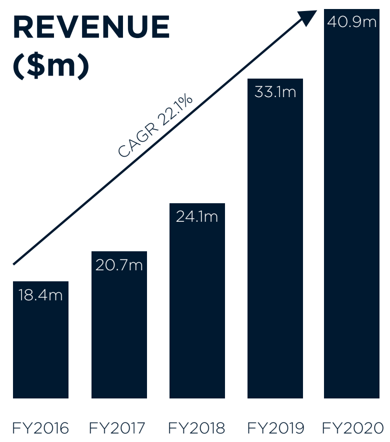
EBITDA* - DOWN 16.7%

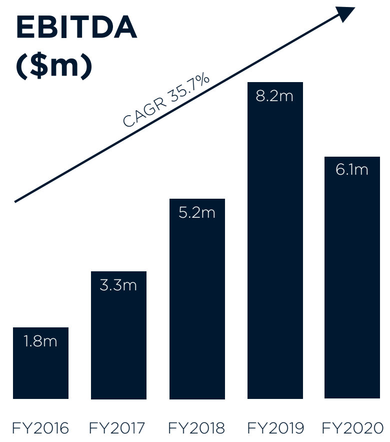
$6.07M

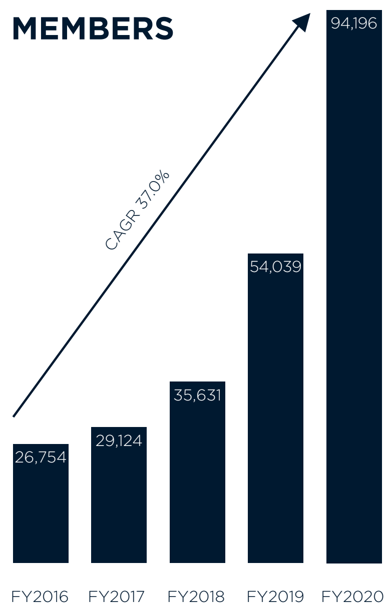
EBITDA MARGIN* - DOWN FROM 24.8%

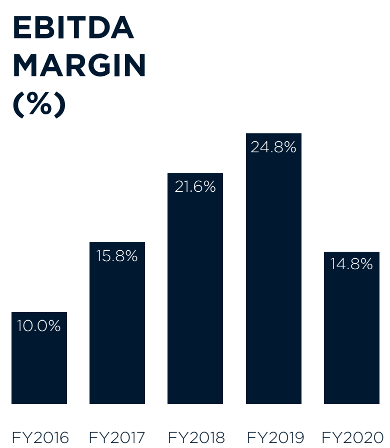
14.8%

*Excluding impacts of AASB16.









A LETTER FROM THE CHAIR

Dear Fellow Shareholders

OUR FIRST FULL YEAR AS A LISTED COMPANY

On behalf of the Board, I am pleased to present the Viva Leisure Limited 2020 Annual Report.

During 2020, our first full year as a listed company, Viva Leisure has faced the headwinds of COVID-19 and the consequential severe impacts to our stakeholders and the business. Our strong and controlled expansion to the business saw trading above forecast until the COVID-19 pandemic required all health clubs to close with 24-hours' notice by government pronouncement. The required stand-down of staff at that time was one of the toughest decisions that the Board and Management had to make.

Notwithstanding the unexpected closure of all locations we were grateful for the support of members and the high level of understanding by our team. The staff, very capably led by our management team, provided a platform of rationalisation to costs and the business structure to see through the close-down period. As soon as the business was permitted to re-open across the States and Territories in which we operate, our loyal membership base and proven business model recovered quickly.

Of particular importance to highlight in the COVID-19 affected results were:

- Total revenues were $40.9 million compared with $31.2 million in the financial year ended 30 June 2019, an increase of 31.1%;
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) decreased to $6.07 million from $8.2 million in the previous year excluding the impacts of AASB16;
- Cash and cash equivalents reserves remain strong at $30.1 million, up from $14.4 million in the previous year, predominantly due to the capital raised just before the end of the financial year;
- An increase in net assets to $63.3 million compared to $25.7 million in the financial year ended 30 June 2019.
- The Company successfully sought additional capital on 2 occasions from shareholders during the year. Each capital raising was heavily supported, reflecting a positive understanding of investors to the business opportunities pursued by the Company.

DIVIDENDS

As foreshadowed in the 2019 Prospectus, reflecting Viva Leisure's growth profile and continuing investment opportunities, the Directors confirm that no dividend will be paid in respect of the 2020 Financial Year.

OPERATING HIGHLIGHTS FOR THE YEAR

Highlights for the year were:

- An increase in operating locations/clubs from 40 to 79;
- A strong pipeline of new locations secured, consistent with the strategic vision of growth;
- The hiit republic boutique concept went from strength to strength and will continue to be rolled out as part of Viva Leisure's unique hub and spoke model;
- Despite the impact of COVID-19, membership increased by over 40,000;
- Acquisitions of Healthworks (10 locations in Queensland), FitnFast (13 locations in New South Wales, Victoria and the ACT), and Re-Creation Malvern (Victoria) were each completed.

SOCIAL AND COMMUNITY COMMITMENT

Viva Leisure has again continued its commitment to ongoing support of the local communities in which we operate. That contribution has been necessarily moderated in 2020 by the impact of the pandemic. The Board and Management are justifiably proud of the impact that it has made in the community as a responsible corporate citizen. Likewise, we are proud of the opportunities offered for employment of some team members who have special circumstances.

BOARD AND MANAGEMENT

The Viva Leisure Board and Management team have joined regularly during the year as the challenges have been met and overcome. The spirit of contribution and effort has been unrelenting and reflects positively on the whole team. I am personally grateful for the valuable contribution of each of the Board and management team. In particular, I appreciate the significant contribution and achievements of Harry Konstantinou, his executive team, and the entire Viva Leisure team which nearly doubled during the year and now comprises over 1,100 amazing team members.

I also take the opportunity to recognise the valued contribution of Mark McConnell who retires at the Annual Meeting and does not seek re-election. Mark has been a director since before the Initial Public Offering and has provided valued counsel over the early years of Viva Leisure as a public company.

OUTLOOK

Subject to the vagaries of the pandemic, we expect the upcoming year to be another dynamic and successful year, with several exciting opportunities from which Viva Leisure will benefit, including capitalising on our recent acquisition of the Plus Fitness master franchisor, and our potential expansion into other geographies.

In closing, I extend the gratitude of the Board to our shareholders, our team, and our members for their continued support throughout this most challenging year.

Yours sincerely,

BRUCE GLANVILLE
Chair

THE CHAIR

A REPORT FROM THE CEO

THE CEO

Dear Fellow Shareholders

There is no doubt that 2020 has been a year like no other. The financial year started with Viva Leisure coming out of the blocks very quickly and exceeding our expectations on performance, and then the COVID-19 pandemic hit. Our clubs and facilities were all mandated to close with 24-hours' notice on the 23 March 2020, and we did not start re-opening facilities until 31 May 2020.

I am pleased to report that our loyal and committed membership base returned to near pre-COVID levels by the end of June 2020 which is testament to our product and the importance of health and wellbeing to our members.

The importance of a healthy lifestyle has never been more important than through this experience, and I truly believe that this now resonates with more and more members of our community. I further believe this will help to drive health club membership and participation to new levels over the next few years.

Whilst we did not quite achieve 100,000 members for the year as originally forecast due to the impact of COVID-19, we expect to achieve that milestone in the next few months. Membership however has increased at a compound annual growth rate (CAGR) of 37.0% since FY2016, an outstanding achievement.

Other key milestones include:

- Revenue increased to $40.9 million, which represents a CAGR of 22.1% from FY2016 to FY2020;
- EBITDA decreased to $6.1 million, however, still maintained an impressive CAGR of 35.7% over the period FY2016 to FY2020;

It is even more important in the middle of a pandemic that the community be permitted to use the facilities of health clubs and maintain and improve their fitness levels. The feedback that we have received from members during the mandatory closure of health clubs was primarily around how lockdown introduces unhealthy habits into our lifestyles.

OVERVIEW

Viva Leisure owned and operated 79 locations as at 30 June 2020. As of 30 September 2020, this had already increased to 85 locations, which is over 100% increase from the 40 locations we owned and operated at the end of the financial year 2019.

Together with new club openings and acquisitions during the year, our existing like-for-like locations continued to grow members which is the key metric that we constantly monitor.

Our hiit republic brand has gone from strength to strength and as of 30 September 2020 we have 15 locations opened across the ACT and NSW. I expect this to grow to approximately 25 locations at the end of this financial year. This is an outstanding achievement considering the first hiit republic only opened in March 2019.

TALENT

To support our ambitious future growth, and as we have done in the past, our executive team is focused on attracting the best possible talent, as well as retaining, fostering and offering growth opportunities to our already bright shining stars. Viva Leisure offers a unique career path for anyone who wishes to work in the fitness industry and nearly all of our senior management have come through the ranks and worked their way up. Our business is all about experiences, and these can only be offered sincerely when we have the very best working in harmony. Our team is highly motivated, excited, and constantly educating and adapting to remain at the forefront.

During the year, our team grew from 600 strong to over 1,100, and each of them plays a very important part of the experience which we offer our members.

ACQUISITIONS

During the financial year, we negotiated, settled and more importantly integrated various acquisitions. These included 10 locations as part of the Healthworks acquisition (Queensland) in two separate acquisitions, 13 locations as part of the FitnFast acquisition (NSW, Victoria and the ACT), and the Re-Creation Malvern location in Victoria.

At the end of the financial year, we were also deep in due-diligence for the acquisition of the Plus Fitness master franchisor, which was settled in August 2020. The acquisition has introduced nearly 200 locations to the Viva Leisure network, a new market segment we can now target, and an existing network in both New Zealand and India we can expand on. I am very excited about what the introduction of our technology can do to the existing Plus Fitness network to help our franchisees grow their businesses which will, in turn, grow our business.

THE FUTURE

The future, whilst extremely exciting, will continue our 'more of the same' model. A model which we have proven over the past 16 years since we opened our first location. Viva Leisure is committed to continue and even accelerate our strategic, controlled and well-planned growth trajectory in all key market segments in which we operate. With the acquisition of the Plus Fitness master franchisor (in August 2020), Viva Leisure has added another option to select from in entering new markets. We now have brands available to us which are suitable in all markets and all price-points, which is something our competitors simply do not offer. We are a dynamic, three-dimensional business that can pivot, adapt and grow in my opinion faster and more controlled than any other player in the market.

I expect in the coming twelve months our level of innovation will surprise not only our members but also our competitors.

I look forward to leading the team into the next period of growth, continuing to extend our services into more markets, increasing the opportunities for our team and growing the value of the company for our shareholders. It is encouraging to see so many of our members as shareholders of the business.

HARRY KONSTANTINOU
Founder, Managing Director and
Chief Executive Officer

DIRECTORS' REPORT

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 Chartered Accountants Australia and New Zealand

Experience
Appointed Board, 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

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

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
23,290,066 ordinary shares and options to acquire a further 2,340,000 ordinary shares.

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
Executive Director of Citadel Group Limited (ASX:CGL)

Non-executive Director of 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 has 25 years executive management experience and 10 years listed Board experience across law, finance, business, HR and governance.

Other Current Directorships
Non-Executive Director of G8 Education Limited (ASX:GEM)

Non-Executive Director of Over the Wire Holdings Limited (ASX:OTW)

Non-Executive Chair of Jumbo Interactive Limited (ASX:JIN)

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 2018

Chair and Non-Executive Director of National Veterinary Care Ltd (ASX:NVL). Resigned 7th April 2020 following completion of a Scheme of Arrangement

Interest in Shares and Options
326,668 ordinary shares and options to acquire 100,000 ordinary shares.

KYM GALLAGHER

Company Secretary and Chief Financial Officer
Appointed 12 October 2018

Qualifications
Bachelor of Economics,
Member of Chartered Accountants ANZ

Experience

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
140,000 ordinary shares and options to acquire a further 250,000 ordinary shares

MORGAN BRYANT

Company Secretary and Group General Counsel
Appointed Company Secretary on 12 October 2018.

Resigned 16 March 2020.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Financial highlights for the year:

- Total revenues were $40.9 million compared with $31.2 million in the financial year ended 30 June 2019;
- Loss before income tax was ($9.3 million), compared to a profit of $4.0 million in the financial year ended 30 June 2019;
- Net Profit / (loss) After Tax (NPAT) from continuing operations and attributable to members was ($6.2 million) compared with a financial year ended 30 June 2019 result of $2.9 million;
- Cash and cash equivalent reserves available for deployment on acquisitions is strong at $30.1 million, up from $14.4 million in the financial year ended 30 June 2019; and
- There was an increase in net assets from $25.8 million to $63.3 million

Impact of AASB16

The statutory financial results have been significantly impacted by the introduction of AASB16. Below is a reconciliation of the underlying statutory results to the pre-AASB16 results.

Profit and Loss ($m)	FY20 Statutory	AASB16 Impact	FY20 (pre AASB16)
Revenue	40.89	0.00	40.89
EBITDA	15.73	(9.66)	6.07
Depreciation and Amortisation	17.01	(12.94)	4.07
EBIT	(1.28)	3.28	2.00
Finance Costs	8.06	(7.30)	0.76
Profit / (loss) Before Tax	(9.34)	10.58	1.24
Income Tax Expense	(3.10)	2.91	(0.19)
Net Profit After Tax	(6.24)	7.67	1.43
Earnings per share (basic - cents)	**(10.89)**	**13.39**	**2.50**

Operational highlights for the financial year:

- An increase in operating locations/clubs from 40 to 79;
- Member numbers increasing from 54,039 at June 2019 to 94,196 at 30 June 2020;
- Now operating 13 hiit republic boutique studios;
- Expanded presence into NSW and Victoria with the completion of the FitnFast acquisition
- Entered the Queensland market with the completion of the Healthworks acquisitions

COVID-19 Impacts

All of Viva Leisure Limited's clubs were closed at Midday 23rd March 2020 in accordance with the Commonwealth Government directive.

The Company took immediate steps to mitigate exposure to ongoing costs, seek alternative revenue opportunities and to preserve cash:

- Wage costs reduced significantly by the stand down of significant numbers of staff during this period of closure, supported by the JobKeeper incentive
- Removed significant controllable costs from the business
- Senior CBA loan facility and existing finance lease payment obligations were deferred for six months
- Rent negotiations commenced using the Mandatory Code of Conduct as a backdrop
- Delayed all un-committed capital works on rollouts
- Activated 'at home' work-out and work-in options via apps for members at a reduced rate to provide some certainty of service, income for the business and retain contact with members

Other key events during shutdown:

- Fast tracking of back office synergies from the FitnFast acquisition
- Development of a National Operations Centre ("NOC") to allow for 'staff-less' gym environments in the future

As the closedown period ended, the Company recommenced its capital works programs and completed the following:

- Rebranded all of the Healthworks sites to Club Lime, and refurbished 5 of the 10 sites including full equipment upgrades
- Completed the fitouts of the second site in Gungahlin ACT as well as hiit republic site in Wagga Wagga NSW

The Company also fully prepared a comprehensive re-opening plan including:

- Ensuring all government and industry guidelines are adhered to
- Implementation of booking system during the phase two re-opening to manage headcount limits
- Installation of people counters during the phase two re-opening to manage headcount limits
- Instituting appropriate broad social distancing and cleaning protocols
- Re-engaging stood down staff to ensure staffing was available to meet capacity

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the group operates.

Revenues and profits were significantly impacted during the closure period and where appropriate this has been addressed in the specific notes, estimates and judgements in the Financial Statements. The Group has all Victorian locations currently closed due mandatory shutdowns imposed by the Victorian State Government and there remains uncertainty with respect to future events or circumstances which may continue to impact the financial results of the consolidated entity.

The table below shows the management results for the period to February 2020 (pre COVID-19 impacts) and compared to the full 12 months results. This demonstrates the impact on the financial results due to the mandatory closures.

	8 MONTHS JULY - FEBRUARY			12 MONTHS JULY - JUNE		
$m (8 months and 12 months)	FY2020 Underlying	FY2019 Underlying	Variance	FY2020 Underlying	FY2019 Underlying	Variance
Revenue	**33.16**	**20.48**	**61.9%**	**40.89**	**33.08**	**23.6%**
Operating Costs	(25.39)	(15.99)	58.8%	(34.82)	(25.80)	35.0%
EBITDA	**7.78**	**4.49**	**73.1%**	**6.07**	**7.29**	**(16.7%)**
EBITDA Margin	23.4%	21.9%		14.8%	22.0%	

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- In December 2019, completed a fully underwritten $20m equity raising by way of an institutional placement of approximately 7.5m ordinary shares at $2.65
- In June 2020, completed a fully underwritten $25m equity raising by way of institutional placement and rights entitlement offer of approximately 11.36m ordinary shares at $2.20
- Credit terms were agreed with the Commonwealth Bank of Australia in relation to a $17.45m five-year senior secured facility, comprising a $10m Market Rate Loan facility (currently drawn to $8.0m) to assist in financing future acquisitions, an equipment finance facility, bank guarantee facility and a direct debit facility
- Completed two separate acquisitions comprising 10 Healthworks Health Clubs located in Queensland
- Completed the acquisition of 13 FitnFast Health Clubs located in the Australian Capital Territory, New South Wales and Victoria

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 21st August 2020 the Company completed the acquisition of Australian Fitness Management Pty Limited, the Master Franchisor for the Plus Fitness group comprising approximately 200 clubs located in Australian Capital Territory, New South Wales, Victoria, South Australia, Western Australia, New Zealand and India. AFM was acquired for an initial payment of $18m, with a $2m deferred payment which is subject to performance hurdles.

No other 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, other than the impacts of COVID-19 mentioned above.

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 the Board (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director is as follow:

Director's name	Board Meetings		Audit and Risk Committee		People and Culture Committee	
	A	B	A	B	A	B
Harry Konstantinou	21	21	-	3	1	1
Bruce Glanville	21	20	3	3	2	2
Mark McConnell	21	20	-	3	2	2
Susan Forrester	21	21	3	3	2	2

Where:

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

During the year, there were 8 scheduled Board Meetings. The additional meetings held and attended by Directors were for special matters, such as for acquisitions, capital raises and COVID-19 matters.

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	31 August 2023	0.00	295,000
30 October 2019	31 August 2024	0.00	295,000
Total			3,090,000

These options were issued under either the LTI, Tranche 1 or Tranche 2 Plans (described in Note 21.2 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 the 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 OF OPTIONS

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 (2019: 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 and Secretaries. 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 of insurance.

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 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, for audit and non-audit services provided during the year are set out in Note 28 to the financial statements. The total paid for non-audit services was $53,000. This comprised tax and other business services.

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

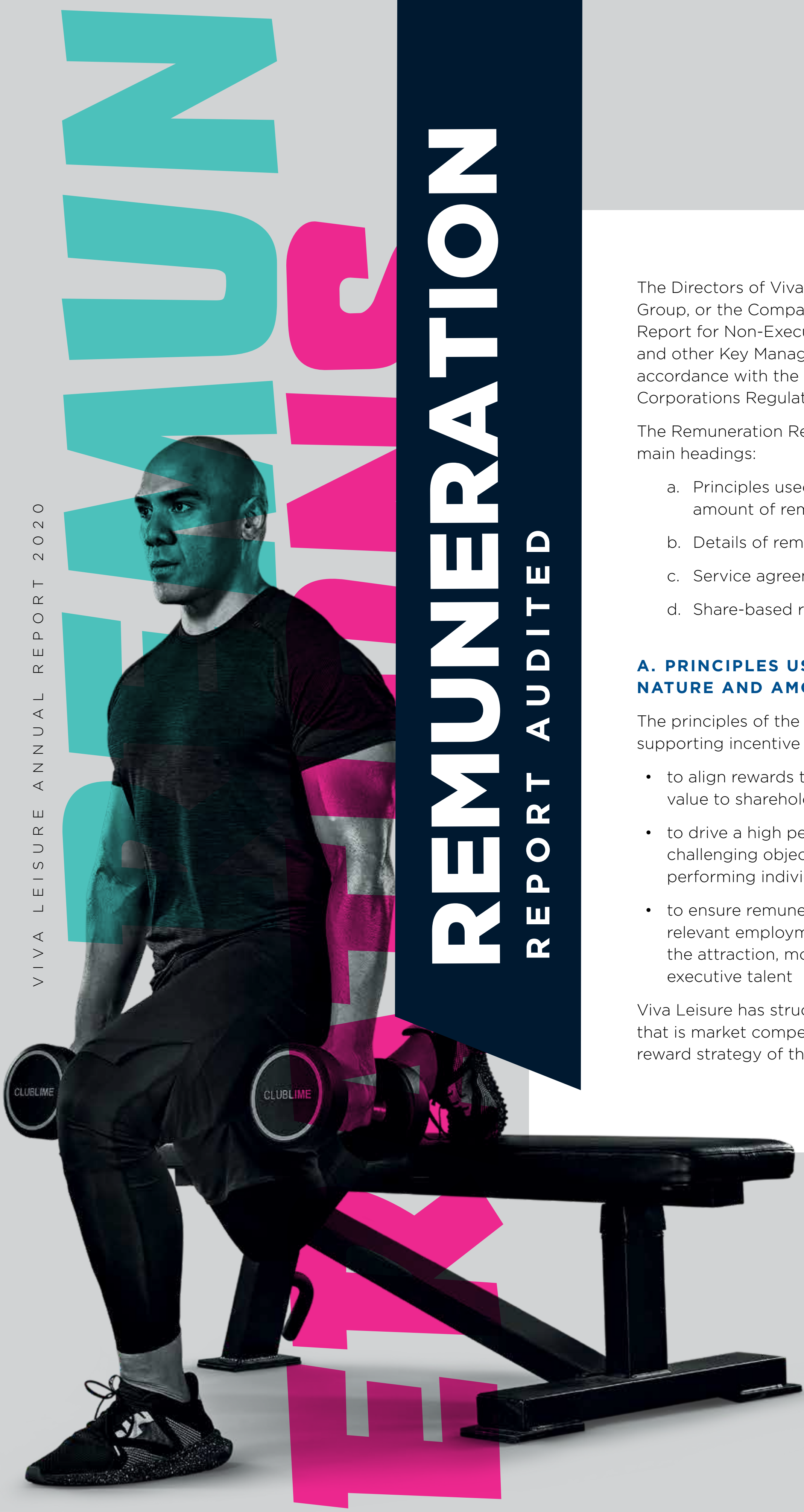
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

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 25th day of August 2020.



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 including directly related statutory obligations;
- 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 incentive salaries, 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 incentive salaries, options and incentives are linked to pre-determined performance criteria, and subject to the usual discretion of the Board.

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 Board 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.

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;
- an unqualified 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 this report and in relation to the 590,000 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:

LTIs (Tranche 1)	LTIs (Tranche 2)	
EPS CAGR over the two Financial Years Ending 30 June 2021	EPS CAGR over the three Financial Years Ending 30 June 2022	Percentage of Options that Vest
Less than 15% (minimum Target)	Less than 15% (minimum Target)	0%
15% to 20% (within target range)	15% to 20% (within target range)	50% - 100% (on a straight-line basis)
Greater than 20% (above maximum target)	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 was 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 BDO Reward Pty Ltd to review and to provide recommendations in respect of the amount and elements of executive remuneration, including short-term and long-term incentives. Minter Ellison were engaged to review the long-term incentives plan rules and associated documentation.

Under the terms of the engagement, BDO Reward Pty Ltd and Minter Ellison provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 for fees of $14,750 and $7,000 respectively for these services.

Each of BDO Reward Pty Ltd and Minter Ellison have confirmed that any recommendations have been made free from undue influence by members of the Group's key management personnel.

BDO Reward Pty Ltd and Minter Ellison 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 BDO Reward Pty Ltd and the documentation related to the long-term incentives plan rules and associated documentation by Minter Ellison 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.

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		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 incentive	Super-annuation	Long service leave	Termination benefits	Options	Total	
Executive Directors									
Harry Konstantinou (Managing Director)	2020	425,000	90,000	25,000	7,125	-	11,689	558,814	18.2%
	2019	273,111	84,375	22,840	107,885	-	127,552	615,763	34.9%
Non-executive Directors									
Bruce Glanville* (Independent)	2020	89,124	-	20,620	-	-	-	109,744	Nil
	2019	73,194	200,000*	-	-	-	11,064	284,258	Nil
Mark McConnell (Non-Independent)	2020	53,076	-	-	-	-	-	53,076	Nil
	2019	60,000	-	-	-	-	-	60,000	Nil
Susan Forrester (Independent)	2020	65,625	-	-	-	-	-	65,625	Nil
	2019	68,750	-	-	-	-	5,532	74,282	Nil

Directors voluntarily reduced Directors fees by 50% during the period 27 March 2020 to 14 June 2020.

*2019: Rolins 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.

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 incentive	Super-annuation	Long service leave	Termination benefits	Options	Total	
Other Key Management Personnel									
Kym Gallagher (Chief Financial Officer)	2020	275,000	60,000	25,000	4,799	-	5,157	369,956	17.6%
	2019	231,718	56,250	23,945	8,055	-	5,532	325,500	19.0%
Angelo Konstantinou (Chief Technology Officer)	2020	200,000	44,119	20,597	3,353	-	3,438	271,507	17.5%
	2019	176,029	42,063	15,356	50,769	-	5,532	289,749	16.4%
Sean Hodges (Chief Operating Officer)	2020	175,000	20,000	18,678	13,281	-		226,959	8.8%
	2019	164,267	25,000	14,564	9,459	-	-	213,290	11.7%
2019 Total	**2020**	**1,282,825**	**214,119**	**109,895**	**28,558**	**-**	**20,284**	**1,655,682**	**14.2%**
2018 Total	**2019**	**1,047,069**	**407,688**	**76,705**	**176,168**	**-**	**155,212**	**1,862,842**	**30.2%**

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	Up to 50% of fixed remuneration	Up to 100% of fixed remuneration
Other Key Management Personnel			
Kym Gallagher	340,000	Up to 25% of fixed remuneration	Up to 40% of fixed remuneration
Angelo Konstantinou	240,000	Up to 25% of fixed remuneration	Up to 40% of fixed remuneration
Sean Hodges	230,000	Up to 15% of fixed remuneration	Up to 20% of fixed remuneration

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	315,000	Three years	Three months
Angelo Konstantinou	219,178	Three years	Three months
Sean Hodges	210,045	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.

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.

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 Jun 2019	2 May 2023
	Tranche 2	1,000,000	2 May 2019	$0.072	$77,232	-	-	7 Jun 2019	2 May 2023
	LTI	170,000	7 Jun 2019	-	-	-	-	31 Aug 2021	31 Aug 2023
	LTI	170,000	30 Oct 2019	$0.069	$11,689	-	-	31 Aug 2022	31 Aug 2024
Non-Executive Directors									
Bruce Glanville	Tranche 1	200,000	2 May 2019	$0.055	$11,064	-	-	7 Jun 2019	2 May 2023
Susan Forrester	Tranche 1	100,000	2 May 2019	$0.055	$5,532	-	-	7 Jun 2019	2 May 2023
Other Key Management Personnel									
Kym Gallagher	Tranche 1	100,000	2 May 2019	$0.055	$5,532	-	-	7 Jun 2019	2 May 2023
	LTI	75,000	7 Jun 2019	-	-	-	-	7 Jun 2022	7 Jun 2024
	LTI	75,000	30 Oct 2019	$0.069	$5,157	-	-	31 Aug 2022	31 Aug 2024
Angelo Konstantinou	Tranche 1	100,000	2 May 2019	$0.055	$5,532	-	-	7 Jun 2019	2 May 2023
	LTI	50,000	7 Jun 2019	-	-	-	-	7 Jun 2022	7 Jun 2024
	LTI	50,000	30 Oct 2019	$0.069	$3,438	-	-	31 Aug 2022	31 Aug 2024

E. SHARES HELD BY DIRECTORS AND KEY MANAGEMENT PERSONNEL

The number of ordinary shares in the Company during the 2020 reporting period held by each of the Group's key management personnel, including their related parties, is set out below

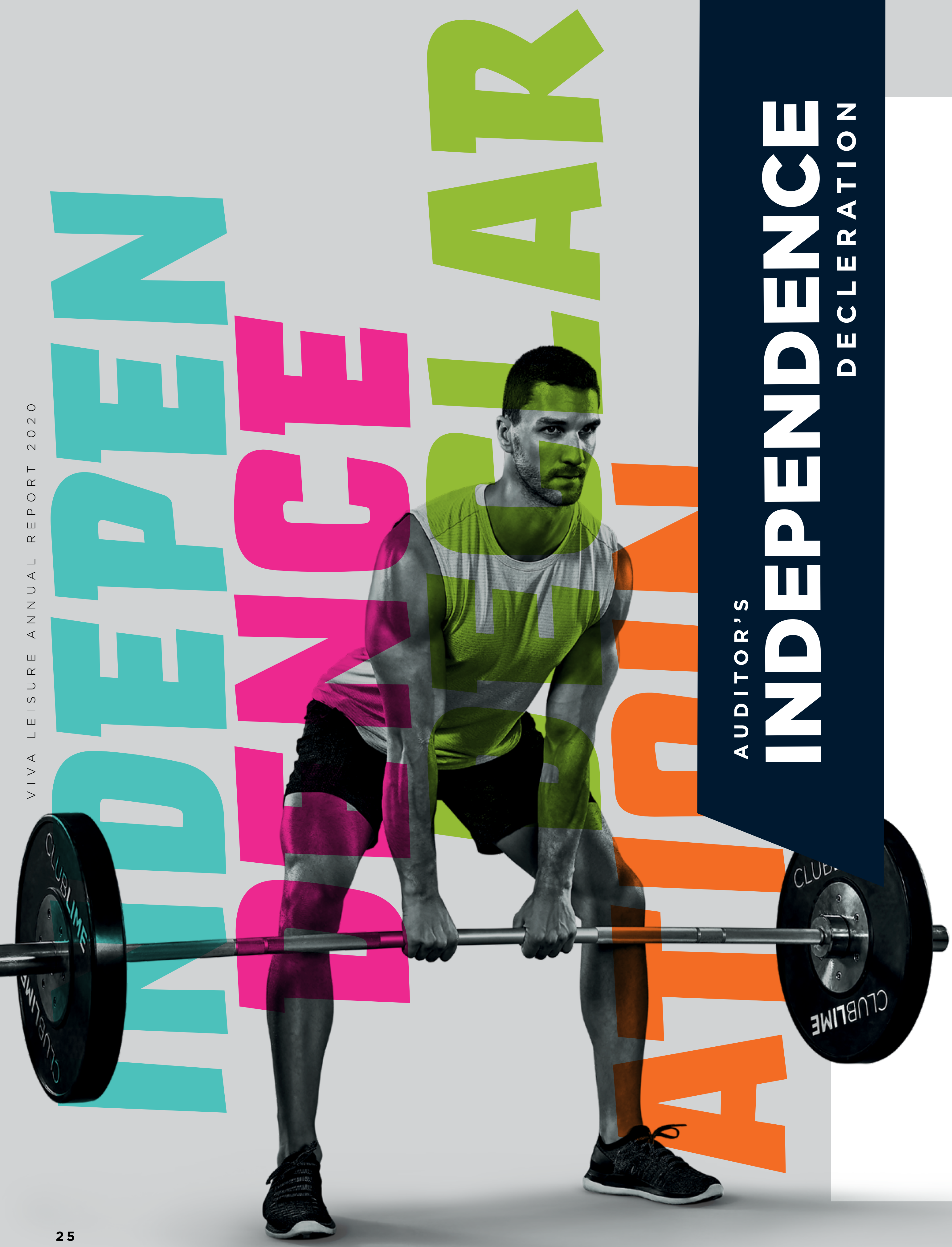
Directors and other Key Management Personnel	Balance at Start of Year	Granted as Remuneration	Received on Exercised Options	Shares Purchased	Held at the End of the Reporting Period
Executive Directors					
Harry Konstantinou	23,230,502	-	-	59,564	23,290,066
Non-Executive Directors					
Bruce Glanville	300,000	-	-	-	300,000
Mark McConnell	4,543,296	-	-	-	4,543,296
Susan Forrester	24,593	-	-	302,075	326,668
Other Key Management Personnel					
Kym Gallagher	100,000	-	-	40,000	140,000
Angelo Konstantinou	23,230,502	-	-	-	23,230,502
Sean Hodges	40,000	-	-	6,667	46,667

At 30 June 2020 there were no loans outstanding to Directors or Key Management Personnel.

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 2020 is available on the investor relations website at *https://investors.vivaleisure.com.au*.



AUDITOR'S INDEPENDENCE DECLERATION

HALL CHADWICK (NSW)

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

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

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 2020, 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 (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

Sandeep Kumar
Partner
Dated: 25 August 2020

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CONSOLIDATED STATEMENT

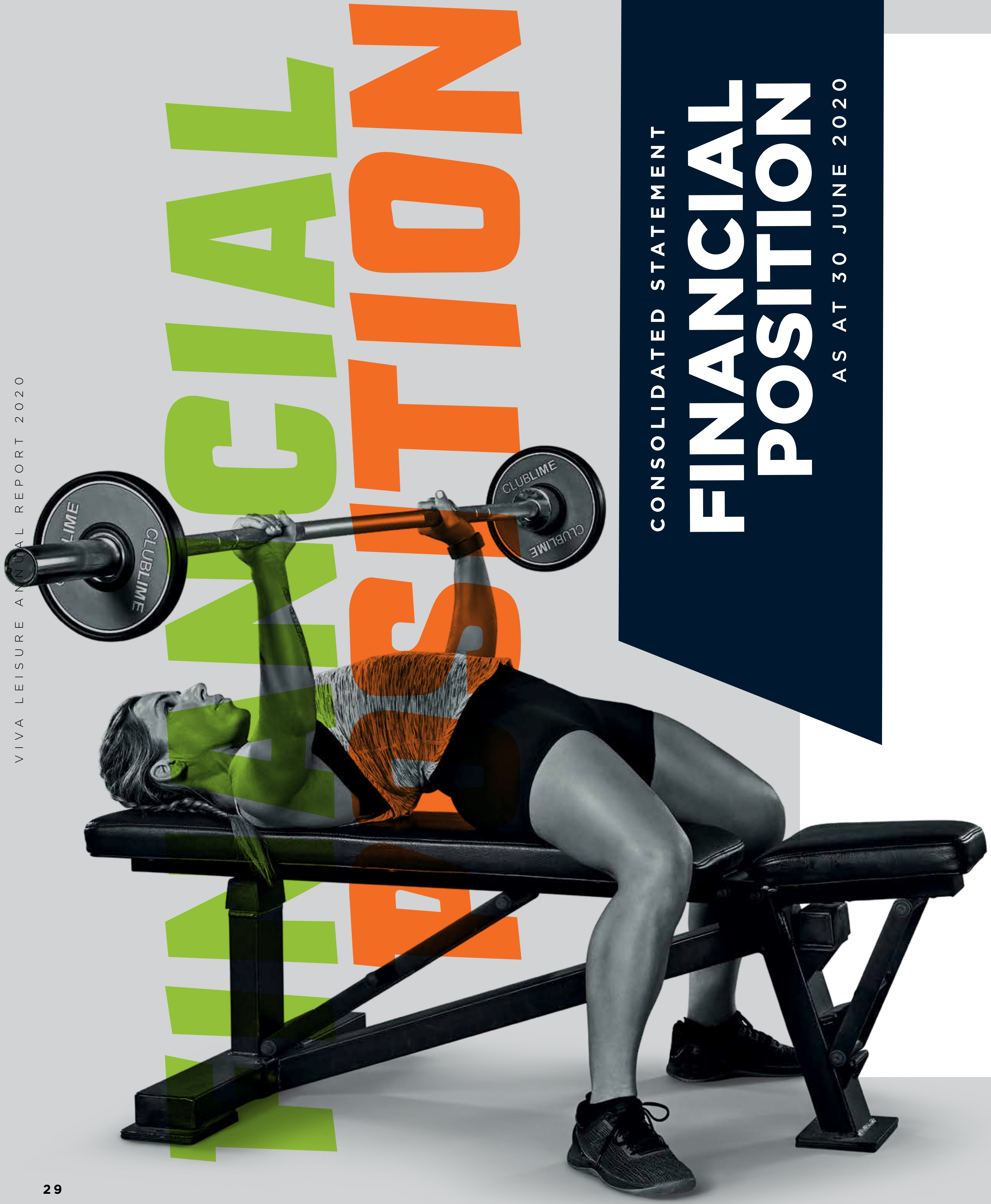
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the Year Ended 30 June 2020

	Note	2020 $	2019 $
Sales revenue	5	40,367,123	31,069,941
Other income	5	518,574	90,279
Rental expense	6	(135,325)	(6,742,218)
Employee benefits expense	20	(13,551,344)	(9,664,619)
Bank Charges		(657,908)	(425,835)
Advertising and marketing costs		(1,322,313)	(1,007,700)
Utilities and cleaning		(3,507,656)	(2,383,840)
Licences and subscriptions		(826,882)	(479,020)
Insurances		(236,809)	(180,255)
Repairs and maintenance		(817,151)	(625,137)
Professional fees		(255,002)	(148,450)
Depreciation and amortisation expense		(17,006,278)	(2,201,812)
Finance costs	7	(8,063,229)	(631,570)
Costs of capital raisings and acquisitions	6	(1,051,385)	(913,619)
Other expenses		(2,798,033)	(1,780,200)
Profit / (loss) before income tax		**(9,343,618)**	**3,975,945**
Income tax benefit / (expense)	9	3,097,273	(1,120,842)
Profit / (loss) for the year		**(6,246,345)**	**2,855,103**
Total other comprehensive income for the year		**-**	**-**
Total comprehensive income / (loss) for the year		**(6,246,345)**	**2,855,103**

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

Earnings per share	24	Cents	Cents
Basic earnings per share:			
Earnings from continuing operations		(10.9)	5.4
Diluted earnings per share:			
Earnings from continuing operations		(10.4)	5.2

The weighted average shares for the financial year ended 30 June 2019 are calculated from the date of listing on 7th June 2019 to 30 June 2019.



CONSOLIDATED STATEMENT FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 $	2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	30,103,095	14,385,895
Trade and other receivables	11	2,652,313	218,443
Other current assets	12	2,972,356	365,306
TOTAL CURRENT ASSETS		35,727,764	14,969,644
NON-CURRENT ASSETS			
Trade and other receivables		-	114,231
Property, plant, and equipment	14	28,646,732	9,769,193
Right of use assets	19	176,881,777	9,427,644
Intangible assets	15	20,529,715	6,564,081
Deferred tax assets	16	57,726,670	3,460,781
TOTAL NON-CURRENT ASSETS		283,784,894	29,335,930
TOTAL ASSETS		**319,512,658**	**44,305,574**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	5,096,543	2,542,778
Borrowings	13	1,272,500	2,274,815
Lease liabilities	19	14,829,663	-
Contract liabilities	18	863,350	1,299,678
Current tax liabilities	16	704,386	1,495,149
Provisions	21	1,655,033	1,176,473
TOTAL CURRENT LIABILITIES		24,421,475	8,788,893
NON-CURRENT LIABILITIES			
Borrowings	13	6,716,000	5,668,840
Lease liabilities	19	167,797,430	-
Contract Liabilities	18	-	1,294,002
Provisions	21	4,476,841	115,937
Deferred tax liabilities	16	52,784,151	2,675,844
TOTAL NON-CURRENT LIABILITIES		231,774,422	9,754,623
TOTAL LIABILITIES		**256,195,897**	**18,543,516**
NET ASSETS		**63,316,761**	**25,762,058**
EQUITY			
Issued capital	22	87,375,694	43,715,691
Reserves	23	(21,725,385)	(21,430,110)
Retained earnings		(2,333,548)	3,476,477
TOTAL EQUITY		**63,316,761**	**25,762,058**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

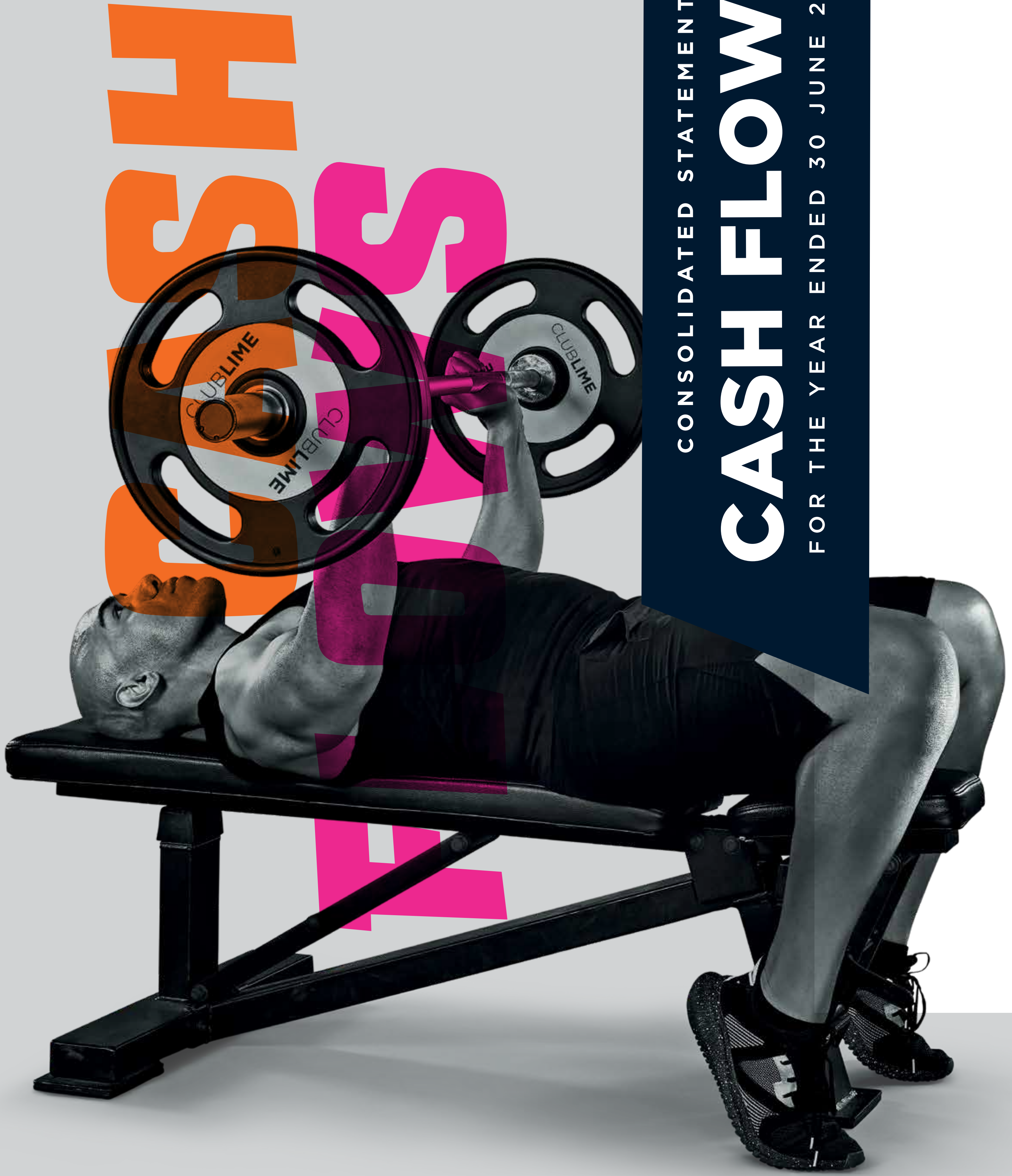
FOR THE YEAR ENDED 30 JUNE 2020

	Share Capital $	Reserves $	Retained Earnings (Accumulated) $	Total Equity $
Balance at 30 June 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 year	-	-	2,855,103	2,855,103
Total comprehensive profit for the year attributable to members of the entity	**-**	**-**	**2,855,103**	**2,855,103**
Total transactions with owners and other transfers	**43,715,571**	**(21,430,110)**	**2,855,103**	**25,140,564**
Balance at 30 June 2019	**43,715,691**	**(21,430,110)**	**3,476,477**	**25,762,058**
Balance at 1 July 2019	43,715,691	(21,430,110)	3,476,477	25,762,058
Impact of initial recognition of AASB16, net of tax	-	-	436,320	436,320
Balance at 1 July restated	43,715,691	(21,430,110)	3,912,797	26,198,377
Issue of shares, net of transaction costs and tax	43,660,003	-	-	43,660,003
Common control reserve arising from group restructure in prior year	.	(315,559)	-	(315,559)
Share option premium reserve	-	20,284	-	20,284
Total transactions with owners	**43,660,003**	**(295,275)**	**-**	**43,364,728**
Loss for the year	-	-	(6,246,345)	(6,246,345)
Total comprehensive loss for the year attributable to members of the entity	**-**	**-**	**(6,246,345)**	**(6,246,345)**
Total transactions with owners and other transfers	**43,660,003**	**(295,275)**	**(6,246,345)**	**37,118,383**
Balance at 30 June 2020	**87,375,694**	**(21,725,385)**	**(2,333,548)**	**63,316,760**

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 2020



	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		45,894,517	35,881,038
Payments to suppliers and employees		(32,816,827)	(27,470,717)
Interest received		199,463	35,699
Interest paid		(8,063,229)	(631,570)
Payments of income tax		(1,575,870)	(469,785)
Net cash provided by operating activities	25	3,638,054	7,344,665
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(17,314,639)	(3,928,258)
Proceeds from sale of property, plant and equipment		583,015	168,882
Purchase of intangibles		(601,652)	(335,431)
Payments for business combinations, net of cash acquired	29	(17,729,613)	(7,121,033)
Net cash (used in) investing activities		(35,062,889)	(11,215,840)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		45,000,000	23,500,000
Direct costs of issue of shares		(1,848,761)	(951,652)
Proceeds from borrowings		7,988,500	-
Reduction in equipment leases principal		(1,759,274)	(1,986,449)
Reduction in property leases principal		(2,238,429)	-
Repayment of borrowings		-	(3,480,228)
Net cash provided by financing activities		47,142,036	17,081,671
Net increase in cash held		15,717,201	13,210,496
Cash at beginning of financial year		14,385,895	535,530
Cash acquired under Group restructure		-	639,869
Cash at end of financial year	10	30,103,095	14,385,895

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

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

› 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 2020 were approved and authorised for issue by the Board of Directors on 25 August 2020.

› NOTE 3 – CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Initial Application of AASB 16: Leases

The Group has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under AASB 117: Leases where the Group is the lessee.

Lease liabilities are shown at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 has been used to discount the lease payments.

The right-of-use assets which the Group entered into as a lessee have been measured and recognised in the statement of financial position as at 30 June 2020 by taking into consideration the lease liability and the prepaid and accrued lease payments (that are related to the lease).

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- For a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- Leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- Applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- Not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The difference between the undiscounted amount of operating lease commitments at 30 June 2019 and the impact of applying AASB16 as at 1 July 2019 is due to discounting the operating lease commitments at the Group's incremental borrowing rate; the inclusion of option periods and any lease incentives (note 20.).

Prior year financial statements have not been restated to reflect the changes in the Group's accounting policies.

› 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. COVID-19

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the group operates. The Group has all Victorian locations currently closed due mandatory shutdowns imposed by the Victorian State Government and there remains uncertainty with respect to future events or circumstances which may continue to impact the financial results of the consolidated entity. In addition, NSW has not returned to 24 hour operation.

c. Basis of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as at 30 June 2020. 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 30 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.

b. 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.

c. 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 (i.e. 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 (i.e. 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 (i.e. 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.

d. 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, or otherwise, 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, which is generally two weeks in advance, is recognised 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.

e. 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.

f. 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.

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.

g. 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.

Amortisation

The amortisable amount of all intangibles is amortised 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.

The amortisation rates used for each class of amortisable assets are:

h. 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.

Class of Intangible	Amortisation Rate
Trademarks	5-10%
Capitalised Software	33%
Digital Assets	10%

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%

The assets' residual value 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.

i. Leases

The Group as a lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;

- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement day and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

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.

j. 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.

k. 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 recognise 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.

l. 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 the expected rates 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.

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 applicable 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.

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.

Lease term and option to extend under AASB16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The decision on whether or not the options to extend are reasonably going to be exercised is a key management judgement that the entity will make. The Group determines the likeliness to exercise on a lease-by-lease basis looking at various factors such as which assets are strategic and which are key to future strategy of the entity.

› NOTE 5 –REVENUE AND OTHER INCOME

		2020 $	2019 $
Revenue from contracts with customers	5a	40,367,123	31,069,941
Other sources of income	5b	446,958	35,699
		40,814,081	31,105,640
Other income	5c	71,616	54,580
Total revenue and other income		40,885,697	31,160,220
The group operates in one segment, health club services.			
a. Revenue from contracts with customers:		40,367,123	31,069,941
Timing of revenue recognition			
Over time		40,367,123	31,069,941
Total revenue from contracts with customers		40,367,123	31,069,941
b. Other revenue:			
Interest received		199,463	35,699
Management fees received		247,495	-
Total other revenue		446,958	35,699
c. Other income:			
Gain on disposal of property, plant and equipment		71,616	54,580
Total other income		71,616	54,580

› 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	-	6,742,218
• Amounts expensed as part of business combinations	733,789	71,309
• Short term lease payments	135,325	-
• Amounts expensed as part of capital raises	317,596	913,619

*For the financial year ended 30 June 2020 this is recorded separately in Note 19: Leases

› NOTE 7 – FINANCE COSTS AND FINANCE INCOME

	2020 $	2019 $
Interest expense from borrowings at amortised cost:		
External entities	758,649	209,127
Interest expenses for finance lease arrangements*	7,304,580	422,443
Total interest expense	8,063,229	631,570

*For the financial year ended 30 June 2020 this is recorded separately in Note19: Leases

› 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% (2019: 27.5%) and the reported tax expense in profit or loss are as follows:

	2020 $	2019 $
Profit / (loss) before tax	(9,343,618)	3,975,945
Domestic tax rate	27.5%	27.5%
Prima facie tax expense	(2,569,495)	1,093,385
Adjustment for non-deductible expenses:		
Non-deductible expenses	14,819	52,022
Tax effect of change in tax rate on DTA/DTL	(411,877)	-
Prior year's over provision of tax	(115,315)	(11,341)
Income tax (benefit)/expense	**(3,097,273)**	**1,120,842**
Tax expense comprises		
Current tax expense	717,046	1,465,952
Deferred tax expense	(3,814,318)	(345,110)
	(3,097,273)	**1,120,842**

› NOTE 10 – CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at bank and on hand	3,870,360	3,392,562
Short-term bank deposits	23,203,643	10,000,000
Cash backed bank guarantees	3,029,092	993,333
	30,103,095	**14,385,895**

The effective interest rate on short-term bank deposits was 0.65% (2019: 2.49%); these deposits are held at call.

› NOTE 11 – TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
Current		
Trade receivables	143,380	202,184
Other receivables	2,508,933	16,260
Total trade and other receivables	2,652,313	218,444

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 2020 there is no expected losses recognised.

› NOTE 12 – OTHER CURRENT ASSETS

	2020 $	2019 $
Current		
Stock on hand	158,200	167,989
Prepayments	286,260	197,317
Bonds and other deposits	2,527,896	-
	2,972,356	**365,306**

Bonds relate to amounts set aside against rental obligations to landlords where the Company is a lessee.

› NOTE 13 - BORROWINGS

	Current		Non-current	
	2020 $	2018 $	2019 $	2018 $
At amortised cost:				
Bank loans	1,272,500	-	6,716,000	-
	1,272,500	-	6,716,000	-

There are several asset specific security interests registered on the PPS Register against each of the members of the Group listed at Note 30.

In addition, the bank loans mature on 28 May 2025 and the facility agreement specifies the following security interests:

1. First ranking General Security Interest from each Obligor comprising first ranking charge over all present and after acquired property.
2. First ranking charge over any assets financed under the Equipment Finance Facility.
3. Account Set offs from Viva Leisure Property Pty Ltd over Deposits totalling $3,400,000 (relating to security for all cash covered bank guarantees issued in the name of Viva Leisure Property Pty Ltd.
4. The interest rate payable on the market rate loan is BBSY plus 4.0%, at 30 June this amounted to 4.25%

Finance lease liabilities are secured against the underlying leased equipment and are at an average interest rate of 5.8%

› NOTE 14 - 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 $	Total $
Gross carrying amount					
Balance at 1 July 2019	2,854,883	370,299	168,080	6,375,931	9,769,193
Additions	3,122,699	232,725	212,187	13,747,029	17,314,640
Acquisitions through business combinations	1,434,429	533,630	-	2,328,680	4,296,739
Disposals	(670,698)	(4,931)	-	(4,251)	(679,880)
Depreciation expense	(847,244)	(114,833)	(61,070)	(1,030,813)	(2,053,960)
Carrying amount at 30 June 2020	**5,894,069**	**1,016,890**	**319,197**	**21,416,576**	**28,646,732**
At cost	9,460,802	1,972,439	520,679	23,789,646	35,743,567
Accumulated depreciation	(3,566,733)	(955,549)	(201,482)	(2,373,070)	(7,096,834)
Written down value	**5,894,069**	**1,016,890**	**319,197**	**21,416,576**	**28,646,732**

	Plant and Equipment $	Furniture and Fittings $	Motor Vehicles $	Leasehold Improvements $	Total $
Gross carrying amount					
Balance at 1 July 2018	110,360	4,880	73,421	327,854	516,515
Additions	833,852	55,428	99,990	3,539,046	4,528,316
Acquisitions through Group restructure	1,192,901	258,833	53,925	2,630,936	4,136,595
Acquisitions through business combinations	1,119,508	101,844	-	228,975	1,450,327
Disposals	(41,592)	-	(26,069)	-	(67,661)
Depreciation expense	(360,146)	(50,686)	(33,187)	(350,880)	(794,899)
Carrying amount at 30 June 2019	**2,854,883**	**370,299**	**168,080**	**6,375,931**	**9,769,193**
At cost	5,690,892	1,217,623	308,492	7,724,651	14,941,658
Accumulated depreciation	(2,836,009)	(847,324)	(140,412)	(1,348,720)	(5,172,465)
Written down value	**2,854,883**	**370,299**	**168,080**	**6,375,931**	**9,769,193**

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

› NOTE 15 – INTANGIBLES

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

	Goodwill $	Trademarks $	Capitalised Software $	Digital Assets $	Total $
Gross carrying amount					
Balance at 1 July 2019	6,163,027	50,470	337,695	12,889	6,564,081
Additions	-	84,429	472,170	45,052	601,651
Acquisitions through business combination	13,581,598	-	-	-	13,581,598
Disposals	-	(1,927)	-	-	(1,927)
Amortisation expense	-	(6,387)	(205,832)	(3,469)	(215,688)
Carrying amount at 30 June 2020	**19,744,625**	**126,585**	**604,033**	**54,472**	**20,529,715**
At cost	**19,744,625**	**144,734**	**972,311**	**58,102**	**20,919,773**
Accumulated depreciation	**-**	**(18,149)**	**(368,278)**	**(3,630)**	**(390,058)**
Written down value	19,744,625	126,585	604,033	54,472	20,529,715

	Goodwill $	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	6,163,027	10,000	-	-	6,173,027
Amortisation expense	-	(3,470)	(93,309)	(161)	(96,940)
Carrying amount at 30 June 2019	6,163,027	50,470	337,695	12,889	6,564,081
At cost	**6,163,027**	**64,405**	**500,141**	**13,050**	**6,740,623**
Accumulated depreciation	**-**	**(13,935)**	**(162,446)**	**(161)**	**(176,542)**
Written down value	6,163,027	50,470	337,695	12,889	6,564,081

All amortisation is included in within depreciation and amortisation expense. Customer contracts are typically short term, with low barriers to cancellation and as such, no value has been recognised during the year. Prior year balances have been adjusted to goodwill.

15.1 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%	7.01%

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 7.01%.

15.2 Growth Rates

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

15.3 Discount Rates

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

15.4 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 16 – TAX

	1 July 2019 $	Recognised in Equity $	Recognised in Profit and Loss $	30 June 2020 $
Non-Current Assets				
Property, plant and equipment	(77,485)	-	367,095	289,610
Leased assets	(2,592,602)	-	(50,471,931)	(53,064,533)
Other intangible assets	(5,757)	-	(3,471)	(9,228)
Non-Current Liabilities				
Provisions	171,408	-	1,171,644	1,343,052
Lease liabilities	1,558,931	-	48,780,298	50,339,229
Deferred legal costs	183,507	-	441,461	624,968
Current Liabilities				
Provisions	184,005	-	312,505	496,510
Accruals	24,750	-	5,250	30,000
Lease liabilities	625,574		3,823,325	4,448,899
Contract liabilities	418,700	-	(418,700)	-
Equity				
Costs of IPO allocated direct to equity	293,906	343,264	(193,157)	444,012
	784,937	**343,264**	**3,814,319**	**4,942,519**

	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 allocated direct to equity	-	-	367,383	(73,477)	293,906
	92,614	**(20,170)**	**367,383**	**345,110**	**784,937**

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

Tax Payable	2020 $	2019 $
CURRENT		
Income tax payable	**704,386**	**1,495,149**

› NOTE 17 – TRADE AND OTHER PAYABLES

	2020 $	2019 $
CURRENT		
Trade payables	4,452,036	1,533,550
Sundry payables and accrued expenses	644,507	1,009,228
	5,096,543	**2,542,778**

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

› NOTE 18 – CONTRACT LIABILITIES

	2020 $	2019 $
CURRENT		
Amounts received in advance for sale of gym memberships	863,350	1,071,135
Operating lease fitout incentives received	-	174,121
Operating lease rent incentives received	-	54,422
	863,350	**1,299,678**
NON-CURRENT		
Operating lease fitout incentives received	-	1,006,400
Operating lease rent incentives received	-	287,602
	-	**1,294,002**
Total contract liabilities	**863,350**	**2,593,680**

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

› NOTE 19 – LEASES

	2020 $	2019 $
(i) AASB 16 related amounts recognised in the balance sheet		
RIGHT OF USE ASSETS		
Leased buildings:		
Opening balance	-	-
Additions to right-of-use assets	173,822,889	-
Depreciation expense	(12,985,993)	-
Net carrying amount	160,836,896	-
Leased equipment: *		
Opening balance	9,427,644	426,939
Additions to right-of-use assets	8,452,127	10,176,990
Disposals of right-of-use assets	(7,011)	(46,639)
Depreciation expense	(1,827,879)	(1,129,646)
Net carrying amount	16,044,881	9,427,644
Total right-of-use assets	176,881,777	9,427,644

*FY2019 leased equipment included in Property, plant and equipment

	2020 $	2019 $
LEASE LIABILITIES		
Leased buildings:		
Opening balance	-	-
Additions to lease liabilities	170,390,976	-
Principal repayments	(2,284,894)	-
Net carrying amount	168,106,082	-
Leased equipment:		
Opening balance	7,943,655	379,512
Additions to lease liabilities	8,332,235	9,652,559
Principal repayments	(1,754,879)	(2,088,415)
Net carrying amount	14,521,011	7,943,655
Total lease liabilities	182,627,093	7,943,655
Current liabilities	14,829,663	2,274,815
Non-current liabilities	167,797,430	5,668,840
	182,627,093	7,943,655

	2020 $	2019 $
Net carrying amount		
(ii) AASB 16 related amounts recognised in the statement of profit or loss		
Depreciation charge related to right-of-use assets (included in total depreciation and amortisation expense)	14,941,974	1,129,646
Interest expense on lease liabilities (included in total finance costs)	7,911,181	378,507
(iii) Cash outflows relating to leases / rental payments		
Property lease payments*	9,658,521	6,742,218
Equipment lease payments	2,292,434	2,466,922
Total cash outflows for leases / rental payments	11,950,955	9,209,140

*property lease payments for the year ended 30 June 2019 refer to rental payments

a. Options to Extend or Terminate

The options to extend or terminate are contained in several of the property leases of the Group. There were no extension options for equipment leases. These clauses provide the Group opportunity to manage leases in order to align with its strategies. All of the extension or termination options are only exercisable by the Group. The extension options or termination options which management were reasonably certain to be exercised have been included in the calculation of the lease liability.

b. Reconciliation from Operating Lease Commitments to lease liabilities

Operating lease commitments as at 30 June 2019	77,162,659
Add/Less: Other Adjustments	972,405
Initial Lease liability recognised	78,135,064

Other adjustments include:

- discounting the existing lease commitment at the incremental borrowing rate
- inclusion of option periods in the lease liability calculation
- adjusting for lease incentives

› NOTE 20 – NOTE 20 EMPLOYEE REMUNERATION

	2020 $	2019 $
20.1 Employee benefits - expense		
Expenses recognised for employee benefits are analysed below:		
WAGES AND SALARIES	11,739,107	8,289,001
Employee leave entitlements	703,702	537,523
Share based payments	20,284	155,211
Superannuation	1,088,251	682,884
Employee Benefits Expense	**13,551,344**	**9,664,619**

The Company received JobKeeper payments of $2.835m. These payments have been offset against wages and salaries for the year

20.2 Share-Based Employee Remuneration

As at 30 June 2020, 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 in accordance with the Long Term Incentive Plan in relation to the 590,000 options granted to senior executives:

Earnings per Share (EPS) Compound Annual Growth Rate (CAGR)

The percentage of options that vest for each % EPS CAGR is illustrated in the following table:

LTIs (Tranche 1)	LTIs (Tranche 2)	
EPS CAGR over the two Financial Years Ending 30 June 2021	**EPS CAGR over the three Financial Years Ending 30 June 2022**	**Percentage of Options that Vest**
Less than 15% (minimum Target)	Less than 15% (minimum Target)	0%
15% to 20% (within target range)	15% to 20% (within target range)	50% - 100% (on a straight-line basis)
Greater than 20% (above maximum target)	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 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 .

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.

	LTI (Tranche 1) No of Options	LTI (Tranche 2) No of Options	Tranche 1 No of Options	Tranche 2 No of Options
Outstanding at 1 July 2019				
Granted	295,000	295,000	1,500,000	1,000,000
Exercised	-	-	-	-
Outstanding at 30 June 2020	295,000	295,000	1,500,000	1,000,000
Exercisable at 30 June 2020	**-**	**-**	**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 (Tranche1) Options	LTI (Tranche1) Options	Tranche 1 Options	Tranche 2 Options
Grant date	7 Jun 2019	30 Oct 2019	7 June 2019	7 June 2019
Vesting period ends	Release of FY2021 results	Release of FY2022 results	Vested	Vested
Share price at grant date	1.00	1.00	1.00	1.00
Volatility	25%	25%	25%	25%
Option Life	5 years	5 years	4 years	4 years
Dividend yield	0%	0%	0%	0%
Risk free investment rate	2%	2%	2%	2%
Fair value at grant date	Nil	Nil	82,979	72,232
Exercise price at date of grant	Nil	Nil	1.34	1.43
Exercisable from	Release of FY2021 Results	Release of FY2022 Results	7 June 2020	7 June 2020
Exercisable to	31 August 2023	31 August 2024	2 May 2023	2 May 2023
Weighted average remaining contractual life	3.25 Years	4.25 Years	2.94 Years	2.94 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, $20,284 (2019: $155,211) 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.

	2020 $	2019 $
20.3 Employee benefits - liabilities		
Current:		
Employee leave entitlements	1,655,033	1,176,473
Non-Current:		
Employee leave entitlements	153,046	115,937
Total employee obligations	**1,808,079**	**1,292,410**

› NOTE 21 – PROVISIONS

	Employee Benefits $	Property Make Good $	Total $
Consolidated Group			
Opening balance at 1 July 2019	1,292,410	-	1,292,410
Additional provisions	1,219,371	4,323,795	5,543,166
Amounts used	(703,702)	-	(703,702)
Balance at 30 June 2020	**1,808,079**	**4,323,795**	**6,131,874**

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave. The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 4 (o).

Provision for Property Make Good

A provision has been recognised for the costs to be incurred for the restoration of property leases for which the Group is a lessee and where the obligation to make good is included as a condition of the lease. The provision is based on the present value of estimated costs to restore the property at the end of each property lease term.

› NOTE 22 – EQUITY

22.1 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.

	2020 Shares	2019 Shares	2020 $	2019 $
Shares issued and fully paid:				
Beginning of the year	52,600,000	120	43,715,691	120
Shares issued (less costs of offer)	18,911,393	3,425,000	43,660,003	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	**71,511,393**	**52,600,000**	**87,375,694**	**43,715,691**

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 2020 and 30 June 2019 are as follows:

	2020 $	2019 $
Total borrowings	22,509,511	7,943,655
Less cash and cash equivalents	30,103,095	14,385,895
Net debt	**(7,593,584)**	**(6,442,240)**
Total equity	63,316,762	25,762,058
Total capital	**55,723,178**	**19,319,818**
Gearing ratio	N/A	N/A

› NOTE 23 – 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.

	2020 $	2019 $
Common Control Reserve		
Measurement under Group restructure	(21,900,880)	(21,585,321)
Movement in common control reserve	**(315,559)**	**(21,585,321)**

b. Share Options Reserve

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

	2020 $	2019 $
Share Options Reserve		
Issue of options to key management personnel	175,495	155,211
Movement in share options reserve	**20,284**	**155,211**

› NOTE 24 – EARNINGS PER SHARE AND DIVIDENDS

24.1 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 2020 or 2019).

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:

	2020 $	2019 $
Weighted average number of shares used in basic earnings per share*	57,335,790	52,600,000
Shares deemed to be issued for no consideration in respect of options granted	3,090,000	2,795,000
Weighted average number of shares used in diluted earnings per share	**60,425,790**	**55,395,000**

*The weighted average shares for the financial year ended 30 June 2019 are calculated from the date of listing on 7th June 2019.

24.2 Dividends

There were no dividends declared or paid during the year (2019: nil)

24.3 Franking Credits

	2020 $	2019 $
The amount of franking credits available for subsequent reporting periods are:		
Balance at the end of the reporting period	2,045,656	485,676
Franking credits that will arise from payment of the amount of provision for income tax	704,386	1,495,149
Total franking credits	**2,750,042**	**1,980,825**

› NOTE 25 – RECONCILIATION OF CASH FLOWS

	2020 $	2019 $
Cash flows from operating activities		
Profit / (loss) after income tax	(6,246,344)	2,855,103
Non-cash flows in profit / (loss)	-	
— depreciation and amortisation	17,211,622	2,201,813
— net (gain)/loss on disposal of property, plant and equipment	71,616	(54,580)
— interest expenses included in financing activities	-	631,570
— tax effect of expenses taken to equity	508,764	167,383
— tax effect of initial adoption of AASB 16 taken to equity	(165,500)	-
— charges to common control reserve	(315,559)	(194,349)
— charges to share options reserve	20,284	155,211
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
— (increase)/decrease in trade and term debtors	(4,847,535)	322,987
— (increase)/decrease in other assets	(79,155)	(57,825)
— (increase)/decrease in deferred tax	(4,157,583)	(526,293)
— increase/(decrease) in payables	2,980,097	(840,004)
— increase/(decrease) in current tax	(790,763)	1,000,513
— increase/(decrease) in other liabilities	(1,067,559)	1,707,563
— increase/(decrease) in provisions	515,668	607,143
Net cash from operating activities	**3,638,054**	**7,976,235**

› NOTE 26 - AUDITOR REMUNERATION

	2020 $	2019 $
Remuneration of the auditor for:		
Audit and review of financial statements		
Financial year ended 30 June 2020	50,500	-
Half year ended 31 December 2019	25,500	-
Financial year ended 30 June 2019	-	43,500
Total audit services	76,000	43,500
Other non-audit services		
Financial year ended 30 June 2019*	-	26,500
Half year ended 31 December 2018*	-	18,148
Taxation and business services	53,000	40,050
Investigating Accountant services for the initial public offering	-	90,209
Total non-audit services	**53,000**	**174,907**
Total auditor remuneration	**129,000**	**218,407**

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

› NOTE 27 – 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.

	2020 $	2019 $
27.1 Transactions with Key Management Personnel		
Short-term Employee Benefits:		
Wages and salaries (including incentives and Annual Leave entitlements)	1,496,944	1,454,757
Superannuation	109,895	76,705
Long service leave	28,558	176,168
Share-based payments	20,284	155,212
Total remuneration	**1,655,681**	**1,862,842**

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 incentives awarded to 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 incentives payments.

Share-based payments

These amounts represent the expense related to the participation of certain Directors and KMP in equity-settled benefit schemes as measured by the fair value of the options granted on grant date (see Note 21.2).

Further information in relation to KMP remuneration can be found in the directors' report and at Note 21.

	2020 $	2019 $
27.2 Related Party Properties		
Total related party property transactions	**2,464,167**	**2,537,853**

› NOTE 28 – CONTINGENT LIABILITIES

The company has no contingent assets or liabilities.

› NOTE 29 – BUSINESS COMBINATIONS

(a) During the period the Group acquired 12 clubs from various vendors as outlined below:

Number of clubs	10	1	2	12
State	QLD	ACT	VIC	Total
	$	$	$	$
Purchase consideration				
Amount settled in cash	3,430,855	230,000	635,219	4,296,074
Assets and liabilities acquired at fair value				
Property, plant and equipment	590,059	31,525	138,000	759,584
Other net identifiable assets /(liabilities) acquired	(11,990)	-	(9,781)	(21,770)
Goodwill	2,852,786	198,475	507,000	3,558,261
	3,430,855	**230,000**	**635,219**	**4,296,075**
Revenue and profit contribution from the date of acquisition until 30 June 2020				
Revenue	2,448,737	301,258	112,716	2,862,711
Profit before depreciation, amortisation, interest and tax	1,383,603	249,830	91,364	1,724,797

(b) FitnFast NSW, Victoria and ACT

On 13 February 2020, the Group acquired the health club businesses FitnFast for a purchase consideration of $13,433,539. The acquisition is part of the Group's overall strategy to expand into other territories and included clubs in NSW (10), Victoria (2), and ACT (1).

The purchase was satisfied by the payment of $13,433,539.

	$
Fair value of consideration transferred	
Amount settled in cash	13,433,539
Recognised amounts of identifiable net assets acquired	
Property, plant and equipment	3,537,155
Other net identifiable assets /(liabilities) acquired	(126,953)
Goodwill	10,023,337
	13,433,539
Revenue and profit contribution from the date of acquisition until 30 June 2020	
Revenue	1,996,492
Profit before depreciation, amortisation, interest and tax	1,071,593

Acquisition-related costs amounting to $733,789 for all acquisitions have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

The goodwill arising from these business combinations is not expected to be deductible for tax purposes.

The above contributions to of revenue and profit from the date of acquisition to 30 June 2020 were impacted by the mandatory shutdowns sue to COVID-19.

› NOTE 30 – INTERESTS IN SUBSIDIARIES

Name of Subsidiary	Principal Activity	Proportion of Ownership Interests held by the Group 30 June 2020	30 June 2019
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%	100%
The Club Group (Greenway) Pty Limited	Health club operation	100%	100%
Club MMM! Pty Limited	Health club operation	100%	100%
HIIT Republic Australia Pty Limited	Health club operation	100%	100%
Club Lime Pty Limited	Dormant	100%	100%
Club Pink Pty Limited	Dormant	100%	100%
Club Blue Pty Limited	Dormant	100%	100%
Club Swim Pty Limited	Dormant	100%	100%
Club Team Pty Limited	Dormant	100%	100%

› NOTE 31 – CAPITAL AND LEASING COMMITMENTS

31.1 Finance Leases (as lessee)

The Group's finance lease liabilities, which are secured by the related assets held under finance leases, are classified shown at Note 20.

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

	Minimum Lease Payments Due Within 1 Year $	1 to 5 Years $	After 5 Years $	Total $
30 June 2020*				
Lease payments	N/A	N/A	N/A	N/A
Finance charges	N/A	N/A	N/A	N/A
Net present values	N/A	N/A	N/A	N/A
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**

*For the financial year ended 30 June 2020 this is recorded separately in Note 20: Leases

31.2 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 Within 1 Year $	1 to 5 Years $	After 5 Years $	Total $
30 June 2020*	N/A	N/A	N/A	N/A
30 June 2019	8,807,608	36,944,474	31,410,576	77,162,658

*For the financial year ended 30 June 2020 this is recorded separately in Note 20: Leases

› NOTE 32 – FINANCIAL INSTRUMENT RISK

The Group is exposed to various risks in relation to financial instruments. 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, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

32.2 Credit Risk Analysis

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 as below.

	Short term exposure $	Long term exposure $
30 June 2020		
Financial assets	35,283,303	-
Financial liabilities	(9,198,855)	(18,407,199)
Total exposure	**26,084,448**	**(18,407,199)**
30 June 2019		
Financial assets	14,718,569	-
Financial liabilities	(4,817,593)	(5,668,840)
Total exposure	**9,900,976**	**(5,668,840)**

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 2020, the Group is exposed to changes in market interest rates as its Bank Debt is at variable 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% (2019: +/- 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 $ +1%	$ -1%	Equity $ +1%	$ -1%
30 June 2020	309,020	(309,020)	309,020	(309,020)
30 June 2019	67,749	(67,749)	67,749	(67,749)

32.2 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.

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.

32.3 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 13 for details of borrowings during the financial periods under review.

32.4 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	5,096,543	2,542,778	-	-	-	-	5,096,543	2,542,778
Contract liabilities	863,350	1,299,678	-	261,870	-	1,032,132	863,350	2,593,680
Bank loans	1,272,500	-	6,716,000	-	-	-	7,988,500	-
Finance lease liabilities	14,829,663	2,274,815	89,720,302	5,668,840	78,077,128	-	182,627,093	7,943,655
Total expected outflows	**22,062,056**	**6,117,271**	**96,436,302**	**5,930,710**	**78,077,128**	**1,032,132**	**196,575,486**	**13,080,113**
Financial assets – cash flows realisable								
Cash and cash equivalents	30,103,095	14,385,895	-	-	-	-	30,103,095	14,385,895
Trade receivables	2,652,313	218,443	-	114,230	-	-	2,652,313	332,673
Total anticipated inflows	**32,755,408**	**14,604,338**	**-**	**114,230**	**-**	**-**	**32,755,408**	**14,718,568**
Net (outflow)/ inflow on financial instruments	**10,693,352**	**8,487,067**	**(96,436,302)**	**(5,816,480)**	**(78,077,128)**	**(1,032,132)**	**(163,820,078)**	**1,638,455**

› NOTE 33 – FAIR VALUE MEASUREMENT

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

› NOTE 34 – PARENT ENTITY INFORMATION

	2020 $	2019 $
Statement of Financial Position		
Current Assets	65,735,485	22,584,246
Non-Current Assets	11,838	11,838
Total Assets	**65,747,323**	**22,596,084**
Current Liabilities	12,087	12,087
Total Liabilities	**12,087**	**12,087**
Net Assets	**65,735,236**	**22,583,997**
Issued Capital	87,375,694	43,715,691
Reserves	(21,725,385)	(21,430,110)
Retained Earnings	84,927	298,416
Total Equity	**65,735,236**	**22,583,997**
Statement of Profit and Loss and Other Comprehensive Income		
Profit / (loss) for the year	(213,489)	298,665
Other comprehensive income	-	-
Total Comprehensive Income	**(213,489)**	**298,665**

Guarantees and Security Interests

There are several asset specific security interests registered on the PPS Register against each of the members of the Group listed at Note 31.

In addition, the bank loans mature on 28 May 2025 and the facility agreement specifies the following security interests:

1. First ranking General Security Interest from each Obligor comprising first ranking charge over all present and after acquired property.
2. First ranking charge over any assets financed under the Equipment Finance Facility.
3. Account Set offs from Viva Leisure Property Pty Ltd over Deposits totalling $3,400,000 (relating to security for all cash covered bank guarantees issued in the name of Viva Leisure Property Pty Ltd
4. The interest rate payable on the market rate loan is BBSY plus 4.0%

Contractual commitments

At 30 June 2020, 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.

The Company entered into a binding agreement to acquire Australian Fitness Management Pty Limited at 30 June 2020, which completed on the 21st August 2020.

	Contractual Commitments			
	Within 1 Year $	1 to 5 Years $	After 5 Years $	Total $
30 June 2020	18,000,000	-	-	-
30 June 2019*	1,785,046	11,504,094	18,618,400	31,907,541

*For the financial year ended 30 June 2020 this is recorded separately in Note 20: Leases

› NOTE 35 – EVENTS AFTER THE REPORTING PERIOD

The following events occurred after the reporting period:

On 21st August 2020 the Company completed the acquisition of Australian Fitness Management Pty Limited (AFM), the Master Franchisor for the Plus Fitness group comprising approximately 200 clubs located in Australian Capital Territory, New South Wales, Victoria, South Australia, Western Australia, New Zealand and India. AFM was acquired for an initial payment of $18m, with a $2m deferred payment which is subject to performance hurdles.

› NOTE 36 - 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

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

i) Giving a true and fair view of its financial position as at 30 June 2020 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 2020.

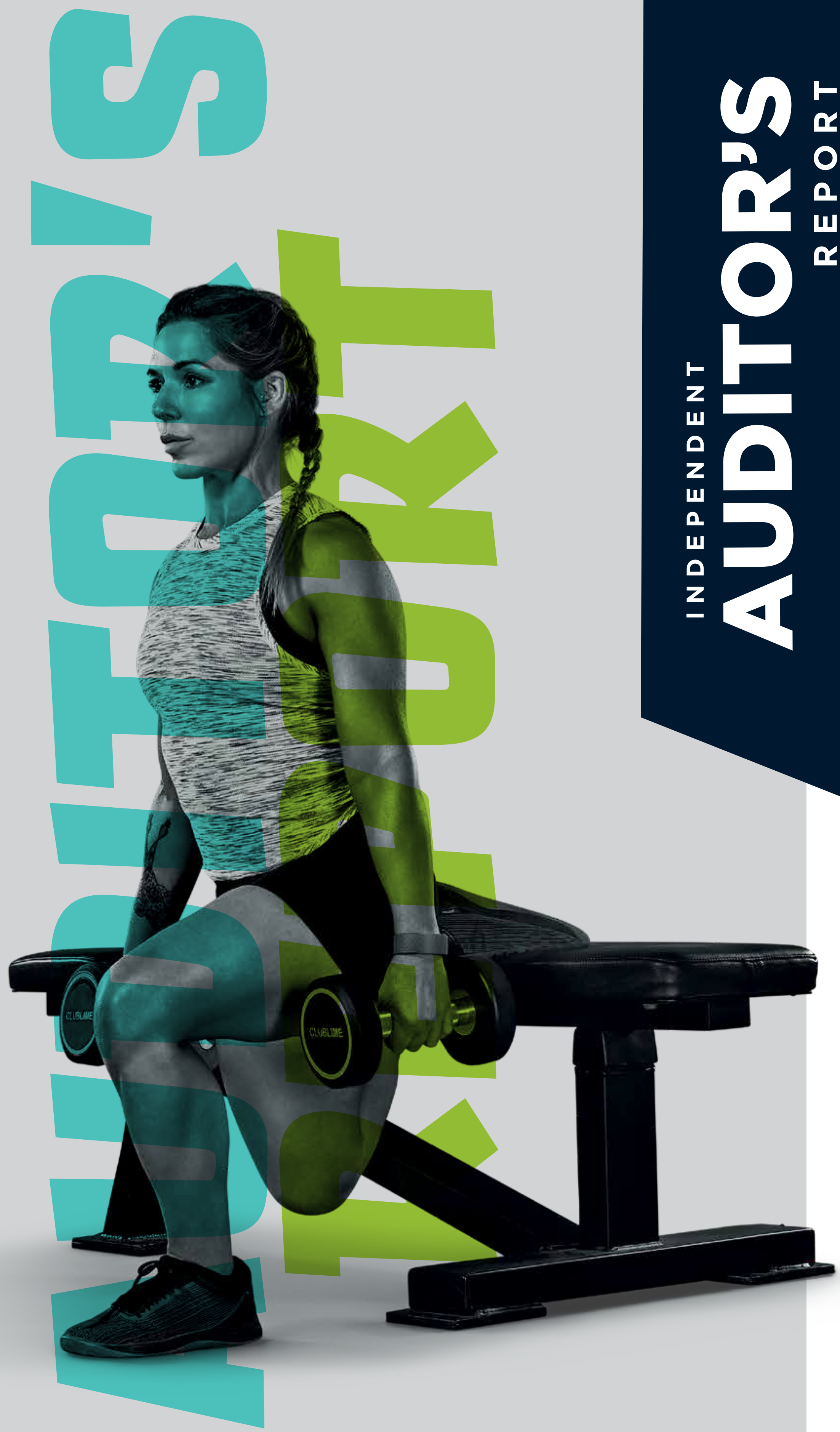
3) Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Director

HARRY KONSTANTINOU

Dated this 25th day of August 2020.



INDEPENDENT AUDITOR'S REPORT

HALL CHADWICK (NSW)

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 controlled entities "the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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 has been given to the directors of the Company.

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

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HALL CHADWICK (NSW)

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 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 2020. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Revenue Recognition and Contract Liabilities Refer to Note 5 *'Revenue and Other Income'* and Note 18 *'Contract Liabilities'*	
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 2020 was $40,367,123. At 30 June 2020 the group recognised $863,350 in contract liabilities for consideration received in advance for health club membership services. 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.	Our procedures included, amongst others, the following: • 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.
Right-Of-Use Assets and Lease Liabilities Refer to Note 19 *'Right-of-Use Assets' and Note 19 'Lease Liabilities'*	
The group was required to adopt AASB16: Leases from 1 July 2019. At 30 June 2020, the group recognised $176,881,777 in Right-to-Use Assets and $182,627,093 in lease liabilities. The group has numerous lease arrangements in place which require certain judgements to be made at point of recognition and measurement. We focused on this area as a key audit matter given the significance of the balance and there is a risk that the leases may not be accounted for in accordance with the requirements of AASB16: Leases.	Our procedures included, amongst others, the following: • We obtained management's calculation of its right-of-use assets and lease liabilities and tested the accuracy of key data inputs by agreeing to leases on a sample basis • We obtained copies of the lease agreements and reviewed the inputs into management's calculations. • We assessed the reasonableness of key judgements used and the practical expedients applied by the group. • We reviewed the adequacy of disclosures which were made in the financial statements including disclosure of significant judgements.

HALL CHADWICK (NSW)

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
Accounting for Business Combinations Refer to Note 29 *'Business Combinations'*	
During the financial year ended 30 June 2020 the group made a number of acquisitions as disclosed in Note 29. 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: • Reviewed the purchase agreements to understand the terms and conditions of the acquisitions and evaluating management's assessments under AASB3 Business combinations • Assessed the fair value of the assets acquired and the liabilities assumed • Assessed the adequacy of the Group's disclosures in the financial statements
Carrying value of goodwill Refer to Note 15 *'Intangible Assets', Note 29 'Business Combinations'*	
The Group has recognised goodwill of $19,744,625 at 30 June 2020 resulting from business combinations including $13,581,598 recognised during the year. 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: • 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.

HALL CHADWICK (NSW)

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

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 2020 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.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with 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.

HALL CHADWICK (NSW)

VIVA LEISURE LIMITED
ABN 76 607 079 792
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.

HALL CHADWICK (NSW)

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 2020.

In our opinion, the remuneration report of Viva Leisure Limited for the year ended 30 June 2020 complies with section 300A of the Corporations Act 2001.

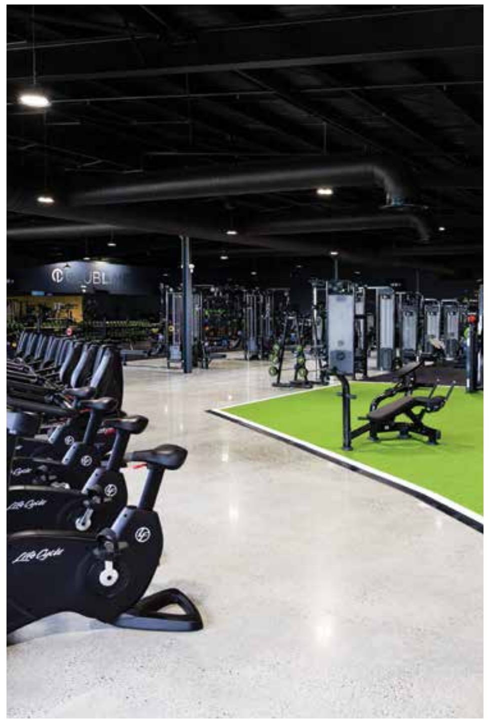
Responsibilities

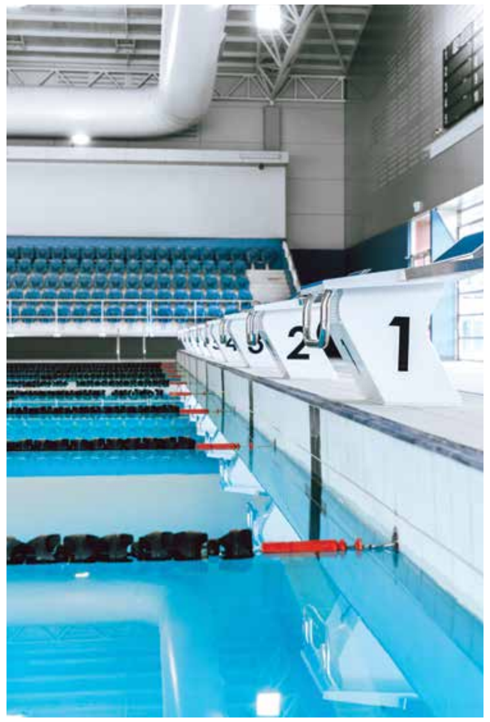
The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing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

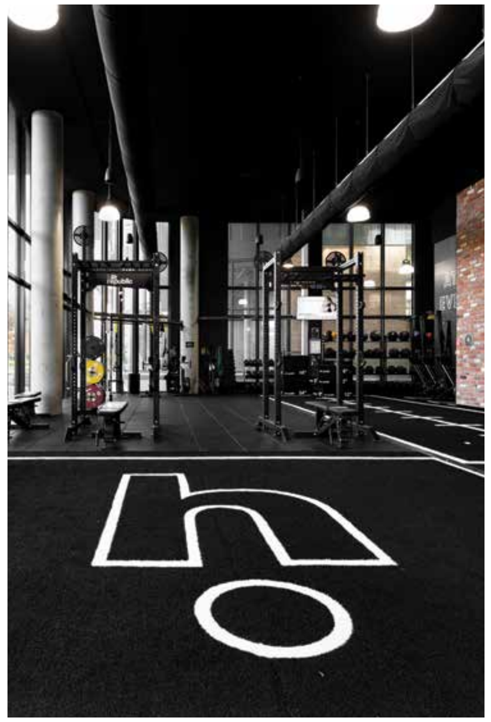
Hall Chadwick

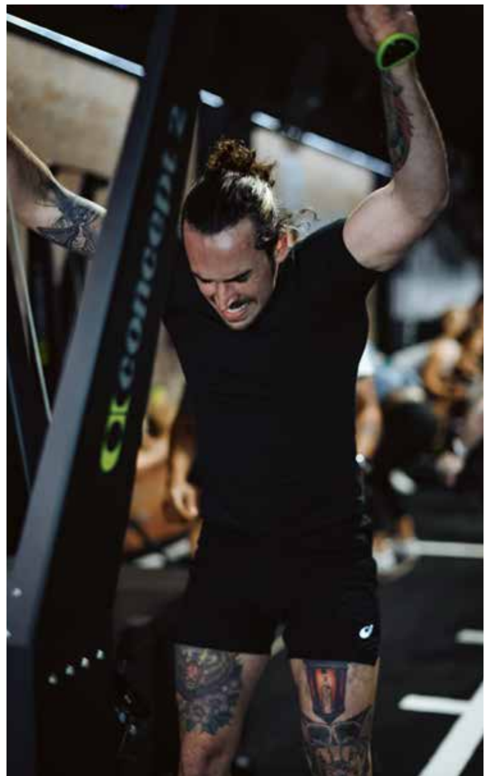
Hall Chadwick (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

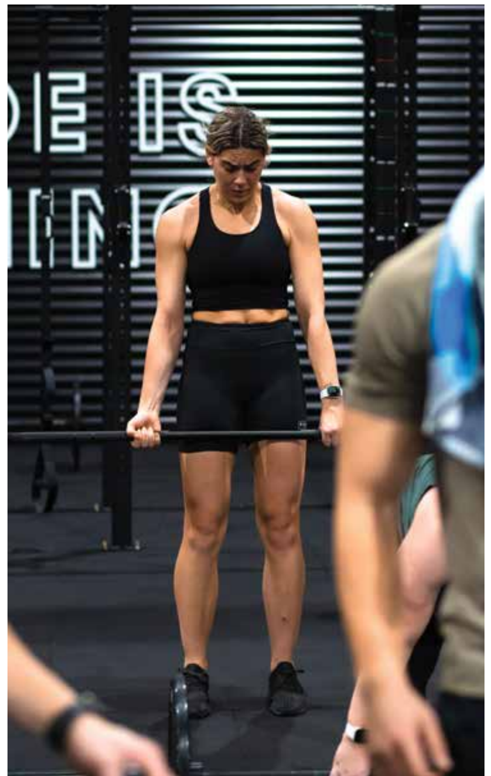
Sandeep Kumar
Partner
Dated: 25 August 2020











ADDITIONAL INFORMATION

FOR LISTED COMPANIES

The following information is current as at 17 September 2020

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	64,367,503	33
10,001 - 100,000	4,269,461	172
5,001 - 10,000	1,310,293	179
1,001 - 5,000	1,276,700	498
1 - 1,000	287,436	597
	71,511,393	**1479**

2. DISTRIBUTION OF OPTIONS

Holding	Total No. of Options Held	No. of Shareholders
100,001 and over	2,990,000	4
10,001 - 100,000	100,000	1
5,001 - 10,000	-	-
1,001 - 5,000	-	-
1 - 1,000	-	-
	3,090,000	**5**

3. 20 LARGEST SHAREHOLDERS

Shareholder	Number Held	% of Issued Shares
SHJA MANAGEMENT PTY LTD	21,688,434	30.3%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,881,191	20.8%
NATIONAL NOMINEES LIMITED	7,144,105	10.0%
MERA VALE NO 1 PTY LTD	4,543,296	6.4%
CITICORP NOMINEES PTY LIMITED	3,729,451	5.2%
HARRY KONSTANTINOU	1,542,068	2.2%
ANGELO KONSTANTINOU	1,542,068	2.2%
JOHN KONSTANTINOU	1,542,067	2.2%
SPIROS KONSTANTINOU	1,442,067	2.0%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	1,213,255	1.7%
BNP PARIBAS NOMINEES PTY LTD	580,412	0.8%
CS THIRD NOMINEES PTY LIMITED	536,066	0.7%
BNP PARIBAS NOMS PTY LTD	466,667	0.7%
EASTY HOLDINGS PTY LTD	325,000	0.5%
BNP PARIBAS NOMINEES PTY LTD	305,000	0.4%
TRENWITH NOMINEES PTY LIMITED	300,000	0.4%
B & S FORRESTER PTY LTD	260,000	0.4%
MR DEREK HILL & MRS JOANNA HILL	233,334	0.3%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	219,400	0.3%
DR GLENN CARLTON CROFT	162,016	0.2%

4. SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the holding company's register as at 17 September 2020 are:

Shareholder	Number of Shares	% of Issued Shares
SHJA MANAGEMENT PTY LTD	21,688,434	30.3%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,881,191	20.8%
NATIONAL NOMINEES LIMITED	7,144,105	10.0%
MERA VALE NO 1 PTY LTD	4,543,296	6.4%
CITICORP NOMINEES PTY LIMITED	3,729,451	5.2%

5. LESS THAN MARKETABLE PARCEL OF ORDINARY SHARES

There are 90 shareholders with an unmarketable parcel totalling 12,129 shares

6. UNQUOTED EQUITY SECURITIES

The company had the following unquoted securities on issue as at 17 September 2020

Security	No. of Securities
Unquoted Options	3,090,000

7. RESTRICTED SECURITIES

The company had no restricted securities on issue as at 17 September 2020

8. 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.

9. ON-MARKET BUY BACKS

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

RELATED PARTY LEASE AGREEMENTS

The Company received a waiver from Listing 10.1 at time of listing to the extent necessary to permit the Company not to seek shareholder approval in relation to rental payments made during the remaining initial terms of certain lease agreements as set out in the following table. A condition of the ASX waiver is for inclusion of a summary of the material terms of these lease agreements in each annual report of the Company during the terms of the leases. The table below sets out the material terms of these lease agreements.

Location	Lessor	Term and options to renew	Current annual rent (plus GST) and future increases
Mitchell Office space	Dimensional Developments Australia Pty Ltd	5 years commencing on 1 August 2018. 3 further options to renew for 5 years each.	$98,880 Rent increases by 3% per annum in the initial term, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 3% per annum.
Club Lime Mitchell	Dimensional Developments Australia Pty Ltd	5 years commencing on 1 August 2018. 3 further options to renew for 5 years each.	$154,500 Rent increases by 3% per annum in the initial term, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 3% per annum.
Mitchell Expanded office space	Dimensional Developments Australia Pty Ltd	4 years commencing on 1 July 2019. 3 further options to renew for 5 years each.	$98,880 Rent is fixed yearly (increasing incrementally year on year by 3%) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 3% per annum.
Club Lime and Ladies Only Gym and Pool CISAC	Sports Centres Australia Pty Ltd	10 years commencing 1 August 2018. 2 further options to renew for 10 years each.	$1,730,559 Rent is fixed yearly (increasing incrementally year on year by 4%) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 4% per annum.
ClubMMM at CISAC	Sports Centres Australia Pty Ltd	5 years commencing 1 August 2018. 2 further options to renew for 5 years each.	$198,365 Rent is fixed yearly (increasing incrementally year on year by 4%) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 4% per annum.
Speedo shop at CISAC	Sports Centres Australia Pty Ltd	5 years commencing 1 August 2018. 2 further options to renew for 5 years each.	$37,856 Rent is fixed yearly (increasing incrementally year on year by 4%) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 4% per annum.
Club Lime Curtin	Akon Holdings Pty Ltd	5 years commencing 1 July 2018 2 further options to renew for 5 years each.	$140,000 Rent is fixed yearly (increasing incrementally year on year by $10,000) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 3.5% per annum.
Club Lime Kambah	Jenke Investments Pty Ltd	5 years commencing 1 August 2018. 2 further options to renew for 5 years each.	$240,294 Rent is fixed yearly (increasing incrementally year on year by 3%) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 3% per annum.
Club Lime Conder	Konstantinou Consultants Pty Ltd as trustee for Ramesses Discretionary Trust	10 years commencing 1 April 2019 2 further options to renew for 10 years each.	$332,801 Rent increases by 4% per annum in the initial term, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 4% per annum.

OTHER KEY TERMS

The Board considers that the leases are on arms' length terms which reflect customary provisions commonly found in commercial leases of a similar nature. Set out below are some key terms of these leases (other than those set out in the other columns of this table). Rent is payable in advance by monthly instalments and the lessor may charge daily interest on any late payment at 2% above the rate that would be charged by the lessor's bank for unsecured overdrafts. On termination of the lease, the lessee is responsible for make good of the premises. The lessee is responsible for maintaining insurance to cover standard risks applicable to a lessee in the health club industry, public liability and for the plate glass on the premises. The lessee releases the lessor from, and indemnifies the lessor against, claims for damages, loss, injury or death.

CORPORATE DIRECTORY

CEO:

Harry Konstantinou

COMPANY SECRETARIES:

Kym Gallagher

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS:

Unit 7, 141 Flemington Road, Mitchell ACT 2911

02 6163 8011

investor.relations@vivaleisure.com.au

www.vivaleisure.com.au

REGISTERS OF SECURITIES ARE HELD AT THE FOLLOWING ADDRESS:

Link Market Services

Level 12, 680 George Street, Sydney NSW 2000

1300 554 474

registrars@linkmarketservices.com.au

www.linkmarketservices.com.au

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 under the code “VVA”.

AUDITORS

Hall Chadwick

Level 40, 2 Park St, Sydney NSW 2000

VIVA
LEISURE