FY14 ANNUAL REPORT

vita
GROUP LIMITED

vita®

GROUP LIMITED

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CHAIRMAN'S REVIEW

DICK SIMPSON
CHAIRMAN

On behalf of Vita Group's Board I am pleased to report another strong year for the Group. During the year we focused on driving performance to new heights across the retail and business portfolio.

This resulted in a 4% increase in revenue to $450.1m, and an EBITDA increase of 52% to $33.5m. Excluding a $6.5m non-cash benefit relating to deferred benefits from our ESP program (Vita's proprietary warranty and swap product), underlying EBITDA was up 22% to $27.0m.

Underlying net profit after tax (NPAT) was $10.3m, an increase of 66% on FY13. A $19.4m impairment of goodwill in Next Byte announced last February, led to a statutory net loss after tax of $4.6m for the year. The Board declared a full-year dividend of 4.64 cents per share, an increase of 64%.

"In a competitive market, Vita continues to stand out as a dynamic participant"

4%
increase in revenue to $450.1 million

22%
increase in underlying EBITDA to $27.0 million

66%
increase in underlying NPAT to $10.3 million

64%
increase in full-year dividend to 4.64 cents per share

Vita's strong FY14 result extends our recent history of consistent earnings growth, and reflects well on the investment made in people development across the business. The result was driven by Telecommunications, with underlying EBITDA from this division up 44% to $34.5m with a 9% boost in revenue to $375.0m.

There was a 29% lift in EBITDA contribution from the business channel in FY14 and there are tremendous growth opportunities ahead, with the foundations now laid. By year end the capabilities of Camelon ICT Solutions, acquired in October 2013, had been integrated, and Vita's business product suite bolstered considerably. This channel will be a focus for ongoing investment and is expected to make a material contribution over the medium term.

As part of a broader agreement with Telstra, Vita agreed to withdraw the Vita branded ESP product from sale from 1 January 2014 and replace it with Telstra's suite of risk products. As part of this agreement Vita was able to acquire selected new stores. By year end the Group had added 12 points of presence, bringing the Telstra portfolio to 109. The agreement strengthens our alignment with Telstra both strategically and operationally.

The impairment to Next Byte, while disappointing, follows our decision to put on hold the planned expansion of this network, and instead direct investment capital toward higher-return opportunities in Telecommunications.

Despite the $19.7m outlaid in acquisitions and capital investment during the year, gross debt lifted only slightly to $16.9m as at period end. The increase in net debt from $2.7m to $10.1m over the period is attributed primarily to the lower cash balances at period end, owing to the timing of receivables.
With gearing at comfortable levels, Vita retains balance sheet flexibility as we assess the growth opportunities ahead.

On the capital management front, the Board has re-instigated the Dividend Reinvestment Plan, offering the flexibility to re-invest dividends in shares and is reviewing options to take advantage of the Group's franking credit balance for the benefit of shareholders. This process should be resolved by the end of this year.

In a competitive market, Vita continues to stand out as a dynamic participant deploying a proven formula for success. Based on a commitment to people – both our customers and our employees – this formula leaves us well placed for continued growth.

On behalf of the Board I want to thank the Vita team for their hard work and dedication in achieving the FY14 result, and our shareholders for their continued support.

Dick Simpson

DICK SIMPSON
CHAIRMAN

CEO'S REVIEW

MAXINE HORNE
CHIEF EXECUTIVE OFFICER

Nearly 20 years ago, when founding this business, I knew that an unwavering commitment to our people and customers would be the key to our success. This year, more than ever before, we have invested significantly in the development of our team members and leaders.

We know from experience that this investment of money and time will be reciprocated by our people in the delivery of exceptional customer experiences, which in turn drives our profitability. This is a key differentiator in our industry where the customer truly is king (or queen) and comes to us more informed than ever before.

The results of this focus on growing and keeping our people is clearly evident in FY14: on a like-for-like basis, revenue from Telstra stores was up 5%, gross profit up 12% and underlying EBITDA up 22%.

One example of our Get, Grow and Keep people strategy is the CARE™ (Customers Are Really Everything) program, which every member of our team undertook in 2014. CARE™ is a combined sales methodology and customer service program that covers the end to end process, providing training, coaching, tools and support to help our sales team members deliver outstanding levels of customer service. It helps our leaders provide great coaching and development and ultimately ensures that we maximise every single opportunity in front of us.

People are one key part of our equation for success; another is product. Our strategic relationship with Telstra provides Vita with a real competitive advantage. Our FY14 result has benefited from a more diverse and higher value product mix, not only in mobility but also fixed products, broadband, media solutions and value-added products such as accessories, insurance and service.

These ingredients have helped make our retail business a success story again this year. As we continue to evolve our portfolio, we are developing a stronger local presence in our communities, delivering on our promise of local, trusted advisors. Our focus is always service first, product second, and we know that this provides the right solutions to our customers and drives the right results.

Vita is now set up for growth in our Business to Business (B2B) channels as well as retail. This year, we drove an improved contribution from the Telstra Business Centres (TBC), while sales through Vita Enterprise Solutions (VES) continue to grow. In the year ahead, we will drive our longer-term plan for growth in the business channel by using the skill sets we have developed in transforming our retail brands and complementing them with competencies aimed specifically at business customers.

Camelon ICT Solutions is now fully integrated in our business team providing new, complementary capabilities in cloud technology,

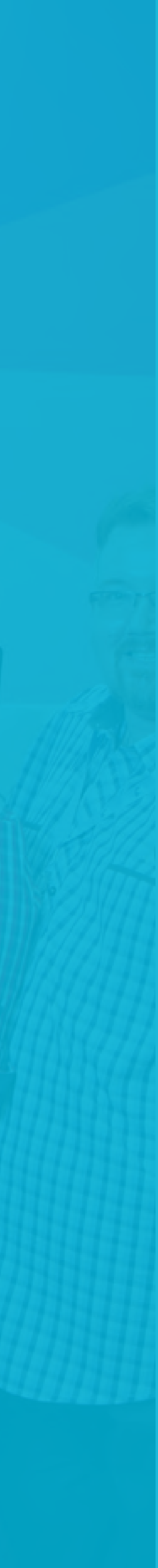
"For me, the most important part of my review is to thank our amazing team, who continue to drive this business with passion, dedication and at times sheer tenacity...and now we get to do it all again this year!"

unified communications and hardware. When aligned with our VES account executives, our TBC teams and various outbound sales team members, Camelon ICT helps position us for growth into new markets and segments.

For me, the most important part of my review is to thank our amazing team, who continue to drive this business with passion, dedication and at times sheer tenacity...and now we get to do it all again this year!

MAXINE HORNE
CHIEF EXECUTIVE OFFICER


lenovo



WHO WE ARE AND WHAT WE DO

Vita Group operates in the communications, electronics and information technology products and services sectors. Our vision is to make Vita Group a great place to be – for team members, customers, partners and investors alike.

Working with world-class strategic partners, Telstra and Apple, Vita has adapted and rapidly transformed into a multi-faceted company with a broad product range servicing both the retail and Business to Business (B2B) markets.

As Telstra's only Master Licensee and Apple's largest Apple Premium Reseller, our physical network of stores and business centres has continued to evolve both physically and from a productivity perspective. This year, we added ten Telstra stores and two Telstra Business Centres and closed 17 Fone Zone stores, reflecting the agility and pace with which we manage change. In addition we also acquired and integrated Camelon ICT, opening new horizons for the Group.

TELSTRA STORES

Interactive Telstra branded stores operated under license, offering Telstra's full product range, from mobile technology to broadband and media solutions, accessories and insurance. Our stores are well versed in the national broadband network, and provide solutions to retail consumers and small business.

TELSTRA BUSINESS CENTRES

A network of specialist Telstra branded business destinations, offering a full range of product and service solutions to business customers, ranging from mobile, and fixed communications to data and cloud technologies.

VITA ENTERPRISE SOLUTIONS

A team of experienced account executives, working with large businesses and government departments to provide technology solutions to make their operations more effective. Products and services include managed mobility solutions, fixed connectivity, data, cloud and unified communications products and services.

CAMELON ICT SOLUTIONS

Technical specialists in data, unified communications and cloud technology, supporting the business sales teams to deliver tailored solutions for small to medium businesses, enterprise and government customers.

NEXT BYTE STORES

A national network of Apple Premium Reseller stores catering to the retail, corporate, and education markets.

FONE ZONE STORES

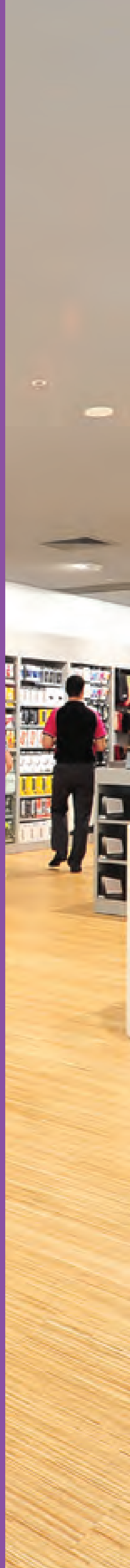
Specialists in mobile communications, complemented by the full range of Telstra offerings.

SPROUT ACCESSORIES

A complete range of mobile, audio and technology accessory products, sold through Vita stores and other third party channels.

ONE ZERO STORES

Independently operated dealer network offering Telstra products and services, with a specialist focus on small businesses.



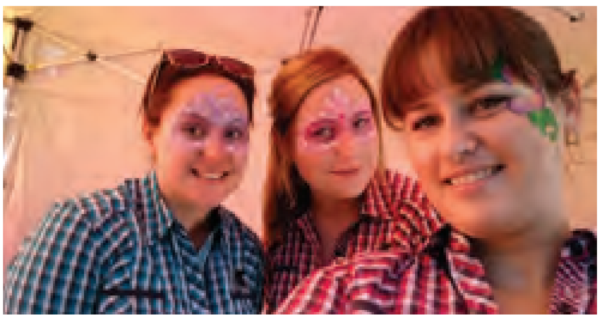
WHAT MAKES US UNIQUE

When the rubber hits the road, our talented people are our biggest asset and are at the heart of our success.

Our people-focused approach begins with our values which shape our culture and drive our performance. We know that this focus on our people will translate into the delivery of exceptional customer experiences. We create a VIBE™ – a Vibrant Innovative Business Environment – which our customers love to be part of.

Our people are truly local, trusted advisors who get to the heart of our customers' needs. We invest heavily in developing our people, from sales team members through to leaders and support team members. Development opportunities (both formal training, coaching and on the job experiences), include the CARE™ program, onboarding, Frontline Leadership and Emerging Leaders programs. All leaders attend an annual conference to celebrate the past year, and plan for the future (this year's Gold Coast event was legendary!).

"We create a VIBE™ – a Vibrant Innovative Business Environment!"



REWARDING AND RECOGNISING OUR PEOPLE

Our exceptional reward and recognition programs entice great people to work with us, and stay with us. They help drive great results, and build a high performance culture, which is an important part of the VIBE™. Examples include:

- Local team activities including team dinners and team building
- Our Shining Star™ program which thanks team members for living the Vita values. High performers receive performance pins, letters and phone calls from the CEO, trophies, vouchers and more
- Club Success™ is the pinnacle of the program, where our highest achievers go overseas for a week to celebrate their success. This year, 53 people enjoyed a week in Vietnam

Team members can work flexibly at Vita Group, so they can balance their work commitments with their life outside of work. Examples include carer's leave, work from home opportunities, part-time hours, job share, birthday off and many more. These are some of the things that are articulated in 'The Employment Deal' that we offer, affectionately known as TED™.

OUR PEOPLE METRICS ARE PROOF THAT WE'RE ON TO A WINNING FORMULA:

- Voluntary employee turnover continues to trend downwards year on year, with a 5.2% decrease in FY14
- All of our team members were trained in our CARE™ program in FY14, offering them development in leadership, coaching, selling and customer service
- Our development and coaching programs have enhanced our internal talent pool, allowing us to fill 54% of vacant roles with internal candidates, compared with 50% in FY13 and 45% in FY12
- This improvement in our internal bench strength keeps productivity high and costs low
- Team member productivity continues to improve, with average EBITDA per full-time employee up 43% on last year

OUR VALUES

OUR PEOPLE AND CUSTOMERS ARE EVERYTHING TO US

EVERY ACTION IS TAKEN WITH THE BENEFIT OF THE WHOLE TEAM IN MIND

THE COLLECTIVE WISDOM AND EFFORT OF THE TEAM ALWAYS OUTPERFORMS THE INDIVIDUAL

WE'RE PROUD TO BE PROFITABLE: PROFITABILITY EQUALS OPPORTUNITY

YOU GET WHAT YOU WORK FOR

DARE TO BE DIFFERENT AS CREATIVITY DRIVES INNOVATION

ALWAYS DO THE RIGHT THING

LOVE WHAT YOU DO

OUR THRIVING RETAIL BUSINESS

Retail is the cornerstone of our business. In the five years leading up to FY14, we have transformed our portfolio to ensure we have the right brands, the right mix of stores, in the right locations.

In FY14, our focus in retail was on optimising the retail footprint, where we improved the quality of our store network. Additionally, we continued to invest in our people to drive further productivity gains.

We worked to simplify the retail environment so that our frontline team are able to focus less on administration, and more on customers. Importantly, sales leaders are able to focus on coaching the sales team to provide an even better customer experience.

This year we implemented balanced scorecards, to further drive leader accountability, simplified our point-of-sale systems, and centralised some intensive back office processes. Our advocacy results show that our customers are benefiting from the extra time we can spend with them.

Thanks to CARE™ and Simplify™, our Business Managers are well equipped to ensure their teams are the local trusted advisors in their geographical area and focus on enhancing the relationship the customer has with us.

"In FY14, our focus in retail was on optimising the retail footprint"

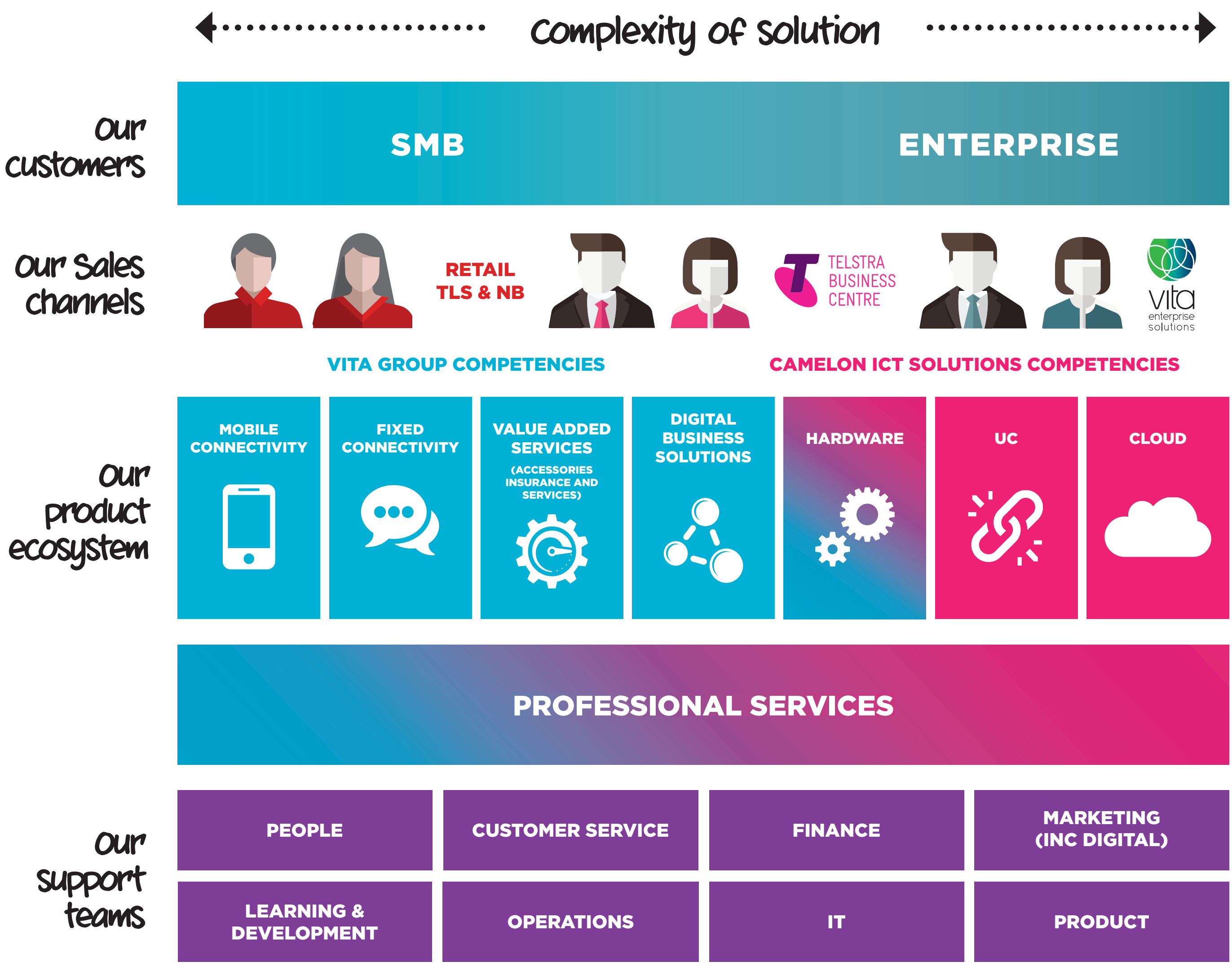
OUR GROWING B2B CHANNEL

Expanding in the business channel is a key part of our strategy over the coming years, and we have established a solid base from which to build. Our go-to- market strategy addresses the different needs of customers from Small to Medium Business (SMB) versus those of our enterprise and government customers.

The team delivers a comprehensive and growing, product ecosystem through a range of channels. Products and services include Vita's traditional product set such as mobility, data, fixed line, accessories and insurance, and is now complemented by a new suite of offerings such as cloud computing, unified communications and professional services including project delivery, implementation and managed helpdesk services.

> "Our team members Live Local, Love Local"

OUR GO-TO-MARKET MODEL



The sales team that brings these exceptional products and services to the customer includes Telstra Business Centres (TBCs), numbering 14 across Australia as at 30 June 2014. Our TBC teams work with customers in the centres as well as at customers' workplaces. Our team members 'Live Local, Love Local' and their role in the community is to deliver quality products and services that enable businesses to become more productive.

Our Vita Enterprise Solutions (VES) team incorporates account executives, who build and manage their customer relationships. This national team are supported by specialist product, service and technical experts.

With VES, our in-house experts, and our close relationship with Telstra, we have a formula for success.

THE GREAT YEAR WE HAD

UNDERLYING EBITDA

22%

FY14 TOTAL $27.0 MILLION

$19.7 MILLION

RE-INVESTED IN THE BUSINESS

(ACQUISITION, RELOCATIONS, FITOUTS & TECHNOLOGY)

25% RETAIL CUSTOMER ADVOCACY

60% BUSINESS CUSTOMER ADVOCACY

66% UNDERLYING NPAT

TOTAL $10.3 MILLION

$450.1 MILLION

TOTAL FY14 REVENUE

FULL YEAR DIVIDEND

64%

UP TO 4.64 CPS

13 NEW ACQUISITIONS

- **10** RETAIL STORES
- **2** TELSTRA BUSINESS CENTRES
- **1** CAMELON ICT SOLUTIONS

RECEIVED
60,000
JOB APPLICATIONS

54%
OF ROLES SOURCED BY INTERNAL CANDIDATES

1,400
TEAM MEMBERS
TRAINED IN THE CARE PROGRAM

43%
EBITDA PER FTE | $29,898

53
TEAM MEMBERS ATTENDED THE CLUB SUCCESS TRIP IN VIETNAM

856,553
MOBILE DEVICES SOLD

342,096
MOBILE CONNECTIONS MADE

599,646
ACCESSORIES SOLD

167,438
INSURANCE / WARRANTY PRODUCTS SOLD

212%
GROWTH IN UNIFIED COMMUNICATIONS INSTALLATIONS

141%
GROWTH IN DIGITAL OFFICE TECHNOLOGY

OUR CUSTOMERS

Just as our focus on our team members is key to our success, so is the team's focus on our customers. Our philosophy is to invest in our team, and we know that the VIBE™ we create flows through to our customers so they feel valued. Our focus on customer service is constant, with us always looking for new ways to wow our customers.

Our CARE™ program defines our customer service offering, and we provide exceptional training so we can consistently deliver an exceptional customer experience. Thanks Thursday, an initiative we partner with Telstra on, allows us to simply say 'thanks' to our customers for being with us.

The team love to be out and about in our local communities, sharing knowledge and helping people make the most out of their technology. One example is the Fone Zone team who delivered a Technology Training Day with some newly skilled tech savvy seniors. Most of all we're about making Vita a great place to be, for our team and for our customers.

"The VIBE™ we create flows through to our customers so they feel valued"

OUR BRIGHT FUTURE

We have enjoyed success over a sustained period of time and we're well positioned for continued growth and success. Our key ingredients are:

A CLEAR STRATEGY FOR THE FUTURE:

- Continue to optimise our retail channel to drive high returns
- Invest in the significant growth opportunity in the SMB market and with enterprise and government customers

GREAT RELATIONSHIPS WITH OUR VALUED PARTNERS

THE STRUCTURES, SYSTEMS AND PROCESSES TO DELIVER THE PROMISE

BEYOND ALL ELSE... THE BEST PEOPLE

"You can have the best strategy in the world, but unless you execute it, it's worthless"

Maxine Horne

VITA GROUP BOARD

MAXINE HORNE
CHIEF EXECUTIVE OFFICER

Maxine has envisioned, guided and delivered each step of the company's transformation. She is responsible for the strategic and operational leadership of the business and leads the Group Leadership Team. Her focus is on achieving results through people and culture.

Prior to forming the Vita Group in 1995, Maxine gained significant global telecommunications experience in sales, customer service, leadership and operations roles in the UK and Australia.

She received the President's Award at the NSW ARA Awards for Excellence and was named QBR Business Woman of the Year, Retail in 2006. In 2014 Maxine received the EY Entrepreneur of the Year Award for the Industry Category, Northern Region.

DICK SIMPSON
INDEPENDENT NON-EXECUTIVE CHAIRMAN

Dick brings considerable experience to the Board. He has held roles as Chief Executive Officer in both the Telecommunications and Computing industries. He has also been Chairperson of CSL (Hong Kong's biggest mobile carrier), Telstra Clear and REACH (Asia's largest international operator).

Dick started his career in IT, spending 20 years with IBM and then Unisys, in both Australia and the USA. He then joined Optus and subsequently Telstra, where he was Group Managing Director, Mobiles in Australia, before moving to head up Telstra's international operations in Hong Kong.

Dick became a Director of Vita Group in September 2005, and has served on the Remuneration & Nomination Committee, and the Audit, Compliance & Risk Committee. He is also a Director of Chevalier College in Bowral, New South Wales.

VITA GROUP BOARD

ROBYN WATTS
INDEPENDENT NON-EXECUTIVE DIRECTOR

Robyn has for over 26 years been CEO of various businesses in the global media sector, most recently as CEO of ABC Enterprises at the Australian Broadcasting Corporation, where she was responsible for leading and managing ABC Shops, ABC Consumer Publishing and ABC Resource Hire.

Previously Robyn was CEO of Southern Star Sales for the Southern Star Group.

Robyn is a Company Director specialising in business strategy and marketing to customer and client facing organisations. Her executive and non-executive experience in private and publicly listed organisations spans a range of industry sectors including media, retail, telecommunications, entertainment, tertiary education, film, television and design.

Robyn is currently on the Board of Geyer Pty Ltd (private company) and Australian School of Performing Arts Pty Ltd (private company) and sits on the Board of Governors for ANU Endowment and Camp Quality. Robyn is also a mentor through McCarthy Mentoring and Women on Boards.

NEIL OSBORNE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Neil was formerly a Partner with one of the world's largest consulting and technology services firm, Accenture. He has over 30 years experience in the retail industry and has held a variety of senior executive positions with Myer and Coles Myer Ltd (CML) in corporate and operating roles across finance, supply chain, strategic planning and merchandising.

He has also held the positions Chief Operating Executive (Chief Financial Officer and Supply Chain) with Myer and Group General Manager, Retail Services with CML.

Neil is the Deputy Chairman of Australian United Retailers Limited (AURL) and Chairman of its Audit and Risk Committee. Listed on the NSX and trading as FoodWorks, AURL comprises approximately 600 Independent Supermarkets and Convenience Stores with sales of approx $2B.

Neil is also a Non- Executive Director of ASX listed Beacon Lighting Group and is Chairman of the Audit Committee as well as a member of the Remuneration and Nomination Committee. Neil became a Director of Vita Group in June 2007, and is Chair of the Audit, Compliance & Risk Committee and a member of the Remuneration & Nomination Committee.

VITA GROUP BOARD

PAUL WILSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

Paul is an experienced Board director and private company investor, with particular expertise in the digital, media and information sectors. Paul's business background includes 17 years principal investing experience, holding senior positions with leading private equity house, CHAMP, and the media focused investment house, Illyria.

Paul is a co-founder of Bailador Investment Management, which focuses on minority investments in expansion capital opportunities in the information sector. This role provides Paul with exposure to the latest technologies and business models to take advantage of the rapidly changing communications and entertainment landscape.

Paul is a qualified Chartered Accountant, a Fellow of the Financial Services Institute of Australia and a member of the Australian Institute of Company Directors.

Paul became a Director of Vita Group in May 2014, and is a member of the Audit, Compliance & Risk Committee and the Remuneration & Nomination Committee.

VITA GROUP LEADERSHIP TEAM

Our Group Leadership Team consists of an exceptional mix of talent, experience and leadership strength. The senior leaders all know the business well, and provide strong direction to the Vita team to focus them towards achieving the Group's strategic goals.

ANDREW LEYDEN
CHIEF FINANCIAL OFFICER

Andrew leads the Finance and IT teams and is responsible for internal and external reporting, financial accounting and operations, business planning, information technology, servicing the information needs of investors, commercial finance, internal assurance, taxation and treasury operations.

Before Vita Group, Andrew led Finance and IT functions across various retail organisations. Previous roles include CIO for Foster's Group, Global Finance Director for Foster's Wine Estates and Regional Financial Director for Reckitt Benckiser.

PETER CONNORS
CHIEF OPERATING OFFICER

Peter leads the Vita Group's Operational channels, which includes Telstra stores, Fone Zone stores, Next Byte stores, Telstra Business Centres, Enterprise Business teams, Call Centres and One Zero Dealers. As COO, Peter is responsible for leading these teams to deliver an exceptional customer experience.

Prior to joining the Vita Group, Peter held various General Management roles in global manufacturing and product development organisations. His previous roles include General Manager Residential at ASSA ABLOY Australia, General Manager Industrial Division at EGR, General Manager Domestic and International Marketing and Product Development at GWA Caroma.

MARK ANNING
GROUP COMPANY SECRETARY AND LEGAL COUNSEL

Mark is Secretary to the Board and its committees, and is responsible for Vita Group's corporate governance and administration, including liaising with the Australian Securities Exchange, ASIC, bankers and auditors. As Legal Counsel, Mark leads Vita Group's legal and risk function, managing the Group's day to day legal and regulatory requirements, and advises on matters of strategic importance.

Mark was admitted as a Solicitor in 1993, and is a Fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators Australia. Over the last 23 years he has specialised in corporate and commercial law, and corporate governance, gaining this experience with national law firms, including at Partner level, and in executive roles at several ASX listed companies. Mark's prior role was as Group Company Secretary of Queensland Gas Company Limited (ASX: QGC).

CHRIS PRESTON
CHIEF MARKETING OFFICER

Chris is an experienced Marketing Professional with hands-on experience in Australia, Asia and North America. At Vita Group, Chris leads the Marketing, Product and Sprout teams. He is responsible for strategic planning, brand development, digital marketing, customer relationship management (CRM) systems and product innovation.

Before Vita Group, Chris was the National Conversion Marketing Manager for Stockland's portfolio of residential, retirement, and shopping centre assets; and was the Global Corporate Marketing Leader for Flight Centre, where he was responsible for creating and executing the global marketing strategy, new business acquisition, and client retention.

ADAM TAYLOR
CHIEF PEOPLE OFFICER

Adam leads the People division, which includes Human Resources and Recruitment functions as well as Organisational Design and Development. The People division partners with the business to drive and support the achievement of the People strategy across all divisions of Vita Group.

Prior to Adam's appointment to the leadership team he held a range of senior roles at Vita Group including General Manager Business Sales and Learning and Development Manager.

Before Vita Group, Adam held senior leadership roles in the human resources field in the banking and finance sector.

"A huge thanks and congratulations must go to each and every Vita team member, for delivering such a great result this year. We have a bright future together!"

Vita Group Limited

ABN 62 113 178 519

Financial Report

for the year ended 30 June 2014

Contents

Corporate Information
ABN 62 113 178 519

This Annual Report for Vita Group Limited and its controlled entities (referred to hereafter as the Group) is presented in the Australian Dollar, being the Group's functional and presentation currency.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Report on pages 7 to 8.

Directors
Dick Simpson (Independent Chairman)
Maxine Horne (Chief Executive Officer)
Neil Osborne (Independent Non-Executive Director)
Robyn Watts (Independent Non-Executive Director)
Paul Wilson (Independent Non-Executive Director) (appointed on 9 May 2014)

Company Secretary
Mark Anning

Registered Office and Principal Place of Business
Vita Place, Level 3
77 Hudson Road
Albion QLD 4010
Australia
Telephone: +61 7 3624 6666
Facsimile: +61 7 3624 6999
Website: www.vitagroup.com.au

Share Registry
Computershare Investor Services Pty Limited
117 Victoria Street
West End QLD 4101
Australia
Telephone: 1300 552 270 (Toll-free within Australia)
Telephone: +61 7 3237 2100
Facsimile: +61 7 3237 2152
Website: www.computershare.com.au

Australian Securities Exchange (ASX) Listing
Vita Group Limited shares are listed on the Australian Securities Exchange.
ASX Code: VTG

Solicitors
Minter Ellison Lawyers
Brisbane, Australia

Bankers
ANZ Bank Limited
Brisbane, Australia

Auditors
PricewaterhouseCoopers
Brisbane, Australia

Directors' Report

Your Directors submit their report for the year ended 30 June 2014.

The Directors of the Company at any time during or since the end of the financial year were:

Dick Simpson (Independent Chairman)
Maxine Horne (Chief Executive Officer)
Neil Osborne (Independent Non-Executive Director)
Robyn Watts (Independent Non-Executive Director)
Paul Wilson (Independent Non-Executive Director - appointed on 9 May 2014)

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

DIRECTORS

Dick Simpson
Non-Executive Chairman

Dick brings considerable experience to the Board. He has held roles as Chief Executive Officer in both the Telecommunications and Computing industries. Dick started his career in the information technology sector, spending 20 years with IBM and then Unisys, in both Australia and the USA. He then joined Optus, was Chief Operating Officer at NRMA and subsequently joined Telstra, where he was Group Managing Director, Mobiles. He moved to Hong Kong as President Telstra International where he was also Chairman of CSL (Hong Kong's biggest mobile carrier), Telstra Clear and REACH (Asia's largest international operator).

Dick became a Director of Vita Group in September 2005, and has served on the Remuneration & Nomination Committee, and the Audit, Compliance & Risk Committee. He is also a Director of Chevalier College in Bowral, New South Wales and is an advisor to several private and public companies.

Maxine Horne
Chief Executive Officer

Maxine is the Chief Executive Officer of the Vita Group. Since founding the company with one store in 1995, Maxine has guided the transformation of the Group into today's multi-brand and multi-channel publicly listed company. She has set the strategic direction and driven the consistent execution of that strategy ensuring the Vita Group remains relevant in an ever evolving environment.

Maxine's leadership and relationship skills combined with her passion for the business are central to Vita's positive culture. She has built strong relationships with Vita's strategic partners, Telstra and Apple, ensuring the achievement of shared goals. At the heart of the success of Vita Group is Maxine's unwavering focus and philosophy centred around the power of human capital - Vita's employees and customers. The Group's focus on customer service training, staff incentives and career development has positioned Vita Group as one of Australia's most successful retailers and a progressive employer of choice.

Prior to forming Vita Group, Maxine gained significant global telecommunications experience in sales, customer service, leadership and operations roles in the UK and Australia. On an individual level she has received the President's Award at the NSW ARA Awards for Excellence and was named QBR Business Woman of the Year, Retail in 2006.

Neil Osborne
Non-Executive Director

Neil was formerly a partner with one of the world's largest consulting and technology services firms, Accenture. He has over 30 years experience in the retail industry and has held a variety of senior executive positions with Myer and Coles Myer Ltd in corporate and operating roles across finance, supply chain, strategic planning and merchandising, including the positions of Myer Chief Operating Executive (Chief Financial Officer and Supply Chain) and CML Group General Manager, Retail Services (Marketing, Strategy and Property).

Neil is the Deputy Chairman of Foodworks Ltd (independent Supermarkets), a Director of Beacon Lighting Group Limited (ASX:BLX), and is also a Non-Executive Director of Callista Software Services (owned by Deakin University).

Neil became a Director of Vita Group in June 2007, and is Chairman of the Audit, Compliance & Risk Committee, and a member of the Remuneration & Nomination Committee.

Robyn Watts
Non-Executive Director

Robyn has over 26 years of experience as CEO of various businesses in the global media sector, most recently as CEO of ABC Enterprises at the Australian Broadcasting Corporation, where she was responsible for leading and managing ABC Shops, ABC Consumer Publishing and ABC Resource Hire. Previously Robyn was CEO of Southern Star Sales for the Southern Star Group.

Directors' Report (continued)

DIRECTORS (continued)

Robyn is a Company Director specialising in business strategy and marketing to customer and client facing organisations. Her executive and non-executive experience in private and publicly listed organisations spans a range of industry sectors including media, retail, telecommunications, entertainment, tertiary education, film, television and design. Robyn is currently on the board of Geyer Pty Ltd (private company) and Australian School of Performing Arts Pty Ltd (private company) and she sits on the Board of Governors for ANU Endowment and Camp Quality. Robyn is also a mentor through McCarthy Mentoring and Women on Boards.

Robyn is a Fellow of the Australian Institute of Company Directors and completed the AICD's ASX 200 Chairman's Mentoring Program in 2011 and 2012.

Robyn became a Director of Vita Group in November 2011, and is a member of the Audit, Compliance & Risk Committee, and Chair of the Remuneration & Nomination Committee.

Paul Wilson
Non-Executive Director

Paul's business background includes 16 years principal investing experience, holding senior positions with leading private equity house, CHAMP, and the media focused investment house, Illyria.

Paul is a co-founder of Bailador Investment Management, which focuses on minority investments in expansion capital opportunities in the information sector. This role provides Paul with exposure to the latest technologies and business models to take advantage of the rapidly changing communications and entertainment landscape.

Paul's current board positions include: Chairman of SiteMinder, a provider of cloud based solutions to the hotel industry, selling into over 100 countries; Director of Standard Media Index, a provider of high value media industry data; Director of Viocorp International, the Australian market leader in online video enablement; Director of directories business Yellow Pages New Zealand; and Director of the Rajasthan Royals Indian Premier League cricket franchise.

Paul is a qualified Chartered Accountant, a fellow of the Financial Services Institute of Australia and a member of the Australian Institute of Company Directors. Paul became a Director of Vita Group in May 2014, and is a member of the Audit, Compliance & Risk Committee, and the Remuneration & Nomination Committee.

Interests in the shares and options of the Company

As at the date of this report, the relevant interests of the Directors in the shares of Vita Group Limited were as set out in the table below. No Director held any options to acquire shares in the company.

Directors	Ordinary shares held at 30 June 2013	Ordinary shares purchased	Ordinary shares held at 30 June 2014
Dick Simpson	243,509	-	243,509
Maxine Horne	66,270,403	-	66,270,403
Neil Osborne	271,342	-	271,342
Robyn Watts	-	20,000	20,000
Paul Wilson	-	-	-

DIRECTORS' MEETINGS

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

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

Directors' Report (continued)

DIRECTORS' MEETINGS (continued)

The members of each committee during the year were:

Audit, Compliance & Risk Committee	Remuneration & Nomination Committee
Neil Osborne (c)	Robyn Watts (c)
Dick Simpson	Dick Simpson
Robyn Watts	Neil Osborne
Paul Wilson	Paul Wilson

Note (c) Designates the Chairperson of the Committee

	Vita Group Board		Audit, Compliance & Risk Committee		Remuneration & Nomination Committee	
Number of meetings held:	14		3		2	
	Meetings eligible to attend	**Meetings attended**	**Meetings eligible to attend**	**Meetings attended**	**Meetings eligible to attend**	**Meetings attended**
Dick Simpson	14	14	3	3	2	2
Maxine Horne	14	14	-	-	-	-
Neil Osborne	12	12	3	3	2	2
Robyn Watts	12	12	3	3	2	2
Paul Wilson	2	2	-	-	1	1

COMPANY SECRETARY

Mark Anning FCIS
Group Company Secretary and Legal Counsel

Mark was appointed Company Secretary and Legal Counsel on 10 November 2009.

Mark was admitted as a Solicitor of the Supreme Court of Queensland, Victoria and High Court in 1993, and spent 16 years in private practice with national law firms including almost 10 years with Allens Arthur Robinson, specialising in corporate and commercial law, dispute resolution and commercial risk management.

Mark holds Bachelor of Commerce and Bachelor of Law (Hons) degrees from the University of Queensland and also holds a Graduate Diploma in Applied Corporate Governance.

He is a Fellow of Chartered Secretaries Australia and former Deputy Chairman of Queensland State Council.

Mark's prior role was as Group Company Secretary of Queensland Gas Company Limited (ASX: QGC).

DIVIDENDS

	Cents	**$'000**
Final dividend for the year ended 30 June 2013		
- *on ordinary shares*	1.68	2,394
Interim for the year		
• *on ordinary shares*	1.91	2,722
		5,116

Since the end of the financial year, the Directors have approved the payment of a final ordinary dividend of $3,890,245 (2.73 cents per fully paid share) to be paid in October 2014 (FY13: $2,393,997).

Directors' Report (continued)

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group during the year were the selling and marketing of technology and communication products and services through its retail store brands, Telstra, Fone Zone, One Zero and Next Byte, and through its enterprise, business and education channels in Australia. There were no significant changes in the nature of the Group's activities during the year.

OPERATING AND FINANCIAL REVIEW

Highlights

FY14 was another strong year for the Group. Vita made significant progress in optimising its portfolio of Telstra retail stores and establishing a solid foundation from which to pursue its growth aspirations in the business-to-business (B2B) channel. The network of Telstra stores continues to generate strong earnings and cash flow, which underpinned an improved operating and financial performance.

In retail, 10 Telstra licensed stores were acquired during the year, while the consolidation of the Fone Zone and One Zero brands continued. With a number of changes occurring within both the marketplace and to the competitive landscape in which Next Byte competes, the Group decided to put on hold the expansion of the Next Byte network, instead deciding to prioritise capital investment on the core Telstra portfolio and on building its presence in the business channel where more profitable growth opportunities exist. This resulted in the decision to impair the remaining goodwill - $19.4 million - on the Next Byte brand in the first half of the year.

In the B2B channel, Vita has established a platform to deliver a meaningful contribution to Group profits in the medium to long term. The small to medium business market is serviced by a network of Telstra Business Centres and outbound business consultants operating from a number of retail locations. There was a significant improvement in the contribution from this part of the business in FY14. In the Enterprise channel, Vita has an established team, historically focused on the mobility category. During FY14 the Group made a number of decisions directed at broadening both the customer base and the range of products sold to customers in this sector. The acquisition of Camelon ICT Solutions in October 2013 has enabled Vita to access a wider range of product sets and capabilities, particularly in the cloud, unified communications and professional and managed services categories.

Group Results

Group revenues grew 4% to $450.1 million during the year. EBITDA (excluding Next Byte impairment), a measure used by the Group as a proxy for cash profitability, grew strongly, up 52% to $33.5 million in the year. After adjusting for a $6.5 million benefit relating to the Group's now discontinued proprietary swap and extended warranty products, underlying EBITDA for the year was $27.0 million, up 22.2%.

A reconciliation of underlying EBITDA to the reported profit or loss before tax in the consolidated statement of comprehensive income is tabled below:

	FY14 $M	FY13 $M
Profit before tax	1.8	8.7
Add: net finance costs	1.6	2.2
Add: depreciation and amortisation	10.7	11.2
Add: impairment of Next Byte	19.4	-
Less: non-cash benefit of discontinued proprietary products	(6.5)	-
Underlying EBITDA	27.0	22.1

Telecommunications

Strong growth in Telecommunications saw revenues from this division increase 8.8% in the year. This growth was driven by higher returns from Vita's Telstra-branded footprint, evident in a strong like-for-like performance that saw gross profit up 13.2%, coupled with the addition of new stores. Volumes from business channels contributed to the Telecommunications result, with gross profit from TBCs up 29.6% and Enterprise up 9.8%. These were offset by a lower contribution from a consolidating Fone Zone portfolio. Telecommunications EBITDA grew strongly, up 45.0% to $34.5 million, benefiting from growth in revenues, optimisation of the footprint and productivity improvements. Underlying EBITDA, excluding the benefit related to now-discontinued proprietary products, grew 17.6% to $28.0 million.

In the business arena, Vita now has a market offering in place to support medium to long term growth. This platform includes a broader range of products and services enabled by the acquisition of Camelon ICT Solutions, the establishment of a management team solely focused on the B2B segment and positive performance momentum going into FY15.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Next Byte

The decline in Next Byte revenues reflected the impact of significant portfolio change including a number of old-format store closures, and softer like-for-like revenues attributed mainly to the lack of new Apple product releases. Despite the lack of product releases, Next Byte had a much-improved second half as product mix and productivity efficiencies flowed through to a near break-even underlying EBITDA result. Underlying EBITDA improved from a loss of $1.8 million in FY13 to a loss of $1.0 million for the full year and in the second half, underlying EBITDA was only a marginal loss, after the allocation of corporate overhead, of $0.2 million. The Next Byte leadership team will continue to focus on driving performance improvement within the existing portfolio, with further store rollouts on hold.

Further information relating to the results of both the Telecommunications and Computing segments are available under Segment Reporting in Note 3 to the Financial Statements.

Balance Sheet

The Group generated $17.6 million in operating cash flows after interest and tax in the year. This was lower than the previous year as a consequence of some changes to the timing of receipts from debtors over the year end. Capital investment was $19.7 million and dividends of $5.1 million were paid. Gross debt increased by $1.4 million to $16.9 million as at period end, and cash balances were $6.0 million lower than the previous year, at $6.8 million as a consequence of the timing of debtor receipts. The Group maintained borrowings at a comfortable level during the period, particularly given the significant capital spend incurred in building out the portfolio. Net debt increased $7.3 million in the year to $10.1 million.

Dividends

The Board approved a total ordinary dividend for the year of 4.64 cents per share, fully franked, which represents an increase of 64% on the prior year and a payout ratio of 65% of profits after tax (excluding the H2 non-cash benefit from Vita's discontinued proprietary warranty/swap products). The interim dividend paid in the year was 1.91 cents (FY13: 1.15 cents).

In addition, the Dividend Reinvestment Plan will re-commence, allowing eligible shareholders the flexibility to re-invest ordinary dividends in Vita Group shares. The Board will also continue to review ways of leveraging the Group's franking credit balance with any decisions arising from this review to be announced later in the year.

The record date for the dividend is 8 September 2014 with payment to be made on 9 October 2014.

The Future

Group priorities for FY15 and beyond are:

- Continuing to optimise the performance of the portfolio by investing in people to improve leadership quality, sales capability and execution, and to drive customer advocacy and outperformance;
- Continuing to improve the quality of the physical footprint of retail stores and Telstra Business Centres;
- Driving growth across a broad range of product categories in addition to mobility, specifically fixed products, accessories, insurance, media, broadband, services, unified communications and cloud products;
- Continue to build presence in the enterprise and small-to-medium business market by leveraging the platform laid in FY14.

Key risks to the Group achieving its objectives are:

- Greater business complexity as the Group embraces a broader set of products and channels;
- Failure to deliver returns from the Group's investment in capital and people programs;
- Significant adverse changes in the retail or business environment;
- Material changes in the relationship between Vita Group and its key strategic partners.

Directors' Report (continued)

Shareholder Returns

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

	FY14	FY13
Basic earnings per share (cents)	(3.26)	4.35
Underlying earnings per share* (cents)	7.14	4.35
Net debt/(Net debt plus total equity)	24.7%	6.4%

*Excludes impairment of Next Byte goodwill and amortisation of proprietary products.

The share price at 30 June 2014 was $0.74 (FY13: $0.62).

Review of Financial Condition

The consolidated cash flow statement shows an operating cash flow of $17.6 million, compared to the previous year of $20.1 million. Cash at 30 June 2014 was $6.8 million, compared to $12.8 million at the end of the previous year.

Profile of Debts

	FY14 $'000	FY13 $'000
Current		
Obligations under finance leases, hire purchase contracts and chattel mortgages	4,522	9,358
Short term debt	1,161	841
Non-current		
Obligations under finance leases, hire purchase contracts and chattel mortgages	1,310	5,332
Non-current term debt	9,911	-
	16,904	**15,531**

The Group sources the majority of its funds from operations and from facilities provided by the ANZ Bank. The Board considers the current level of net debt/(net debt plus equity) in the Group of 24.7% to be within acceptable limits.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no other significant matters or circumstances not otherwise dealt with in this report affecting the operation of the Group or its results.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' encompasses the chief executives, senior executives, general managers and secretary of the Parent and the Group.

Details of key management personnel, including the senior executives of the Company and the Group:

(i) Directors

Dick Simpson	Chairman (Independent Non-executive)
Maxine Horne	Chief Executive Officer
Neil Osborne	Director (Independent Non-Executive)
Robyn Watts	Director (Independent Non-Executive)
Paul Wilson	Director (Independent Non-Executive - Appointed: 9 May 2014)

(ii) Executives

Adam Taylor	Chief People Officer (Appointed: 3 March 2014)
Andrew Leyden	Chief Financial Officer
Chris Preston	Chief Marketing Officer (Appointed: 6 January 2014)
Jim Collier	General Manager Next Byte (Resigned: 6 September 2013)
Kendra Hammond	Chief People Officer (Resigned: 28 February 2014)
Mark Anning	Group Company Secretary and Legal Counsel
Peter Connors	Chief Operating Officer (Formerly: General Manager Telecoms)

Remuneration Policy

The Company has a focus to "Get, Grow and Keep" great people and remuneration practices have remained a key component of this strategy. Remuneration needs to be market competitive to help identify, attract, select and retain the right people to deliver optimal performance outcomes for the Group, across its businesses and support services. Regular market reviews are undertaken to ensure the Group is competitive in its remuneration for senior and critical roles, and a systematic methodology is utilised to ensure consistent and equitable pay arrangements are in place for all roles within the Group.

To assist in motivating team members, the Group's Performance Review and Feedback process delivers a pay for performance dynamic. This plays an important role in retaining key talent, and embedding a high performance culture, and links remuneration reviews and incentive payments to the achievement of business goals.

This is the second year of Vita's Long Term Incentive Program being in place for KMP's. The purpose of this program is to create medium and long-term value for the Group, and is an additional retention tool for senior roles.

Remuneration & Nomination Committee

The Group has a Remuneration and Nomination Committee operating under a charter approved by the Board and reviewed annually.

The Remuneration and Nomination Committee comprises four Non-Executive Directors including the Committee Chairman. The Chairman and/or any other Director are entitled to be present at all meetings of the committee, whether they are a member of the committee or not. Meetings of the committee are attended by invitation, by the Chief Executive Officer, the Chief People Officer, and such other senior staff as may be appropriate from time to time.

Minutes of all committee meetings are provided to the Board. The Chairman of the committee also reports to the Board after each committee meeting.

The Chief People Officer and the Company Secretary support the committee.

Employee Share Plans

Vita Group has the following share plans historically available for team members and Directors:

- Employee Bonus Share Plan
- Employee Share Options Plan
- Non-Executive Director Share Plan

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Employee Share Plans (continued)

These plans are currently not in use; there have been no offers, issues or grants under them in the past financial year.

Protection Arrangements

The Group's Share Trading Policy provides that the entering into of all types of "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Group's listed securities that are held directly or indirectly by Directors or employees is prohibited at any time, irrespective of whether such protection arrangements are entered into during trading windows or otherwise. This prohibition extends to vested and unvested shares.

Protection arrangements aim to prevent transactions which:
- amount to 'short selling' of the Group's listed securities beyond the Director's or employee's holding of the listed securities
- operate to limit the economic risk of any Directors or employees holding of the listed securities
- otherwise enable a Director or employee to profit from a decrease in the market price of the listed securities.

Directors and key managers are advised of the policy on appointment, and are reminded of their obligations to advise the Group of any dealings in Vita Group securities at the end of each Board and senior management meeting.

Voting and comments made at the company's 2013 Annual General Meeting

Vita Group Limited received more than 96.7% of "yes" votes on its remuneration report for the 2013 financial year. The company did not receive any other feedback at the AGM or throughout the year on its remuneration practices.

Group Performance

Vita Group has been a listed entity since 2 November 2005. Revenue and profit figures for the current year, and the five prior years are as follows:

	FY14	FY13	FY12	FY11	FY10	FY09
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Revenue from operating activities	450.1	434.7	410.4	386.9	**292.0	297.8
EBIT *	3.4	10.9	(8.5)	11.1	11.5	8.1
Net Profit after Tax	(4.6)	6.2	(12.0)	6.8	7.7	5.4
Total dividend for the year	**cents**	**cents**	**cents**	**cents**	**cents**	**cents**
(cents per share)	4.64	2.83	1.5	3.1	-	-
	$	**$**	**$**	**$**	**$**	**$**
Market Price per Share at 30 June	0.74	0.62	0.25	0.22	0.22	0.09

* EBIT has been calculated using "net interest" and income tax expense.
** The FY10 result has been restated to incorporate a reclassification of impairment expense from operating expenses as depreciation, amortisation and impairment charges, a reclassification of unwinding of discount to provisions as finance costs and a further reclassification of interest to finance costs

Vita Group shares were sold under the IPO at $1.00 and at 30 June 2014 were trading at $0.74 (FY13: $0.62).

A final dividend has been declared for the year ended 30 June 2014 of 2.73 cents per share (FY13: 1.68 cents). The total dividend for the year was 4.64 cents per share (1.91 cents interim paid plus 2.73 cents final declared) (FY13: 2.83 cents).

Remuneration Structure

The remuneration structure for key managers and Non-Executive Directors is set out below.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Managers

As indicated in the Remuneration Policy section, remuneration is a key lever used to ensure Vita Group remains competitive in enabling the Group to attract, grow, and retain executives.

KMPs receive:

A. Fixed remuneration which comprises the following aspects:
   - Salary,
   - Superannuation contributions,
   - Such other non-cash benefits (including motor vehicles) as are agreed from time to time, and
   - The amount of any fringe benefits tax, GST and other taxes payable by Vita Group in consequence of the provision of non-cash benefits.

   Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee, taking into account Group and individual performances as well as external remuneration market data.

B. Variable remuneration components, such as Vita Group and the employee may agree from time to time:
   - Short Term Incentive Program (STIP) – short term incentive payments in the form of commission and bonus payments, based on performance assessed against a set of agreed criteria for each individual;
   - Long Term Incentive Program (LTIP)

   The amount of STIP payable is based upon the performance of the Group against pre-determined EBITDA target, set during the annual budgeting process. Payment of the STIP is made on the basis of achieving 90% or higher of the EBITDA hurdle, taking into account Group and Individual performance. If the 90% hurdle is not achieved, then the STIP pool is not available for allocation. Should more than 100% of the target be achieved, then a multiplier may be applied to the STIP pool. Payments are determined as part of the annual remuneration review and paid in September 2014.

   The amounts payable remain subject to the discretion of the CEO or, in the case of the CEO, the Chairman, and in all cases are subject to approval by the Board.

   Under the FY14 STIP, KMPs are able to earn up to the following percentage of their fixed remuneration:

CEO:	40 %
Other KMP:	30 %

   FY14 is the second year of operation of the LTIP for KMPs. The purpose of this program is to align incentives with the achievement of financial goals over a longer period of time and to encourage KMP retention. The program is structured on a deferred cash basis, involving no options or equity rights.

   The LTIP has been capped at 20% of each applicable member's total fixed remuneration, to be paid on a 1/3, 1/3, 1/3 basis over three years conditional on the Group's attainment of predetermined targets for profit after tax. This target was set as part of the annual budgeting process and was achieved in FY14. Payment is aligned with the annual remuneration review cycle and is schedule to be paid in September 2014.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Managers (continued)

Name & Position	Year	Short Term Employee Benefits				Post Employment Benefits	Long Term Benefits		Total Package Value $
		Cash salary and fees $	Termination payments $	Non-monetary Benefits (a) $	Cash/Bonus (b) $	Superannuation $	Cash/Bonus (d) $	Long Service Leave $	
Maxine Horne	FY14	631,873	-	53,198	218,054	25,000	36,342	21,193	985,660
Chief Executive Officer	FY13	574,625	-	39,612	171,134	25,000	-	21,625	831,996
David McMahon (Resigned: 30 January 2013)	FY14	-	-	-	-	-	-	-	-
Joint Chief Executive Officer	FY13	241,668	229,789	42,849	237,482	29,327	-	2,908	784,023
Andrew Leyden	FY14	483,747	-	-	174,375	-	31,000	-	689,122
Chief Financial Officer	FY13	465,000	-	-	93,000	-	-	-	558,000
Peter Connors	FY14	386,839	-	20,161	121,875	25,000	21,667	4,249	579,791
Chief Operations Officer	FY13	278,930	-	9,910	164,000	25,000	-	4,596	482,436
Adam Taylor (Appointed: 3 March 2014)	FY14	75,447	-	-	-	5,463	-	186	81,096
Chief People Officer	FY13	-	-	-	-	-	-	-	-
Kendra Hammond (Resigned: 28 February 2014)	FY14	141,626	39,207	384	110,227	28,412	14,300	-	334,156
Chief People Officer	FY13	182,444	-	-	38,532	21,093	-	1,838	243,907
Mark Anning	FY14	208,821	-	-	52,146	24,518	12,876	1,818	300,179
Group Company Secretary/Legal Counsel	FY13	190,952	-	-	34,183	20,422	-	-	245,557
Jim Collier (Resigned: 6 September 2013)	FY14	48,820	14,731	-	-	4,989	-	-	68,540
General Manager Next Byte	FY13	239,285	-	4,955	50,000	25,000	-	-	319,240
Chris Preston (Appointed: 6 January 2014)	FY14	102,584	-	-	-	8,613	-	-	111,197
Chief Marketing Officer	FY13	-	-	-	-	-	-	-	-
TOTAL	FY14	2,079,757	53,938	73,743	676,677	121,995	116,185	27,446	3,149,741
	FY13	2,172,904	229,789	97,326	788,331	145,842	-	30,967	3,465,159

(a) Other benefits include motor vehicles, fuel allowance, private and spouse travel, and corporate hospitality.
(b) Bonus payments to key managers are at the discretion of the executive directors who take into account the Group and individual performance against key performance indicators.
(c) Annual bonuses for David McMahon and Maxine Horne are based upon a performance assessment against predetermined criteria. At the time of completion of this report, the Remuneration and Nomination Committee had not yet met to assess entitlements for FY14. The annual bonus for key management personnel (other than the CEO's), being Andrew Leyden, Peter Connors, Adam Taylor, Chris Preston and Mark Anning, is based upon a performance assessment against predetermined criteria. At the time of completion of this report, FY14 entitlements had not been assessed. This report reflects bonus paid in FY14 relating to FY13 entitlements. The annual bonus in FY13 reflects bonus paid in FY13 relating to FY12 entitlements.
(d) The LTIP bonus for key management personnel is based upon a performance assessment against predetermined criteria. At the time of completion of this report, FY14 entitlements had not been assessed. This report reflects bonus paid in FY14 relating to FY13 entitlements. Payments relating to FY14 will be paid in FY15 and reflected in FY15's remuneration report. In FY14 an amount of $384K has been provided.
(e) The remuneration and other terms of employment for Andrew Leyden (the Chief Financial Officer) are formalised in a service agreement commencing 3 October 2013 and is due for review on 3 October 2015. The Group may terminate the Contract at any time without notice if serious breach has occurred. Either party may terminate the Contract without cause on 16 weeks' notice. Mr Leyden is responsible for his own superannuation arrangements. Leave provisions have been made for Mr Leyden on a non-accruing entitlement basis. The contract has inclusions for Mr Leyden to participate in the Vita Group STIP with a target STIP of 30% of his annual fee, and participation in the Vita Group LTIP at 20% of his annual fee.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Managers (continued)

Components of Remuneration

Name	Fixed Remuneration		At Risk – STI/LTI	
	FY14	FY13	FY14	FY13
Executive Directors				
Maxine Horne	77.9%	79.4%	22.1%	20.6%
David McMahon - Resigned 30 January 2013	-	69.7%	-	30.3%
Other Key Management Personnel				
Adam Taylor - Appointed 3 March 2014	100%	-	-	-
Andrew Leyden	74.7%	83.3%	25.3%	16.7%
Chris Preston - Appointed 6 January 2014	100%	-	-	-
Jim Collier - Resigned 6 September 2013	100%	84.3%	-	15.7%
Kendra Hammond - Resigned 28 February 2014	67.0%	84.2%	33.0%	15.8%
Mark Anning	82.6%	86.1%	17.4%	13.9%
Peter Connors	79.0%	66.0%	21.0%	34.0%

Employment Contracts

Chief Executive Officer

Maxine Horne is employed under Contracts of Employment, which were reviewed and updated with effect 1 February, 2013.

Under the terms of the Contracts:
- The Chief Executive Officer is entitled to fixed remuneration and such performance bonus as Vita Group and each Chief Executive Officer may agree from time to time.
- The Chief Executive Officer may resign their position and thus terminate the Contract by giving a minimum of six months notice.
- The Group may terminate the Contract by giving a minimum of six months notice or providing payment in lieu of the notice period.
- The Group may terminate the Contract at any time without notice if serious misconduct has occurred.

Other Executives

Key Management Personnel (KMP) are employed under a standard Contract of Employment, which was reviewed and updated with effect from 22 June 2009.

Under the terms of the Contracts:
- Each KMP is entitled to fixed remuneration and such STIP and LTIP as Vita Group and the employee may agree from time to time.
- The employee may resign their position and thus terminate the Contract by giving a minimum of 13 weeks notice.
- The Group may terminate the Contract by giving a minimum of 13 weeks notice, (or 14 weeks notice if the employee has more than 2 years of service and is over 45 years old), or by providing payment in lieu of the notice period.
- The Group may terminate the Contract at any time without notice if serious misconduct has occurred.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Non-Executive Directors

Fees for Non-Executive Directors are based on the scope of Directors' responsibilities and on the relative size and complexity of Vita Group.

The Remuneration & Nomination Committee considers the level of remuneration required to attract and retain Directors with the necessary skills and experience for the Vita Group Board. This takes into account survey data on the level of Directors' fees being paid to Directors of companies of comparable size and complexity.

No equity incentives are offered to Non-Executive Directors.

No retirement allowances are payable to Non-Executive Directors.

The remuneration details for Non-Executive Directors during the year are shown in the Directors' remuneration table below.

The remuneration of the Non-Executive Directors was reviewed during the FY14 year and a resolution to increase their fee was put forward and passed at the Annual General Meeting in October 2013. The base Director's fee per year, inclusive of superannuation, and including committee work for FY14 increased to $92,650 (FY13: $76,300) with the Chairman's fee at $185,600 (FY13: $152,600) effective 1 October 2013. This sum covers Directors' fees and superannuation contributions.

Name		**Directors' Fees**	**Superannuation**	**Total**
		$	**$**	**$**
Dick Simpson	FY14	164,675	15,233	179,908
Chairman	FY13	140,000	12,600	152,600
Neil Osborne	FY14	82,337	7,616	89,953
Non-executive	FY13	69,999	6,300	76,299
Robyn Watts	FY14	82,337	7,616	89,953
Non-executive	FY13	69,999	6,300	76,299
Paul Wilson (appointed 9 May 2014)	FY14	15,442	-	15,442
Non-executive	FY13	-	-	-
Total Non-Executive Directors	**FY14**	**344,791**	**30,465**	**375,256**
	FY13	**279,998**	**25,200**	**305,198**
David McMahon (resigned 30 January 2013)	FY14	Details are in the remuneration of		-
Joint Chief Executive Officer	FY13	key managers table above		784,023
Maxine Horne	FY14	Details are in the remuneration of		985,660
Chief Executive Officer	FY13	key managers table above		831,996
Total Directors	**FY14**			**1,360,916**
	FY13			**1,921,217**

Directors' Report (continued)

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of Vita Group are not subject to any particular and significant environmental regulation under any law of Australia or of any State or Territory of Australia. Vita Group has not incurred any liability under any environmental legislation.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

Under clause 102 of Vita Group's constitution, the Group has agreed to indemnify to the extent permitted by law and the Corporations Act 2001:

- every person who is or has been an officer of the Group against any liability (other than for legal costs) incurred by that person as an officer of the Group (including liabilities incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment).
- every person who is or has been an officer of the Group against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by that person as an officer of the Group (including such legal costs incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment).

Insurance Premiums

During the financial year the Group paid insurance premiums in respect of Directors' and Officers' liability and legal expense insurance contracts, for current and former Directors and senior executives, including senior executives of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

It is a condition of the policies that premiums paid and terms and conditions of the policies are not to be disclosed.

During or since the end of the financial year the Group has not indemnified or made a relevant agreement to indemnify an auditor of the company or of any related body corporate against a liability incurred by such an auditor. In addition the company has not paid, or agreed to pay a premium in respect of a contract insuring against a liability incurred by an auditor.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Group under ASIC Class order 98/100. The Company is an entity to which the Class Order applies.

Directors' Report (continued)

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

Independence

A copy of the auditor's independence declaration as required under section 307c of the Corporations Act is set out on page 18.

Non-Audit Services

The following non-audit services were provided by the company's auditor, PricewaterhouseCoopers. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

PricewaterhouseCoopers received or are due to receive the following amounts for the provision of non-audit services:

	FY14 $	FY13 $
PricewaterhouseCoopers		
Tax compliance and consulting services	75,013	37,760
Other assurance services	9,227	8,788
	84,240	**46,548**

Signed in accordance with a resolution of the Directors.

Dick Simpson
Chairman

Maxine Horne
Director and Chief Executive Officer

Brisbane
21 August 2014

Auditor's Independence Declaration

As lead auditor for the audit of Vita Group Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Vita Group Limited and the entities it controlled during the period.

Kim Challenor

Partner
PricewaterhouseCoopers

Brisbane
21 August 2014

Corporate Governance Statement

This statement is organised under the headings in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments, dated 30 June 2010, "ASXCGC".

This statement and the following supporting documents are posted on the Group's website www.vitagroup.com.au.

- Board Charter
- Audit, Compliance & Risk Committee Charter
- Remuneration & Nomination Committee Charter
- Continuous Disclosure Policy
- Share Trading Policy
- Code of Business Practice & Ethics
- Performance Evaluation Process
- Director Selection, Appointment, and Re-election Policy and Procedures
- External Auditor Selection and Rotation of Audit Partner Policy and Procedures
- Shareholder Communication Policy
- Risk Management Policy
- Diversity Policy

The Group is in full compliance with the ASXCGC Corporate Governance Principles and Recommendations.

Principle 1: Lay solid foundations for management and oversight

Board Charter
The Board has adopted a Board Charter establishing the following:
- Board Responsibilities
- Board Composition
- Policy on Independence
- Policy relating to Meetings
- Board Committees
- Review of Board Effectiveness

The Board Charter is reviewed annually.

The responsibilities and functions reserved to the Board as set out in the Board Charter include:
- approving and monitoring strategies, budgets, and plans
- approving policies and codes of conduct
- reviewing and monitoring systems of risk management, internal control, and regulatory compliance
- approving and monitoring the progress of acquisitions and disposals, or the cessation of any significant asset, business, or function, and reviewing material transactions and changes to organisational structure
- approving annual and half-yearly financial statements, other published financial information, and dividends
- appointing and monitoring the performance of the Chief Executive Officer
- determining the levels of authority to be given to the Chief Executive Officer
- ratifying the appointment of Senior Managers, monitoring their performance, and approving succession plans for the management team
- approving the issue of any securities of the Group.

The day-to-day management of the Group is delegated to management, including the following:
- financial and capital management and reporting
- operations
- information technology
- marketing
- customer service
- relationships with investors, media, analysts and other industry participants
- human resources
- reporting to the Board on performance

Delegated Authorities
The Board has adopted a formal statement of Delegated Authorities, setting out financial and other limits delegated to management, and matters requiring Board approval. These were reviewed and updated a number of times during the year.

Corporate Governance Statement (continued)

<u>Principle 1: Lay solid foundations for management and oversight</u> (continued)

Appointment of Non-Executive Directors
Letters of appointment are prepared for Non-Executive Directors, covering terms of employment, duties and responsibilities, time commitment expected, and requirements relating to disclosure of interests and trading in the Group's shares. An induction pack is provided at the time of appointment, and new Directors undergo an induction process. The Group's director induction includes a strong emphasis on:
- the culture and values of the Group;
- meeting arrangements; and
- director interaction with each other, senior executives and other stakeholders.

Appointment and Evaluation of Senior Managers
The responsibilities and terms of employment, including termination entitlements, of the Chief Executive Officer, the Chief Financial Officer, and other Senior Managers, are set out in formal employment agreements.

Each Manager is formally inducted on appointment, and has a position description, and a set of Key Performance Objectives (KPOs) with annual goals. Each Manager's performance against his/her KPOs and goals is formally evaluated twice a year. The evaluation is used in determining future remuneration. The most recent performance evaluation of all Senior Managers, in accordance with this process, commenced in July 2014.

<u>Principle 2: Structure the Board to Add Value</u>

The Board Charter sets out the structure of the Board and its committees, the framework for independence, and arrangements for performance evaluation.

The Board comprises four Non-Executive Directors (including the Chairman) and one Executive Director (the Chief Executive Officer). The names, skills and experience of the Directors in office at the date of this statement, and the period of office of each Director, are set out on pages 4 - 5 in this Annual Report.

The Board structures itself by balancing the skills and experience on its Board to the industries in which the Group operates. In doing so it also seeks to achieve a balance in diversity recognition amongst its members.

Independence of Directors
The Board distinguishes between the concept of independence, and the issues of conflict of interest or material personal interests, which may arise from time to time.

If at any time the Board is required to make a decision on any matter in which a Director has or Directors have an actual or potential conflict of interest or material personal interest, the Board's policies and procedures require that:
- the interest is fully disclosed and the disclosure is recorded in the Board minutes
- the relevant Director is excluded from all considerations of the matter by the Board
- where possible, the relevant Director does not receive any segment of the Board papers or other documents in which there is any reference to the matter.

The determination of independence remains a matter for the Board's judgment in accordance with its policy on independence. Until the Board otherwise resolves, the policy is that a Director will be independent if they are independent of management and free of any business or other relationship that could materially interfere with - or could reasonably be perceived to interfere with - the independent exercise of their judgment.

The independence of each Director is assessed regularly, based on the interests disclosed by them. In assessing the independence of Non-Executive Directors, the Board will consider if the Director:
- is a substantial shareholder (within the definition of section 9 of the Corporations Act) of Vita Group, or an officer of, or otherwise associated directly with, a substantial shareholder of Vita Group;
- has, within the last 3 years, been employed in an executive capacity by the Vita Group of companies;
- has, within the last 3 years, been directly involved in the provision of advice or consulting services (including audit services) to Vita Group where the average annual amount paid for that advice or services exceeded 5% of the total annual fees earned by that firm or 1% of Vita Group's annual consolidated Group revenue;
- is directly involved with a supplier to Vita Group where the average annual amount paid by Vita Group to that supplier exceeds 5% of the annual consolidated Group revenue of that supplier or 5% of Vita Group's annual consolidated Group revenue;
- Is directly involved with a customer of Vita Group where the average annual amount paid to Vita Group by that customer exceeds 5% of the annual consolidated Group revenue of that customer or 5% of Vita Group's annual consolidated Group revenue; has a contractual relationship with Vita Group, which accounts for more than 10% of his/her annual gross income (other than as a director of Vita Group).

The Board will state its reasons if it considers a Director to be independent notwithstanding the existence of a relationship of the kind referred to above. At this stage none of the Directors considered to be independent has any of the above relationships. The Board considers all of the Non-Executive Directors to be independent.

Corporate Governance Statement (continued)

Principle 2: Structure the Board to Add Value (continued)

Independent Professional Advice
Each Director has the right, at the Group's expense, to seek independent professional advice in relation to the execution of Board responsibilities. Prior notification to the Board is required and where appropriate, Directors are required to share such advice with the Group and the other Directors.

Directors' Interests
The relevant interests of the Directors in the shares of the Company are set out in the Director's Report on page 5 of this Annual Report.

The Chairman of the Group is an independent Non-Executive Director.

Separate individuals exercise the roles of Chairman and Chief Executive Officer.

Remuneration and Nomination Committee
The Group has a Remuneration and Nomination Committee operating under a written charter approved by the Board and reviewed annually.

The Remuneration and Nomination Committee comprises three independent Non-Executive Directors (including the Committee Chairperson).

The names and qualifications of members of the Remuneration and Nomination Committee and their attendance at meetings are set out in this report. The Board Chairman and/or any other Director is entitled to be present at all meetings of the Committee, whether they are a member of the Committee or not. Meetings of the Committee are attended, by invitation, by the Chief Executive Officer, the Chief People Officer, and such other senior staff or professional people as may be appropriate from time to time. The number of meetings of the Committee held during the year is set out on page 6 of this report.

The Committee regularly reviews the size, composition and effectiveness of the Board. This review includes an assessment of the necessary and desirable skills of Board members, Board succession plans, and consideration of appointments, re-elections and removals. The Committee also reviews the induction procedures for new directors. Evaluation of the Board's performance is carried out by the full Board.

When a Board vacancy occurs, the Remuneration and Nomination Committee identifies the particular skills, experience and expertise that will complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria. In doing so, a skills matrix is used to identify gaps in skills and experience on the Board. The Committee uses a wide range of tools to identify potentially candidates including professional associations and external search and selection agents.

In its deliberations, the Remuneration and Nomination Committee is focused on whether a potential candidate's skill set and experience will add value to the Board, the number and nature of other directorships, and availability of time to commit to the Group's affairs.

When a Director is due to stand down at the next AGM, particular attention is paid to the Director's performance and contribution, preparation for meetings, and time availability. Prior to the Notice of Meeting for the AGM being sent out, the Remuneration & Nomination Committee reviews the performance of each Director due to stand down, and reviews the mix of skills and experience required by the Board. Each Director involved is asked to formally acknowledge that he/she has sufficient time available to carry out the duties of a Director of Vita Group. If it is considered that a Director due to stand down should be recommended for re-election, a formal recommendation is made by the Committee. If endorsed by the Board, this statement will appear in the Explanatory Notes to the AGM.

Minutes of all Committee meetings are provided to the Board. The Chairperson of the Committee also reports to the Board after each Committee meeting.

Board Performance
In line with the recommendations of the ASXCGC, the Board conducts evaluations of the Board every year. The Group's Performance Evaluation Process includes the evaluation of the Board, its Committees, and individual Directors. An evaluation of the Board and its Committees was undertaken during the reporting period.

Directors are provided with comprehensive reports on the operations and financial performance of the Group at each scheduled Board Meeting and are entitled to request and receive further information if they consider such information necessary. All Directors have access to the Company Secretary who coordinates the preparation and despatch of Board Agendas and Board Papers. The appointment and removal of the Company Secretary is a Board responsibility. The Company Secretary attends all Board meetings, and is accountable to the Chief Executive Officer and, through the Chairperson, the Board, on all corporate governance matters.

Corporate Governance Statement (continued)

Principle 2: Structure the Board to Add Value (continued)

Induction and Education
The Group's director induction includes a strong emphasis on:
- the culture and values of the Group;
- meeting arrangements; and
- director interaction with each other, senior executives and other stakeholders.

The induction process for Directors includes visits to relevant stores, and meetings with all relevant stakeholders.

The Board strongly supports the ongoing education and professional development of its Directors and senior management, and this is a regular Board item for discussion. This may include special presentations to the Board on topical matters of relevance, attendance at relevant external conferences or seminars and support for other measures.

Principle 3: Ethical and Responsible Decision Making

Code of Business Practice & Ethics
The Board has endorsed a Code of Business Practice & Ethics that formalises the obligations and responsibilities of all employees and Directors to act ethically, behave with integrity, avoid conflicts of interest, and obey the law, in all business activities.

The Code provides for employees who become aware of possible breaches of the Code to report this. Such reports are treated confidentially to the extent possible consistent with the Group's obligation to deal with the matter openly and according to applicable laws. No employee will be subject to retaliation or disadvantage by reason of a bona fide report of possible non-compliance, in accordance with the Group's Whistleblower Policy.

Appropriate training programs on the Group's internal policies including Code of Business Practice & Ethics, workplace health and safety, environmental law compliance, and trade practices legislation, support this process.

Trading in Company Securities by Directors, Officers and Employees
The Board has established written guidelines, set out in its Share Trading Policy, that restrict dealings by Directors and employees in the Company's shares.

The Share Trading Policy identifies certain periods when, in the absence of knowledge of unpublished price-sensitive information, Directors and senior management employees may, with the approval of the Chairman, buy or sell shares in the Group. These periods are the 30 days following the announcement of half year and full year results, and following the Annual General Meeting, or the issue of a Prospectus offering shares in the Group.

The entering into of all types of "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Group's listed securities that are held directly or indirectly by Directors or employees is prohibited at any time. This prohibition extends to vested and unvested shares or options in any share or option plan.

No Director or employee holding, or having an interest in, or having control of through family, associates, colleagues, a private Group or a trust, more than 0.5 % of the Group's listed securities, is permitted to enter into 'margin loan' or similar arrangements in respect of those listed securities. If any Director or employee who holds, or has an interest in, or has control of through family, associates, colleagues, a private Group or a trust, any of the Group's listed securities, enters into a 'margin loan, or similar arrangements in respect of those listed securities, he or she must advise the Group of the existence and details of the arrangement.

Directors, Senior Managers, and employees having regular access to confidential information are required annually to sign a statement confirming that they have complied with the provisions of the Share Trading Policy.

Diversity at Vita Group
The Group has always been an advocate of diversity and the Board has adopted and published a Diversity Policy in compliance with the ASX Corporate Governance Principles and Recommendations. A copy is published on the Group's website. The Diversity Policy is designed to support Vita Group's commitment to diversity and to compliance generally with the ASX Corporate Governance Principles and Recommendations.

Vita Group was founded on the principals of diversity and has continued to ensure that merit and performance form the basis of promotion and recruitment decisions at all levels of the Group. The following table represents the portion of women employed by the group at June 30, 2014.

	Female	Male
Board Members	2	3
Senior Executives (GLT)	1	5
Total Team Members	691	749

Corporate Governance Statement (continued)

Principle 3: Ethical and Responsible Decision Making (continued)

The Board has considered that in light of these results, little practical merit would be served in formulating measurable objectives for achieving *greater* gender diversity, and the progress made towards them. Vita Group does however have in place a range of initiatives to sustain its diverse workforce statistics, including in the areas of Board diversity, flexible working arrangements, family-friendly practices, targeted leadership programs and recruitment and selection practices.

Principle 4: Integrity in Financial Reporting

Audit, Compliance and Risk Committee
The Group has an established Audit, Compliance and Risk Committee operating under a written charter approved by the Board and reviewed annually.

The Audit, Compliance and Risk Committee comprises three independent Non-Executive Directors including the Chairman who is not also Chairman of the Board. This complies with the ASXCGC Recommendations as well as ASX Listing Rule 12.7.

The names and qualifications of members of the Audit, Compliance and Risk Committee and their attendance at meetings are set out in this report. The Board Chairman and/or any other Director is entitled to be present at all meetings of the Committee, whether or not they are a member of the Committee. Meetings of the Committee are attended, by invitation, by the Chief Executive Officer, the Chief Financial Officer, the engagement partner from the Group's external auditor, and such other senior staff or professional people as may be appropriate from time to time. The number of meetings of the Committee held during the year is set out on page 6 of this Annual Report.

The Committee assists the Board in fulfilling its responsibility to verify and safeguard the integrity of the Company's financial reporting, oversees and appraises the audits conducted by the Company's external auditors, monitors the adequacy of external reports for Shareholder needs, reviews the effectiveness of the Company's internal controls, and reviews the effectiveness of the risk management policies and practices of the Company.

The Committee has unlimited access to the external auditors, and to the senior management of the Group. The Committee may, with authority from the Chairman of the Board, consult with independent experts where they consider such consultation necessary to carry out their duties.

Minutes of all Committee meetings are provided to the Board. The Chairman of the Committee also reports to the Board after each Committee meeting.

Auditor Appointment
The Board has established an External Auditor Selection and Rotation of Audit Partner Policy and Procedures, and assesses the performance of the External Auditors annually. The position of External Auditor will be put to tender from time to time. PricewaterhouseCoopers were appointed External Auditors following a tender process in November 2008.

Auditor Independence
The external auditor, PricewaterhouseCoopers, has declared its independence to the Board. The engagement partner will be rotated every 5 years in accordance with the Corporations Act. The Audit, Compliance and Risk Committee has examined detailed material provided by the external auditor and by management and has satisfied itself that the standards for auditor independence and associated issues are fully complied with.

Principle 5: Timely and Balanced Disclosure

The Group has established a Continuous Disclosure Policy for timely disclosure of material information concerning the Company. This Policy includes internal reporting procedures in place to ensure that any material price sensitive information is reported to the Company Secretary, Chief Financial Officer, or Chief Executive Officer, in a timely manner. These policies and procedures are reviewed regularly to ensure that the Company complies with its obligations at law and under the ASX Listing Rules.

The Company Secretary is responsible for communications with the Australian Securities Exchange, including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules, and overseeing information going to the ASX, Shareholders and other interested parties.

Continuous disclosure is a standing agenda item for all Board and senior management meetings and is specifically addressed by each Director and manager at those meetings.

Corporate Governance Statement (continued)

Principle 6: Rights of Shareholders

Communications Strategy
The Group has established a Shareholder Communication Policy and aims to keep Shareholders informed of the Group's performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- the Annual Report which is posted on the Company's website, and mailed to Shareholders who have specifically requested it;
- the interim Shareholders' report which is posted on the company's website, containing summarised financial information and a review of the operations during the period since the annual report; and
- other correspondence regarding matters impacting on Shareholders as required.

All half-year and annual reports, and all relevant announcements made to the market, for at least the last three years, are placed in the Investor's section of the Company's website after release to the ASX. Shareholders who have requested notification are notified by email when new announcements are released.

Shareholders are also encouraged to participate in the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategies and goals. The Company provides shareholders with the opportunity to submit written questions that can be dealt with at the meeting or by individual response.

The Group does arrange for advance notice of significant Group briefings (e.g. results announcements) and make them widely accessible including through the use of mass communication mechanisms. The Group also keeps a record of issues discussed at Group or one to one briefings with investors and analysts including a list of who was present and time and place of meeting.

Principle 7: Risk Management

The Board is responsible for overseeing the establishment and implementation by management of risk management systems, and reviewing the effectiveness of these systems. The Board has assigned responsibility as follows:

- The Audit, Compliance & Risk Committee reviews and reports to the Board in relation to the Group's financial reporting, internal control structure, risk management systems, and the internal and external audit functions.
- Management is responsible for identifying, managing, and reporting to the Board on risks in accordance with the Risk Management Policy, through a formal organisation-wide risk management framework.

A Risk Management Policy has been established and is reviewed annually by the Board.

A Risk Review of the Group occurred again this year, and material business risks were evaluated and updated. A Risk Register has been established and the Company Secretary is responsible for its maintenance. The responsible manager for each risk has been identified, and is required to report through the management chain to the Chief Executive Officer and the Audit, Compliance & Risk Committee on the maintenance of mitigating actions and the Residual Risk ranking of each risk within his/her area of responsibility.

Management of risk mitigation strategies forms part of the Key Performance Objectives (KPOs) of managers at all levels.

The Group does not have an Internal Audit function. An Assurance Team, reporting to the Chief Financial Officer conducts regular audits of stores, and, using a scoring system, provides feedback to the store and to management on control and compliance matters relating to store operations. The performance of stores with unsatisfactory scores is monitored to ensure they bring their practices and controls up to the required standard. Managers associated with stores whose score is below Group benchmarks forfeit their commissions and bonuses until the required standards are met. Any instances of fraud are also identified and monitored by the Assurance Team, with senior operational management. Where appropriate, perpetrators are prosecuted, and controls are reviewed to try and prevent future occurrences.

The Chief Executive Officer reports twice a year to the Audit, Compliance & Risk Committee on the status of risks with a high residual risk ranking, and on the effectiveness of the management of the Group's material risks. The Chairman of the Audit, Compliance & Risk Committee reports to the Board twice a year on the status of risks with a high Residual Risk ranking, and the status of risk management generally.

Certification of Risk Management Controls
In accordance with section 295A of the Corporations Act, the Chief Executive Officer and Chief Financial Officer have stated in writing to the Board each reporting period that:

- the reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board
- the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The statements from the Chief Executive Officer and Chief Financial Officer are based on formal sign off procedures reviewed by the Audit, Compliance & Risk Committee as part of the annual financial reporting process.

Corporate Governance Statement (continued)

Principle 8: Remuneration

The Remuneration and Nomination Committee of the Board is responsible for recommending and reviewing remuneration arrangements for the Directors, the Chief Executive Officer, and Senior Managers. The Remuneration and Nomination Committee assesses the appropriateness of the composition and amount of their remuneration on an annual basis. Where appropriate the Committee considers independent advice on policies and practices to attract, motivate, reward and retain strong performers. It also considers remuneration by gender.

The Committee recommends and reviews the terms and conditions of appointment of Directors, the Chief Executive Officer, and Senior Managers, and reviews the operation and effectiveness of the Non-Executive Director Share Plan, the Employee Bonus Share Plan, and the Employee Share Option Plan (all currently suspended).

The Group's remuneration policy links the nature and amount of the Chief Executive Officer and Senior Managers' remuneration to the executives' personal performance, and the Company's long term financial and operational performance.

Non-Executive Directors receive an agreed annual fee, within the limits approved by Shareholders, and do not receive incentive payments or retirements benefits other than superannuation contributions.

Further details on the Remuneration and Nomination Committee are set out in Principle 2 above.

Further details of the remuneration of Non-Executive Directors, Executive Directors, and Senior Managers are contained in the Company's Remuneration Report on pages 10 – 15 of this Annual Report.

The Group's policy with regard to all types of "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Company's securities that are held directly or indirectly by Directors or employees is referred to under Principle 3 above, and included in the Group's Share Trading Policy.

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of Vita Group Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Vita Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Vita Group Limited
77 Hudson Road
Albion QLD 4010

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 7 to 8, both of which are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 21 August 2014. The Directors have the power to amend and reissue the financial statements.

Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 30 JUNE 2014

	Note	FY14 $'000	FY13 $'000
Continuing operations			
Sale of goods		343,547	349,530
Fee and commission revenue		106,507	85,194
Revenue	4(a)	**450,054**	**434,724**
Inventory consumed		(295,858)	(297,236)
Gross profit		**154,196**	**137,488**
Other income	4(b)	9,791	8,523
Employment expenses	4(f)	(85,911)	(80,990)
Marketing and advertising expenses		(9,033)	(8,063)
Operating lease rental expenses	4(g)	(20,102)	(19,406)
Administration expenses		(13,329)	(13,513)
Other expenses		(2,098)	(1,963)
		33,514	22,076
Depreciation and amortisation	4(d)	(10,734)	(11,180)
Impairment of Next Byte business	4(e)	(19,397)	-
		3,383	10,896
Interest income		319	301
Finance costs		(1,931)	(2,454)
Net finance costs	4(c)	(1,612)	(2,153)
Profit before income tax		**1,771**	**8,743**
Income tax (expense)	5	(6,413)	(2,539)
(Loss)/profit for the period		**(4,642)**	**6,204**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/income for the year, attributable to the ordinary equity holders of Vita Group Limited		**(4,642)**	**6,204**
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the company			
- basic (cents per share)	6	(3.26)	4.35
- diluted (cents per share)	6	(3.26)	4.35

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

Consolidated Balance Sheet
AS AT 30 JUNE 2014

	Note	FY14 $'000	FY13 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	6,808	12,777
Trade and other receivables	9	25,546	20,941
Inventories	10	11,900	13,620
Total Current Assets		**44,254**	**47,338**
Non-current Assets			
Term deposits	11	25	25
Plant and equipment	12	22,158	25,678
Intangible assets and goodwill	13	46,412	48,490
Deferred tax assets	15	11,988	13,310
Total Non-current Assets		**80,583**	**87,503**
TOTAL ASSETS		**124,837**	**134,841**
LIABILITIES			
Current Liabilities			
Trade and other payables	16	63,304	59,380
Interest bearing loans and borrowings	17	5,683	10,199
Income tax liability		1,037	1,657
Provisions	18	1,868	1,323
Total Current Liabilities		**71,892**	**72,559**
Non-current Liabilities			
Trade and other payables	16	7,058	12,962
Interest bearing loans and borrowings	17	11,221	5,332
Provisions	18	3,926	3,490
Total Non-current Liabilities		**22,205**	**21,784**
TOTAL LIABILITIES		**94,097**	**94,343**
NET ASSETS		**30,740**	**40,498**
EQUITY			
Contributed equity	19	13,079	13,079
Retained earnings	19	17,661	27,419
Reserves	19	-	-
TOTAL EQUITY		**30,740**	**40,498**

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to equity holders of the parent			
	Contributed equity	Retained earnings	Employee equity benefits reserve	Total equity
	$'000	$'000	$'000	$'000
At 1 July 2012	**13,079**	**23,922**	**-**	**37,001**
Profit for the year	-	6,204	-	**6,204**
Total comprehensive income for the year	**-**	**6,204**	**-**	**6,204**
Transactions with owners in their capacity as owners:				
Dividends paid	-	(2,707)	-	**(2,707)**
At 30 June 2013	**13,079**	**27,419**	**-**	**40,498**
At 1 July 2013	**13,079**	**27,419**	**-**	**40,498**
(Loss) for the year	-	(4,642)	-	**(4,642)**
Total comprehensive (loss) for the year	**-**	**(4,642)**	**-**	**(4,642)**
Transactions with owners in their capacity as owners:				
Dividends paid	-	(5,116)	-	**(5,116)**
At 30 June 2014	**13,079**	**17,661**	**-**	**30,740**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2014

	Note	FY14 $'000	FY13 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		494,126	500,157
Payments to suppliers and employees (inclusive of GST)		(469,655)	(473,030)
Interest received		319	301
Finance costs		(1,792)	(2,314)
Income tax (paid)		(5,373)	(5,059)
Net cash flows from operating activities	8	**17,625**	**20,055**
Cash flows from investing activities			
Purchase of plant and equipment		(4,968)	(7,467)
Purchase of software		(1,476)	(1,325)
Payments for acquisitions	21	(13,224)	(1,624)
Net cash flows (used in) investing activities		**(19,668)**	**(10,416)**
Cash flows from financing activities			
Proceeds from borrowings		12,665	6,615
Repayment of borrowings		(9,425)	(12,270)
Repayment of finance lease principal		(2,050)	(1,810)
Dividends paid	7	(5,116)	(2,707)
Net cash flows (used in) financing activities		**(3,926)**	**(10,172)**
Net (decrease) in cash and cash equivalents		(5,969)	(533)
Cash and cash equivalents at beginning of year		12,777	13,310
Cash and cash equivalents at end of the year	8	**6,808**	**12,777**

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2014

1. CORPORATE INFORMATION

The financial report of Vita Group Limited ("the Group") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of directors on 21 August 2014. Vita Group Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report, which has 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 and Urgent Issues Group Interpretations. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Comparative information has been restated where applicable to enhance comparability.

(i) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

(ii) Accounting standards issued but not effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2017) AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. The Group is still to assess its full impact. The Group has not yet decided when to adopt AASB 9.

AASB 136 Impairment of Assets, AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets arising from AASB 136 Impairment of Assets (June 2013) (effective for annual reporting periods beginning on or after 1 July 2014). The AASB has made small changes to some of the disclosures that are required under AASB 136 Impairment of Assets. These may result in additional disclosures if the Group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The Group intends to apply the amendment from 1 July 2014.

AASB Interpretation 21 Levies (effective 1 January 2014) was issued in June 2013. It sets out the accounting for an obligation to pay a levy imposed by a government in accordance with legislation. The interpretation clarifies that a liability must be recognised when the obligating event occurs, being the event that triggers the obligation to pay the levy. The Group has reviewed the levies it is currently paying and determined that the accounting for these levies will not be affected by the interpretation. No adjustments will therefore be necessary to any of the amounts recognised in the financial statements. The Group will apply the interpretation from 1 July 2014.

AASB 2012-3 Amendments to Australian Accounting Standard – Offsetting Financial Assets and Financial Liabilities arising from AASB 132 Financial Instruments: Presentation. In June 2012, the AASB approved amendments to the application guidance in AASB 132 Financial Instruments: Presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. The Group is still to assess its full impact. The Group

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) Accounting standards issued but not effective (continued)

intends to apply the new rules for the first time in the financial year commencing 1 July 2014.

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. While the AASB has not yet issued an equivalent standard, they are expected to do so in the second half of 2014. The Group has not yet considered the impact of the new rules on its revenue recognition policies. It will undertake a detailed assessment in the near future. The Group will apply the interpretation from 1 July 2017.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(iv) Accounting estimates and significant items

The Group makes estimates and assumptions concerning the future, which are used to determine the carrying value of assets. Changes in accounting estimates arise from a reassessment of the present status of and expected future benefits and obligations associated with assets and liabilities.

Deferred Income
The Group offered an Entire Service Package (ESP), which provides customers with a replacement handset of the same or similar type in the event of handset failure, for the period of time it takes to repair or replace the handset. Revenue relating to sales of ESP is deferred over the life of the product term (30 months). A straight line method of income recognition is applied over the life of the product. At 30 June 2014, $18.8 million (30 June 2013: $27.7 million) of unearned ESP revenue was recognised in current and non-current liabilities, which will benefit profits in future periods. As announced to the market in December 2013, the ESP product has been discontinued from 1 January, 2014. The Group continues to service the obligations attached to all products sold prior to 1 January 2014 until the product term expires.

Replacement Handset Stock
Under the ESP product, the cost of the replacement handsets are amortised evenly over the life of the products (30 months).

Restructuring Costs
The Group undertook some significant restructuring activities during the year. Costs of restructuring, primarily redundancy costs were $0.6 million in 2014 (FY13: $0.6 million).

(v) Going Concern

At 30 June 2014, the Group had a net loss of $4.6 million (FY13: $6.2 million net profit) and the Group had current liabilities in excess of current assets at 30 June 2014 amounting to $27.6 million (FY13: $25.4 million). The net current liability position includes the current portion of unearned revenue of $15.8 million (FY13: $17.6 million) which represents deferred revenue rather than a payable to third parties.

The Group focuses on keeping working capital low, has appropriate funding arrangements in place, and monitors its cash flows and interest cover carefully. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group will be able to operate within its current financing arrangements. The directors believe the unused facilities of $10.9 million (FY13: $10.5 million) (as detailed in Note 19) and forecast net cash inflows from operating activities are sufficient to cover current liabilities of the Group (FY14 actual cash inflows from operating activities: $17.6 million). The directors believe the Group is a going concern.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Vita Group Limited and its subsidiaries (the Group).

(i) Subsidiaries

Subsidiaries are those entities (including structured groups) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities over the entity. Subsidiaries are fully consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Investments in subsidiaries held by Vita Group Limited are accounted for at cost in the separate financial statements of the parent entity. The acquisition of subsidiaries is accounted for using the purchase method of accounting. This method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition (see Note 23).

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(ii) Joint arrangements

Under AASB 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer and the Board, who are responsible for allocating resources and assessing performance of the operating segments. There are two reportable segments for financial statement purposes, being Telecommunications and Computing.

Support services costs (including Group Management, Finance, Human Resources and Information Technology) are allocated to the two segments on a user-pays basis which measures the cost of services provided based on head count employed in Support Services.

The Telecommunications and Computing segments sell different products and as a result have different risk profiles. The products sold in the Telecommunications segment comprise mobile phones and related products and services as well as third party voice and data services. The products sold in the Computing segment comprise laptop and desktop computers, associated products and services and service and rental contracts. This segment also sells limited third party voice and data services (specifically in relation to Apple mobile products).

The Group operates in Australia and thus the Chief Executive Officer and the Board do not consider the business from a geographical perspective.

(d) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts assets and liabilities within the next financial year are addressed below.

Impairment of Fixed Assets
The Group carries out half-yearly re-assessments of fixed asset carrying values. Resulting adjustments are applied via an impairment adjustment in the appropriate period and result in a positive (increase) to the depreciation charge in that same period. Refer to Note 2(m) & (p), and Note 12 for further detail.

Impairment of goodwill
The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Refer to Note 2(n) and Note 14 for further detail.

Impairment of intangible with finite life
The Group undertakes impairment testing on assets with a finite life when the Group considers there are impairment indicators. This requires an estimation of the recoverable amount of the cash-generating units to which the intangible with finite life is allocated. Refer to Note 2(o) for further detail.

Lease-make good
The Group estimates its liability to provide for the restoration of leased premises by reference to historical data and by specific estimates on a premise-by-premise basis.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measureable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Sale of warranty products
Consideration received is recognised evenly over the life of the product.

Fees
Fee income from the telecommunications provider is recognised when a customer contracts to an eligible plan with the telecommunications provider using the Group as an agent for the telecommunications provider.

Project revenue
Revenue is recognised using the percentage of completion method.

Cooperative revenue
Revenue is recognised either as a set percentage of purchases in accordance with supplier trading terms or as negotiated for specific advertising activity, adjusted for the assessed likelihood of a successful claim.

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

Dividends
Revenue is recognised when the Group's right to receive the payment is established.

(f) Finance costs

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

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a rights to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases (continued)

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are amortised over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments, which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Incentives for entering into operating leases are recognised evenly over the term of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

(h) Cash and cash equivalents

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

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

(i) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the consolidated statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statement of comprehensive income.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for on a first in, first out (FIFO) basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

ESP inventory is amortised evenly over the life of the ESP product (30 months). Amortisation is recognised in inventory consumed in the statement of comprehensive income.

(k) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Current and deferred income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences, using the liability method, at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

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

Tax consolidation legislation
Vita Group Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2004. The head entity, Vita Group Limited and the controlled entities in the tax-consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, Vita Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 5.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Current and deferred income tax and other taxes (continued)

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax-consolidated entities.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated over the estimated useful life of the assets as follows:

	Telecommunications	**Computing**
Plant and equipment	Straight line over 3 to 5 years	Straight line over 3 to 5 years
Plant and equipment under lease	Straight line over 3 to 5 years	Straight line over 3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are then written down to their recoverable amount. The impairment loss is recognised in the statement of comprehensive income.

Derecognition
An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Goodwill

Goodwill acquired on a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that are expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. This impairment loss is recorded separately on the consolidated statement of comprehensive income.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(o) Intangible assets

Acquired both separately and from a business combination
Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the consolidated statement of comprehensive income in the expense category 'depreciation and amortisation'.

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following initial recognition of the development expenditure, the cost model is applied.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite life intangibles annually, either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.
A summary of the policies applied to the Group's intangible assets is as follows:

Accounting Method	Customer Database	Software
Useful lives	Finite	Finite
Method used	2 years – straight line	2 ½ years – straight line
Internally generated / acquired	Acquired	Acquired
Impairment test / recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in consolidated statement of comprehensive income when the asset is derecognised.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of non-financial assets, other than goodwill

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(q) Trade and other payables

Trade and other payables are carried at original invoice amount and represent liabilities for goods and services provided to the Group to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and are paid within terms ranging from 14 to 90 days from recognition.

(r) Loans and borrowings

All loans and borrowings are initially recognised at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs
Borrowing costs are recognised as an expense when incurred. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(t) Employee Benefits

(i) Wages, salaries, annual leave
Liabilities for wages and salaries including non-monetary benefits, expected to be settled within 12 months of the reporting period are recognised in other payables and accruals in respect of employees' services up to the reporting date. Liabilities for annual leave expected to be settled within 12 months of the reporting period are recognised in provision for employee benefits in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulated sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee Benefits (continued)

(ii) Long Service Leave
Liabilities for long service leave are recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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

(iv) Bonus plans
The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. The LTIP for key management personnel was introduced in FY13. The Group has recognised a provision based on the expected entitlement earned in FY14 but to be paid on a 1/3, 1/3, 1/3 basis over the coming three years.

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

(u) Contributed Equity

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

Treasury shares are only purchased when required to satisfy the Board's policy that all options exercised will be satisfied by the purchase of shares on-market. They are purchased in the recipient's name.

(v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance dates.

(w) Earnings per share

Basic earnings per share are calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number or ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:
- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number or ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(x) Parent entity financial information

The financial information for the parent entity, Vita Group Limited, disclosed in Note 29 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Parent entity financial information (continued)

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Vita Group Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation
Vita Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Vita Group Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Vita Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Vita Group Limited for any current tax payable assumed and are compensated by Vita Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Vita Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(iii) Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share-based payments
The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(y) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Australian dollars, which is Vita Group Limited's functional and presentation currency.

(z) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by ASIC, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with this Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

3. SEGMENT REPORTING

(a) Description of segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer and the Board, who are responsible for allocating resources and assessing performance of the operating segments.

The Telecommunications and Computing segments sell different products and as a result have different risk profiles. The products sold in the Telecommunications segment comprise mobile phones and related accessories as well as voice and data services through a third party service provider partner. The products sold in the Computing segment comprise laptop and desktop computers, associated accessories and peripheral equipment as well as service and rental contracts. This segment also sells limited voice and data services through a third party service provider partner (specifically in relation to Apple mobile products).

The Group operates in Australia and thus the Chief Executive Officer and the Board do not consider the business from a geographical perspective.

(b) Segment information provided to the Chief Executive Officer and the Board

The segment information provided to the Chief Executive Officer and the Board for the reportable segments for the year ended 30 June 2014 is as follows:

	Telecommunications $'000	Computing $'000	Total operations $'000
FY14			
Revenue			
Sales of goods	270,406	73,141	343,547
Fee and commission revenue	104,471	2,036	106,507
Total segment revenue	374,877	75,177	450,054
Underlying EBITDA*	**27,975**	**(1,005)**	**26,970**
Depreciation and amortisation	(9,895)	(839)	(10,734)
Impairment of Next Byte goodwill	-	(19,397)	(19,397)
Allocated income tax expense	(6,375)	(38)	(6,413)

*Underlying EBITDA excludes amortisation of proprietary products and impairment of Next Byte goodwill.

	Telecommunications $'000	Computing $'000	Total operations $'000
FY13			
Revenue			
Sales of goods	261,250	88,280	349,530
Fee and commission revenue	83,259	1,935	85,194
Total segment revenue	344,509	90,215	434,724
Underlying EBITDA	**23,846**	**(1,770)**	**22,076**
Depreciation and amortisation	(10,448)	(732)	(11,180)
Allocated income tax expense	(2,735)	196	(2,539)

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

3. SEGMENT REPORTING (continued)

(b) Segment information provided to the Chief Executive Officer and the Board (continued)

The Chief Executive Officer and the Board assesses the performance of the operating segments based on EBITDA. No reporting is currently provided to the Chief Executive Officer and the Board with respect to total segment assets or liabilities as these items are managed at a consolidated Group level only. The amounts disclosed for total segment assets are an allocation of total consolidated assets based on the operations of the segments and the physical locations of assets.

(c) Other segment information

(i) Segment revenue

The revenue from external parties reported to the Chief Executive Officer and the Board is measured in a manner consistent with that in the statement of comprehensive income. Revenues from external customers are derived from the sale of telecommunications and computing products and services as defined in Note 3(a). A summary of revenue across these product areas is shown below:

	FY14 $'000	FY13 $'000
Telecommunications products	374,877	344,509
Computing products	75,177	90,215
Total segment revenue	**450,054**	**434,724**

Revenues of approximately $107,047,786 (FY13: $85,193,635) are derived from a single external customer. These revenues are attributed to both segments.

Segment revenue reconciles to total revenue from continuing operations as follows:

	FY14 $'000	FY13 $'000
Total segment revenue	450,054	434,724
Total revenue from continuing operations (Note 4 (a))	**450,054**	**434,724**

(ii) Underlying EBITDA

Underlying EBITDA is a measure used internally by the Group as a proxy for cash profitability. It represents earnings before interest, tax, depreciation, impairment and discontinued joint ventures.

A reconciliation of underlying EBITDA (excluding Next Byte impairment) to operating profit before income tax is provided as follows:

	FY14 $'000	FY13 $'000
Underlying EBITDA (excluding Next Byte impairment)	26,970	22,076
Non-cash benefit of discontinued proprietary products	6,544	-
Interest revenue	319	301
Finance costs	(1,931)	(2,454)
Depreciation and amortisation	(10,734)	(11,180)
Impairment of Next Byte goodwill	(19,397)	-
Profit from continuing operations before income tax	**1,771**	**8,743**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

3. SEGMENT REPORTING (continued)

(c) Other segment information (continued)

(iii) Segment assets

No reporting is currently provided to the Chief Executive Officer and the Board with respect to total segment assets as these items are managed at a consolidated Group level only. The amounts disclosed for total segment assets are an allocation of total consolidated assets based on the operations of the segments and the physical locations of assets.

Reportable segments' assets are reconciled to total assets as follows:

	FY14 $'000	FY13 $'000
Telecommunications	114,566	97,063
Computing	10,271	37,778
Total assets as per the balance sheet	**124,837**	**134,841**

(iv) Segment liabilities

No reporting is currently provided to the Chief Executive Officer and the Board with respect to total segment liabilities as these items are managed at a consolidated Group level only.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

4. REVENUES AND EXPENSES

	Note	FY14 $'000	FY13 $'000
(a) Revenue			
Sale of goods		343,547	349,530
Fee and commission revenue		106,507	85,194
		450,054	434,724
(b) Other income			
Cooperative advertising revenue		8,378	7,237
Other miscellaneous income		1,413	1,286
		9,791	8,523
(c) Net finance costs			
Bank loans		-	6
Finance charges under finance leases		138	310
Finance charges under hire purchase contracts and chattel mortgage		595	1,018
Provisions: unwinding of discount		125	140
Line facility fee		924	718
Interest on term debt		148	214
Other interest expense		1	48
Total finance costs		1,931	2,454
Interest revenue on bank deposits		(319)	(301)
Finance income		(319)	(301)
Net finance costs		1,612	2,153
(d) Depreciation and amortisation			
Depreciation of plant and equipment	12	8,303	8,202
Amortisation of plant and equipment under lease	12	1,338	1,917
Amortisation of intangibles	13	1,093	1,061
		10,734	11,180
(e) Impairment			
Impairment of Next Byte goodwill	13, 14	19,397	-
		19,397	-
(f) Employment expenses			
Wages and salaries		75,947	71,598
Defined contribution superannuation expense		6,365	5,682
Employee entitlements		3,599	3,710
		85,911	80,990
(g) Operating lease rental expenses			
Lease payments – operating lease		20,102	19,406

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

5. INCOME TAX

	FY14 $'000	FY13 $'000
Income tax expense		
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	4,466	5,797
Adjustments for current tax of prior periods	(39)	18
Deferred income tax		
Relating to origination and reversal of temporary differences (Note 15)	1,986	(3,276)
Income tax expense reported in the income statement	6,413	2,539
A reconciliation between tax expense and the (loss)/profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Profit/(loss) before income tax	1,771	8,743
At the Group's statutory income tax rate of 30% (FY13: 30%)	531	2,623
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of Next Byte	5,819	-
Other	72	31
Accounting expenses not deductible for income tax purposes	5,891	31
	6,422	2,654
Adjustments for current tax of prior periods	(39)	18
Adjustment for deferred tax of prior periods	30	(133)
Aggregate income tax expense	6,413	2,539

Tax consolidation
Vita Group Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated Group with effect from 2 November 2005. Vita Group Limited is the head entity of the tax-consolidated Group. Members of the Group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Tax effect accounting by members of the tax consolidated Group
Members of the tax-consolidated Group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated Group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated Group in accordance with the principles of AASB 112 *Income Taxes*. Allocations under the tax funding agreement are made at the end of each quarter.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated Group head company, Vita Group Limited.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

6. EARNINGS PER SHARE

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

	FY14 $'000	FY13 $'000
Net (loss)/profit attributable to ordinary equity holders of the parent	(4,642)	6,204

	FY14 Thousands	FY13 Thousands
Weighted average number of ordinary shares for basic earnings per share	142,500	142,500
Effect of dilution: Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	142,500	142,500

7. DIVIDENDS PAID AND PROPOSED

	FY14 $'000	FY13 $'000
(a) Declared and paid during the year:		
Final dividend for FY13 of 1.68 cents per share paid on 10 October 2013 (FY12: 1.1).	2,394	1,069
Interim dividend for FY14 of 1.91 cents per share paid on 11 April 2014 (FY13: 1.15).	2,722	1,638
	5,116	2,707

(b) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since year-end the directors have approved the payment of a final dividend 2.73 cents per share (FY13: 1.68), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid in October 2014 out of retained earnings at 30 June 2014, but not recognised as a liability at year end, is $3,890,245.

	FY14	FY13
	3,890	2,393

(c) Franked dividends

The franked portions of the final dividends approved after 30 June 2014 will be franked out of existing franking credits or franking credits arising from the payment of income tax in the year ending 30 June 2015.

Franking credits available for subsequent financial years based on a tax rate of 30% (FY13: 30%):

	FY14	FY13
	43,424	38,305

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

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

The impact on the franking account of the dividend approved by the Directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $1,667,484 (FY13: $1,025,999).

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

8. CASH AND CASH EQUIVALENTS

	FY14 $'000	FY13 $'000
Cash at bank and in hand	**6,808**	**12,777**
Reconciliation of net profit after tax to net cash flows from operations		
Net (loss)/profit	(4,642)	6,204
Adjustments for:		
Depreciation	8,303	8,202
Amortisation	2,431	2,978
Impairment of goodwill	19,397	-
Net loss on disposal of plant and equipment	(6)	191
Make good provision: unwinding of discount	81	56
Onerous lease provision: unwinding of discount	20	84
Doubtful debt provision	999	1,524
Inventory obsolescence provision	(108)	504
Make good provision	(477)	(419)
Onerous lease provision	(312)	(132)
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(4,326)	4,479
Decrease/(increase) in inventory	2,036	(479)
(Increase)/decrease in prepayments	(170)	262
Decrease/(increase) in deferred tax assets	1,986	(3,276)
(Decrease)/increase in current tax liability	(944)	754
(Decrease) in trade, other payables and accruals	(2,933)	(8,471)
(Decrease)/increase in unearned revenue	(7,707)	7,241
Increase in provisions	3,997	353
Net cash flow from operating activities	**17,625**	**20,055**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

9. TRADE AND OTHER RECEIVABLES

	FY14 $'000	FY13 $'000
Trade receivables	27,654	22,665
Allowance for doubtful debts	(4,554)	(4,571)
	23,100	18,094
Other receivables	1,156	1,727
Prepayments	1,290	1,120
	25,546	**20,941**

(i) Trade receivables are non-interest bearing. They include an assessment of amounts owing by Telstra as well as regular debtors. These receivables are generally on terms ranging from 30 to 90 days, however, Telstra claims can take up to 12 months to finalise.

Allowance for doubtful debts
As at 30 June 2014, provisions were made against current trade receivables to the value of $4,554,210 (FY13: $4,570,583). An allowance for doubtful debts is made when there is objective evidence that a receivable is impaired. The amount of the allowance has been measured as the difference between the carrying amount of the receivables and the estimated future cash flows expected to be received from the relevant debtor.

The ageing of these receivables is as follows:

+91 days	4,554	4,571
Balance at 30 June	4,554	4,571

Movements in provision for doubtful debts were as follows:

At 1 July	4,571	3,203
Charge/(release) for the year	75	1,520
Amounts written off	(92)	(152)
Balance at 30 June	4,554	4,571

As of 30 June 2014, trade receivables of $300,970 (FY13: $130,780) were past due by more than 61 days but not impaired. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full. There is not considered to be any additional credit risk relating to the Telstra specific debtors. Provision for the Telstra specific debtors relate to revenue corrections rather than an inability to collect outstanding monies and are therefore excluded from ageing.

The ageing analysis of these receivables is as follows:

61-90 days	152	11
91+ days	149	120
Balance at 30 June	301	131

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Fair value and credit risk
Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of the receivable. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purposes entities.

Interest rate risk
Detail regarding interest rate risk exposure is disclosed in Note 20.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

10. INVENTORIES

	FY14 $'000	FY13 $'000
Finished goods	12,710	14,538
Provision for diminution in value	(810)	(918)
Total inventories at the lower of cost or net realisable value	**11,900**	**13,620**

Inventories recognised as an expense for the year ended 30 June 2014 totalled $291,287,153 (FY13: $296,089,615). This expense has been included in the inventory consumed line item as a cost of inventories.

Inventory write-downs recognised as an expense totalled $1,009,985 (FY13: $968,667).

11. TERM DEPOSITS

	FY14 $'000	FY13 $'000
Term deposits	**25**	**25**

The term deposits are held as security over bank guarantees and are held for the duration of the guarantee to which they relate. The interest rate on term deposits is 2.00% (FY13: 2.25%).

12. PLANT AND EQUIPMENT

	FY14 $'000	FY13 $'000
Plant and equipment under lease	3,730	7,610
Accumulated amortisation and impairment	(2,943)	(5,293)
	787	2,317
Plant and equipment	55,543	50,469
Accumulated depreciation and impairment	(34,172)	(27,108)
	21,371	23,361
Total plant and equipment – at cost	59,273	58,079
Accumulated amortisation, depreciation and impairment	(37,115)	(32,401)
	22,158	**25,678**

	Plant and equipment under lease $'000	Plant and equipment $'000	Total Plant and equipment $'000
Cost:			
At 1 July 2013	7,610	50,469	58,079
Additions	-	5,021	5,021
Acquired on acquisition	-	1,185	1,185
Transfers	(3,603)	3,603	-
Disposals	(277)	(4,735)	(5,012)
At 30 June 2014	**3,730**	**55,543**	**59,273**
Accumulated Amortisation and Depreciation:			
At 1 July 2013	5,293	27,108	32,401
Charge for period	1,338	8,303	9,641
Transfers	(3,411)	3,411	-
Disposals	(277)	(4,650)	(4,927)
At 30 June 2014	**2,943**	**34,172**	**37,115**
Net Book Value:			
At 30 June 2014	**787**	**21,371**	**22,158**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

12. PLANT AND EQUIPMENT (continued)

	Plant and equipment under lease $'000	Plant and equipment $'000	Total Plant and equipment $'000
Cost:			
At 1 July 2012	8,185	49,624	57,809
Additions	-	7,781	7,781
Acquired on acquisition	-	134	134
Transfers	-	-	-
Disposals	(575)	(7,070)	(7,645)
At 30 June 2013	**7,610**	**50,469**	**58,079**
Accumulated Amortisation and Depreciation:			
At 1 July 2012	3,951	25,785	29,736
Charge for period	1,917	8,202	10,119
Transfers	-	-	-
Disposals	(575)	(6,879)	(7,454)
At 30 June 2013	**5,293**	**27,108**	**32,401**
Net Book Value:			
At 30 June 2013	**2,317**	**23,361**	**25,678**

Leased assets and assets under hire purchase agreements are pledged as security for the related finance lease and hire purchase liabilities.

Additions during the year of nil (FY13: nil) of plant and equipment were financed under finance lease agreements.

Additions to the lease make good asset recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* during FY14 were $313,900 (FY13: $253,533). This amount is offset by the corresponding provision for make good in Note 18 Provisions.

Impairment of plant and equipment
In FY14 there has been no impairment of property, plant and equipment.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

13. INTANGIBLE ASSETS AND GOODWILL

	FY14 $'000	FY13 $'000
Customer database	720	720
Accumulated amortisation	(720)	(720)
	-	-
Software	7,821	6,353
Accumulated amortisation	(6,007)	(4,945)
	1,814	**1,408**
Goodwill	85,811	68,898
Accumulated amortisation and impairment	(41,213)	(21,816)
	44,598	**47,082**
Customer database, software and goodwill	94,352	75,971
Accumulated amortisation and impairment	(47,940)	(27,481)
	46,412	**48,490**

	Customer database $'000	Software $'000	Goodwill $'000	Total intangible assets and goodwill $'000
Cost:				
At 1 July 2013	720	6,353	68,898	75,971
Additions	-	1,499	-	1,499
Acquired on acquisition	-	-	16,913	16,913
Disposal	-	(31)	-	(31)
At 30 June 2014	**720**	**7,821**	**85,811**	**94,352**
Accumulated Amortisation and impairment:				
At 1 July 2013	720	4,945	21,816	27,481
Charge for period	-	1,093	-	1,093
Disposal	-	(31)	-	(31)
Impairment	-	-	19,397	19,397
At 30 June 2014	**720**	**6,007**	**41,213**	**47,940**
Net Book Value:				
At 30 June 2014	**-**	**1,814**	**44,598**	**46,412**

	Customer database $'000	Software $'000	Goodwill $'000	Total intangible assets and goodwill $'000
Cost:				
At 1 July 2012	720	5,084	67,441	73,245
Additions	-	1,364	-	1,364
Acquired on acquisition	-	-	1,457	1,457
Disposal	-	(95)	-	(95)
At 30 June 2013	**720**	**6,353**	**68,898**	**75,971**
Accumulated Amortisation and impairment:				
At 1 July 2012	720	3,979	21,816	26,515
Charge for period	-	1,061	-	1,061
Disposal	-	(95)	-	(95)
At 30 June 2013	**720**	**4,945**	**21,816**	**27,481**
Net Book Value:				
At 30 June 2013	**-**	**1,408**	**47,082**	**48,490**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

13. INTANGIBLE ASSETS AND GOODWILL (continued)

Computer Software
Computer software is carried at cost less accumulated amortisation and accumulated impairment losses. The intangible asset has been assessed as having a finite life and is amortised using the straight-line method over a period of no greater than 3 years. If impairment indicators are present, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Goodwill
After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis whenever there is an indication of impairment.

14. IMPAIRMENT TESTING OF GOODWILL

a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units, defined as the Telecommunications and Computing business segments being the lowest levels at which cash flows can be independently ascertained for the purposes of discounting future cash flows.

	Telecommunications $'000	Computing $'000	Carrying amount of goodwill $'000
At 1 July 2012	26,228	19,397	45,625
Additions	1,457	-	1,457
At 30 June 2013	**27,685**	**19,397**	**47,082**
At 1 July 2013	27,685	19,397	47,082
Additions	16,913	-	16,913
Impairment*	-	(19,397)	(19,397)
At 30 June 2014	**44,598**	**-**	**44,598**

* The carrying amount of the computing business has been reduced to its recoverable amount through recognition of an impairment loss against goodwill.

b) Key assumptions used for calculations

Telecommunications business

The financial projections underpinning the calculations in the value in use model reflect management budgets for the first year and longer range projections for years 2 to 5. Cash flows beyond the five-year period are extrapolated using a 2% growth rate, which does not exceed the long-term average growth rate for the Telecommunications business. In considering impairment and the long term viability of the Group, the Group has developed robust growth and cost assumptions based upon a long term plan. The assumptions are lower than the previous period and represent management current projected growth expectations following on from FY14's achievements. In determining such assumptions, factors such as competitive dynamics and the evolving maturity of stores were all contemplated. The inputs used have been classified as level 3 fair values due to the use of non-observable inputs.

Cash flow projections for the 5 year period use implied compound annual growth rates as follows:

	FY14 Telecommunications	FY13
Revenue	5.9%	9.7%
Cost of goods sold	5.4%	9.1%
Operating expenses	4.4%	7.2%
Pre-tax discount rate	13.0%	13.5%

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

14. IMPAIRMENT TESTING OF GOODWILL (continued)

b) Key assumptions used for calculations (continued)

Computing business

The fair value less cost to sell method was applied to the Computing segment for the first time in 2012 to provide a more appropriate method to value a business where the portfolio of assets is undergoing material change, and where the use of the value in use method would undervalue the recoverable amount relating to the segment. Key assumptions included in the cash flow projections for the 5 year period include:

- Maintaining the current portfolio of APR (Apple Premium Re-seller) format stores. This is significant reduction in the expansion plans that were embedded in the assumptions at 30 June 2013.
- Expansion of the existing Business Education Consultant framework
- Pre-tax discount rate of 14.9%

The values assigned to these assumptions have been determined utilising historical performance and recent performance of APR format stores that have become established in their locations. The financial projections underpinning the calculations reflect management budgets for the first year and longer range projections for years 2 to 5. Cash flows beyond the five-year period are extrapolated using a 2% growth rate, which does not exceed the long-term average growth rate for the Computing business. The inputs used have been classified as level 3 fair values due to the use of non-observable inputs.

c) Impairment charge

As a result of an internal reassessment of strategy following the acquisition of Camelon ICT Solutions, and changes to the agreement with Telstra, the Group revisited the recoverable amount assumptions and calculations for the Computing segment. As a result an impairment charge of $19.4 million was made against goodwill in the period to reflect a reduction in the recoverable amount relating to the Group's investment in Next Byte, a business acquired by the Group in 2007. The majority of the remaining assets in the Computing segment represent working capital (Accounts receivable and inventory) and are considered to be fully collectible.

A number of changes have occurred within both the marketplace and to the competitive landscape in which Next Byte competes. Whilst the Group intends to deliver improved financial returns from the business, its attractiveness has diminished relative to more profitable growth opportunities in the Telecommunications business channel. Consequently, a decision has been made to redirect some human and capital resources away from Next Byte and, as a result, financial aspirations for the business have been reduced and an impairment charge against the carrying value of goodwill was deemed necessary.

d) Sensitivity to changes in assumptions

The inherent nature of future projected results means that, by definition, the resulting accounting estimates will seldom equal the related actual results. The recoverable amount is particularly sensitive to key assumptions including, EBITDA growth and the long term growth rate. As a result, for the Telecommunications division, the Group has conducted a sensitivity analysis on the recoverable amount.

Sensitivity - Telecommunications segment	Impact on cash flows $'000	Impairment charge
2% reduction in projected revenues in all years	(33,573)	**No**
5% reduction in projected revenues in all years	(83,932)	**No**
1% increase in pre-tax discount rate	(29,429)	**No**
3% increase in pre-tax discount rate	(75,509)	**No**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

15. DEFERRED TAX ASSETS

	FY14 $'000	FY13 $'000
The balance comprises temporary differences attributable to:		
Provisions	2,801	2,159
Inventory	292	351
Finance lease liability	178	793
Provision employee benefits	1,719	1,536
Lease provision	1,099	993
Unearned revenue	6,084	8,390
Total deferred tax assets	12,173	14,222
Set-off of deferred tax liabilities pursuant to set-off provisions:		
Property, plant and equipment	(185)	(912)
Net deferred tax assets	**11,988**	**13,310**
Deferred tax assets expected to be recovered within 12 months	9,508	10,227
Deferred tax assets expected to be recovered after more than 12 months	2,665	3,995
Deferred tax liabilities expected to be recovered after more than 12 months	(185)	(912)
	11,988	**13,310**
Movement in deferred tax assets		
At 1 July	13,310	10,034
Credited to profit or loss (Note 5)	(1,986)	3,276
Acquisition of Monserrat Moon Pty Ltd (Note 23)	664	-
At 30 June	**11,988**	**13,310**

16. TRADE AND OTHER PAYABLES

	FY14 $'000	FY13 $'000
Current		
Trade payables (i)	23,106	23,241
Other payables and accruals	20,160	14,893
Unearned Revenue	15,767	17,597
Annual leave accrual	4,271	3,619
	63,304	**59,350**
Non-current		
Other payables and accruals	2,547	2,592
Unearned Revenue	4,511	10,370
	7,058	**12,962**

(i) Trade payables are non-interest bearing and are normally settled on terms ranging from 14 to 90 days.

Fair value
Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Interest rate and liquidity risk
Information regarding interest rate and liquidity risk exposure is set out in Note 20.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

17. INTEREST BEARING LOANS AND BORROWINGS

	Maturity	FY14 $'000	FY13 $'000
Current			
Obligations under finance leases	2015	594	2,057
Obligations under hire purchase contracts	2015	2,310	5,665
Obligations under chattel mortgage	2015	1,618	1,636
Short term debt	2015	1,161	841
		5,683	**10,199**
Non-current			
Non-current term debt	2016-2017	9,911	-
Obligations under finance leases	2016	-	588
Obligations under hire purchase contracts	2016	62	2,520
Obligations under chattel mortgage	2016-2017	1,248	2,224
		11,221	**5,332**
		16,904	**15,531**

(i) Finance leases, hire purchase contracts and chattel mortgages
The finance leases, hire purchase contracts and chattel mortgages are secured by a charge over the specific assets being financed. The assets under finance lease are disclosed in Note 12. The value of assets under hire purchase contracts are $6,374,928 (FY13: $9,610,548). The value of assets under chattel mortgage arrangements are $3,507,751 (FY12: $3,867,459).

(ii) Short term debt and non-current term debt
The interest rate and facility fee charged on the term debt at 30 June 2014 was between 4.17% to 5.30% (FY13: 5.32%).

The Group's loan and lease facilities are secured under the Group's Deed of Cross Guarantee, which is detailed in Note 23(ii).

Fair values
The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates varying from 4.17% to 5.71% (FY13: 5.32% to 5.86%), depending on the type of borrowing.

	Carrying amount		Fair value	
	FY14 $'000	FY13 $'000	FY14 $'000	FY13 $'000
Obligations under finance leases and hire purchase contracts	2,966	10,830	2,790	10,063
Obligations under chattel mortgage	2,866	3,860	2,671	3,507
Term debt	11,072	841	10,241	798
	16,904	**15,531**	**15,702**	**14,368**

Interest rate and liquidity risk
Details regarding interest rate and liquidity risk are disclosed in Note 20.

Financial facilities
The Group has established facilities with the Australia and New Zealand Banking Group Limited that are secured by a first registered mortgage debenture over Vita Group Limited and its subsidiaries and an interlocking guarantee and indemnity given by Vita Group Limited and its subsidiaries. In addition the facilities are subject to financial and reporting covenants.

At balance date, the Group has available approximately $10.9 million (FY13: $10.5 million) of unused master asset finance facilities available for its immediate use. The Group also had access to an unused overdraft facility of $3.0 million (FY13: $5.0 million).

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

18. PROVISIONS

	FY14 $'000	FY13 $'000
Provision for employee benefits	1,461	1,502
Make good provision (a)	2,813	2,867
Onerous lease provision (b)	851	444
Contingent liability (c)	669	-
	5,794	**4,813**
Current		
Employee entitlements	633	540
Make good provision	715	587
Onerous lease provision	520	196
	1,868	**1,323**
Non-Current		
Employee entitlements	828	962
Make good provision	2,098	2,280
Onerous lease provision	331	248
Contingent liability	669	-
	3,926	**3,490**
Make good provision		
Opening balance	2,867	2,976
Additional provisions	338	254
Unused amounts reversed	-	-
Unwinding of discount	81	56
Utilised during the year	(474)	(419)
Closing balance	**2,812**	**2,867**
Onerous lease provision		
Opening balance	444	386
Additional provisions	805	304
Unused amounts reversed	(105)	(198)
Unwinding of discount	19	84
Utilised during the year	(312)	(132)
Closing balance	**851**	**444**
Contingent liability		
Opening balance	-	-
Acquired through business combination	630	-
Unwinding of discount	39	-
Closing balance	**669**	**-**

(a) Make good provision
Vita Group Limited is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets. Assumptions used to calculate the provision were based on current assessments of the timing of the restoration liability crystallising and on current restoration costs being accreted at rate of 2.8% to 3.1% (FY13: 2.8%).

(b) Onerous lease provision
Vita Group Limited has made an estimate of residual lease commitments for underperforming sites where a decision has been made to close the site. A provision has been recognised for the present value of the estimated commitment.

(c) Contingent liability
Vita Group Limited has made a contingent consideration arrangement in the event that certain pre-determined EBITDA targets are met by Monserrat Moon Pty Ltd trading as Camelon ICT Solutions by 30 September 2016. The fair value of the contingent consideration arrangement was estimated by applying the income approach. The inputs used have been classified as level 3 fair values due to the use of non-observable inputs.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

19. CONTRIBUTED EQUITY, RETAINED EARNINGS AND RESERVES

	FY14 $'000	FY13 $'000
Contributed equity		
Ordinary shares		
Issued and fully paid	**13,079**	**13,079**

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital or par value in respect of its issued shares.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

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

	Number of shares	$'000
At 1 July 2012	**142,499,800**	**13,079**
Treasury shares bought from the market	-	-
Ordinary shares issued for options exercised	-	-
At 30 June 2013	**142,499,800**	**13,079**
Treasury shares bought from the market	-	-
Ordinary shares issued for options exercised	-	-
At 30 June 2014	**142,499,800**	**13,079**

Reverse acquisition

On 2 November 2005, Vita Group Limited (formerly known as Fone Zone Group Limited) acquired 100% of the voting shares of Fone Zone Pty Ltd, an unlisted Company based in Australia specialising in the communications retail and service industry.

AASB 3 Business Combinations requires an acquirer in a business combination to be identified. With respect to the acquisition of Fone Zone Pty Ltd by Fone Zone Group Limited, Fone Zone Pty Ltd was identified as the acquirer given the following factors:

- The economic substance of the transaction;
- Fone Zone Group Limited was established solely for the purposes of acquiring Fone Zone Pty Ltd;
- Fone Zone Group Limited has no business activity;
- The transaction was driven by Fone Zone Pty Ltd, not Fone Zone Group Limited; and
- The existing management of Fone Zone Pty Ltd will manage Fone Zone Group Limited.

As Fone Zone Pty Ltd has been identified as the acquirer, the concept of "reverse acquisition accounting" was applied to this transaction and accordingly there was no requirement to "fair value" the asset values of the subsidiary or to recognise goodwill based on the fair value of the purchase consideration. At the date of acquisition, Fone Zone Group Limited was a non-operating company that had a net asset value of $6.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

19. CONTRIBUTED EQUITY, RETAINED EARNINGS AND RESERVES (continued)

Retained earnings Movements in retained earnings were as follows:	**FY14 $'000**	**FY13 $'000**
Balance 1 July	27,419	23,922
Net profit for the year	(4,642)	6,204
Transfer from equity benefits reserve	-	-
Dividends	(5,116)	(2,707)
Balance 30 June	**17,661**	**27,419**

Employee equity benefits reserve Movements in employee equity benefits reserve were as follows:		
Balance 1 July	-	-
Transfer to retained earnings	-	-
Balance 30 June	**-**	**-**

Nature and purpose of reserve

Employee equity benefits reserve

The share based payments reserve represents the value of options granted to senior executives on 2 November 2005. The options issued to executives have vested and have been subsequently exercised. During the year 30 June 2012, the share based payments reserve was transferred to retained earnings as the reserve had in effect been realised.

Capital management

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Directors also aim to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Directors monitor the capital structure of the Group to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Directors may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During FY14, dividends of $5,155,743 were paid to shareholders (FY13: $2,707,497).

Capital is monitored through a net debt / (net debt plus equity) ratio. The current target for the Group's net debt / (net debt plus equity) ratio is below 50%. The ratios based on continuing operations at 30 June 2014 and 2013 were as follows:

	FY14 $'000	**FY13 $'000**
Total borrowings *	16,904	15,531
Less cash and cash equivalents	(6,808)	(12,777)
Net debt	10,096	2,754
Total equity	30,740	40,498
Net debt plus equity	**40,836**	**43,252**
Net debt / (Net debt plus equity) ratio	24.72%	6.37%

* Comprises interest bearing loans and borrowings

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise finance leases, hire purchase contracts, term debt and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group is not exposed to foreign exchange or commodity and equity price risks.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate and the Group's policy is to manage its interest cost using a mix of fixed and variable borrowings. The level of debt is disclosed in Note 17.

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

	FY14 $'000	FY13 $'000
Financial Assets		
Cash	6,808	12,777
Term deposits	25	25
	6,833	12,802
Financial Liabilities		
Term debt	(7,572)	(841)
Obligations under hire purchase	(1,652)	(4,576)
Obligations under chattel mortgage	(2,223)	(3,861)
	(11,447)	(9,278)
Net (Exposure)/Asset	**(4,614)**	**3,524**

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:		
+1 % (100 basis points)	32	25
- 1 % (100 basis points)	(32)	(25)

These movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk
The Group trades only with recognised, creditworthy third parties and it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and risk limits are set for each individual customer in accordance with the Group's policies.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The accounts receivable of the Group is predominantly represented by amounts owed by the Dealership Principal (of the Fone Zone operations of the Group), namely Telstra Corporation Limited, and the level of credit risk on the account is considered to be low. There are no other significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's treasury management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayment and interest resulting from recognised financial assets and liabilities as at 30 June 2014. No derivative financial instruments are held and for other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014.

The remaining contractual maturities of the Group's financial liabilities are:

	1 year or less $'000	1 - 5 years $'000	Over 5 years $'000	Total contractual outflows $'000	Carrying Amount $'000
As at 30 June 2014					
Trade and other payables	23,106	-	-	23,106	23,106
Borrowings	9,051	8,370	-	17,421	16,311
Finance leases	594	-	-	594	588
	32,751	**8,370**	**-**	**41,121**	**40,005**

	1 year or less $'000	1 - 5 years $'000	Over 5 years $'000	Total contractual outflows $'000	Carrying Amount $'000
As at 30 June 2013					
Trade and other payables	23,241	-	-	23,241	23,241
Borrowings	8,738	4,946	-	13,684	12,886
Finance leases	2,200	594	-	2,794	2,644
	34,179	**5,540**	**-**	**39,719**	**38,771**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

21. BUSINESS COMBINATIONS

On 1 October 2013, Fone Zone Pty Ltd acquired 100% of the voting shares of Monserrat Moon Pty Ltd trading as Camelon I.T., an unlisted company based in Australia specialising in providing cloud technology solutions, managed data networks, and unified communications in the small to medium business and enterprise sector. The acquisition bolsters the Groups capability to offer ICT services to business and government customers, and positions the Group to take advantage of the shift to cloud-based computing underway.

The initial cost of the combination was $3.7 million, with additional amounts payable on delivery of performance targets over the next three years.

Details of the provisional purchase consideration, the provisional net assets acquired and the goodwill are as follows:

	$'000
Purchase consideration:	
Cash paid	3,700
Contingent consideration (provisional)	630
Total purchase consideration	**4,330**

	Fair Value $'000
The assets and liabilities recognised as a result of the acquisition are as follows:	
Cash and cash equivalents	41
Receivables	951
Property, plant and equipment	304
Deferred tax asset	664
Other assets	142
Payables	(1,086)
Bank overdraft	(86)
Employee benefit liabilities, including superannuation	(268)
Borrowings	(189)
Provisions	(985)
Tax payable	(327)
Other liabilities	(9)
Net identifiable assets acquired	(848)
Add: Goodwill	5,178
	4,330

Acquisition related costs
Acquisition related costs of $53,754 are included in administration expenses in the consolidated statement of comprehensive income.

Contingent consideration
In the event that certain pre-determined EBITDA targets are met by 30 September 2016, additional consideration of up to $3.7m may be payable in cash on 1 October 2016.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between $0 and $3,700,000. The fair value of the contingent consideration arrangement of $629,804 was estimated by applying the income approach. The fair value estimate is based on a discounted assumed probability-adjusted profit contribution to the Group of $15,400,000 to $18,300,000 over the three years ending 30 September 2016.

Acquired receivables
The fair value of acquired trade receivables is $950,557. The gross contractual amount for trade receivables due is $1,250,069, of which $299,512 is expected to be uncollectible.

Revenue and profit contribution
The acquired business contributed revenues of $3,436,477 and EBITDA of $273,232 to the Group for the period from acquisition date to 30 June 2014. On the basis of trading results from the date of acquisition to end of the financial year, had the business been acquired on 1 July 2013 contributions to the Group for revenue and EBITDA is estimated at $4,581,970and $364,310 respectively.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

21. BUSINESS COMBINATIONS (continued)

Fone Zone Pty Limited acquired the license and related net business assets to operate the Telstra Licensed stores:

31 January 2014	Hobart Telstra Business Centre
21 February 2014	Mackay Telstra Licensed Store
21 February 2014	Bunbury Telstra Licensed Store
21 February 2014	Rockingham Telstra Licensed Store
3 March 2014	Erina Telstra Licensed Store
3 March 2014	Tuggerah Telstra Licensed Store
3 March 2014	Aitkenvale Telstra Licensed Store
1 April 2014	Hornsby Telstra Licensed Store
7 April 2014	Rockhampton Telstra Licensed Store
7 April 2014	Rouse Hill Telstra Licensed Store
3 June 2014	Geraldton Telstra Licensed Store & Geraldton Telstra Business Centre

Details of net assets acquired and goodwill are as follows:

Purchase consideration:

	$'000
Hobart Telstra Business Centre	699
Mackay Telstra Licensed Store	2,360
Bunbury Telstra Licensed Store	1,602
Rockingham Telstra Licensed Store	1,644
Erina Telstra Licensed Store*	1,146
Tuggerah Telstra Licensed Store*	840
Aitkenvale Telstra Licensed Store*	500
Hornsby Telstra Licensed Store	1,240
Rockhampton Telstra Licensed Store*	400
Rouse Hill Telstra Licensed Store*	406
Geraldton Telstra Licensed Store & Business Centre	1,880
Total purchase consideration	**12,717**

*Fone Zone Pty Ltd acquired these stores on a deferred settlement basis. As at 30 June 2014 no consideration had been paid to the vendor but a liability of $3,272,000 has been recognised in the consolidated balance sheet.

The assets and liabilities arising from the acquisition are as follows:

	$'000 Fair value				
	Inventories	**Plant and equipment**	**Net identifiable assets acquired**	**Add: Goodwill**	**Total identifiable assets acquired**
Hobart Telstra Business Centre	79	-	79	620	699
Mackay Telstra Licensed Store	-	97	97	2,263	2,360
Bunbury Telstra Licensed Store	-	123	123	1,479	1,602
Rockingham Telstra Licensed Store	-	45	45	1,599	1,644
Erina Telstra Licensed Store	-	45	45	1,101	1,146
Tuggerah Telstra Licensed Store	-	166	166	674	840
Aitkenvale Telstra Licensed Store	-	45	45	455	500
Hornsby Telstra Licensed Store	40	44	84	1,156	1,240
Rockhampton Telstra Licensed Store	-	72	72	328	400
Rouse Hill Telstra Licensed Store	-	45	45	361	406
Geraldton Telstra Licensed Store & Business Centre	89	90	179	1,701	1,880
	208	**772**	**980**	**11,737**	**12,717**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

21. BUSINESS COMBINATIONS (continued)

Acquisition related costs
$473,799 in acquisition-related costs are included in administration expenses in the statement of comprehensive income representing stamp duty payable on the transfer of business.

Contingent consideration
There are no contingent consideration arrangements in relation to these business combinations.

Acquired receivables
The fair value of trade and other receivables is nil and includes an interest in future trailing income related to pre-acquisition activity by this store with a fair value of nil. The gross contractual amount for the interest in future trailing income is estimated at nil.

*Revenue and profit contribution**
The acquired businesses contributed revenues of $19,310,650 and EBITDA of $3,075,870 to the Group for the period from acquisition date to 30 June 2014.

On the basis of trading results from the date of acquisition to end of financial year, had the businesses been acquired on 1 July 2013 contributions to the Group for revenue and EBITDA is estimated at $66,268,938 and $10,823,021 respectively.

*EBITDA has been stated in the place of NPAT for business combinations revenue and profit contribution as depreciation, finance costs and income tax are attributed only to the Consolidated/Parent entity and are not calculated at an individual Store level.

	FY14 $'000	FY13 $'000
Cash flow information		
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	13,125	1,624
Acquisition related costs	54	-
	13,179	**1,624**
Less: Balances acquired		
Cash	41	-
Bank overdraft	(86)	-
	13,224	1,624
	13,224	**1,624**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

22. COMMITMENTS AND CONTINGENCIES

a) Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain computer and office equipment and rental of store outlets and head office premises. These leases have an average life of between 1 and 5 years. There are no restrictions placed upon the lessee by entering into these leases. The leases contain varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Under the terms of certain leases, the Group has the option to acquire the leased assets for their agreed fair value on expiry of the leases.

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

	FY14 $'000	FY13 $'000
Within one year	16,235	14,521
After one year but not more than five years	24,624	32,283
More than five years	-	54
	40,859	**46,858**

Sub-lease payments
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases:

	359	**619**

b) Finance lease commitments

The Group has finance leases for various items of plant and equipment with a carrying amount of $787,413 (FY13: $2,317,413). These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases contracts are as follows:

Within one year	594	2,200
After one year but not more than five years	-	594
Total minimum payments	594	2,794
Less amounts representing finance charges	(7)	(150)
Present value of minimum payments	**587**	**2,644**

c) Other loan commitments

The Group has chattel mortgages and hire purchases contracts for various items of plant and equipment.

Future minimum payments under the chattel mortgage and hire purchases contracts are as follows:

	FY14 $'000	FY13 $'000
Within one year	106	7,898
After one year but not more than five years	230	4,946
Total minimum lease payments	336	12,844
Less amounts representing finance charges	(19)	(798)
Present value of minimum lease payments	**317**	**12,046**

d) Capital commitments

There was $1,149,335 of capital commitments as at reporting date (FY13: $716,208).

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

22. COMMITMENTS AND CONTINGENCIES (continued)

e) Contingencies

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

Guarantees held for:

Leasing commitments	3,470	9,438
Other supplier arrangements	19,000	14,000
	22,470	**23,438**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

23. RELATED PARTY DISCLOSURES

(i) Controlled Entities

The consolidated financial statements include the financial statements of Vita Group Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	Percentage of Equity Interest Held		Investment	
		FY14	**FY13**	**FY14**	**FY13**
		%	**%**	**$'000**	**$'000**
Fone Zone Pty Ltd	Australia	100	100	13,938	13,938
Communique Holdings Pty Ltd	Australia	100	100	5,355	5,355
Next Byte Holdings Pty Ltd	Australia	100	100	-	16,972
Vita People Pty Ltd	Australia	100	100	-	-
The Learning Academy Pty Ltd	Australia	100	100	-	-
Total investments in controlled entities – at cost				**19,293**	**36,265**
Subsidiaries of Fone Zone Pty Ltd:					
Fone Zone Queensland Pty Ltd	Australia	100	100		
Fone Zone NSW South Wales Pty Ltd	Australia	100	100		
Fone Zone Victoria Pty Ltd	Australia	100	100		
The Mobile Phone Shop Pty Ltd	Australia	100	100		
Gould Holdings Pty Ltd	Australia	100	100		
Let's Talk Communications Pty Ltd	Australia	100	100		
In Touch Communications (Aust) Pty Ltd	Australia	100	100		
Call Direct Telecommunications Pty Ltd	Australia	100	100		
One Zero Communications Pty Ltd	Australia	100	100		
One Xerro TLS (Bundaberg) Pty Ltd	Australia	100	100		
Geek Squad Pty Ltd	Australia	100	100		
Geek Squad Australia Pty Ltd	Australia	100	100		
Computer Geek Squad Pty Ltd	Australia	100	100		
One Zero TCS (Warwick) Pty Ltd	Australia	100	100		
One Zero Suncoast Pty Ltd	Australia	100	100		
Tribal Accessories Pty Ltd	Australia	100	100		
Camelon ICT Solutions Pty Ltd (formerly known as Monserrat Moon Pty Ltd)	Australia	100	-		
Subsidiaries of Communique Holdings Pty Ltd:					
Sprout Corporation Pty Ltd (formerly known as Sprout Accessories Pty Ltd)	Australia	100	100		
iConcierge Technology Solutions Pty Ltd	Australia	100	100		
Qibbus (Aust) Pty Ltd	Australia	100	100		
Controlled entities of Next Byte Holdings Pty Ltd:					
Next Byte Pty Ltd (As trustee for Next Byte Unit Trust)	Australia	100	100		
Next Byte International Pty Ltd	Australia	100	100		
Next Byte Unit Trust	Australia	100	100		

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

23. RELATED PARTY DISCLOSURES (continued)

(ii) Deed of Cross Guarantee

Entities subject to class order relief

Pursuant to Class order 98/1418, relief has been granted to Fone Zone Pty Ltd, Next Byte Holdings Pty Ltd and Next Byte Pty Ltd from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Vita Group Limited and Fone Zone Pty Ltd, entered into a Deed of Cross Guarantee on 18 April 2007. Next Byte Holdings Pty Ltd and Next Byte Pty Ltd were added under an Assumption Deed dated 21 December 2007 and Vita People Pty Ltd was added under an Assumption Deed dated 29 July 2009.

The effect of the deed is that Vita Group Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Vita Group Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

Closed Group Class Order Disclosures

Vita Group Limited and all of its Controlled Entitles, as shown above, are party to the above Deed of Cross Guarantee and represent a ‘Closed Group’ for the purposes of the Class Order.

As the consolidated financial statements cover all parties to the Deed of Cross Guarantee, no separate disclosure of consolidated information of the Closed Group has been shown.

(iii) Transactions with directors and director related entities

During the year there were no transactions with directors or director related entities.

(iv) Other related party transactions

During the year Vita Group Limited has received from and provided to its wholly owned subsidiaries, interest free loans.

These loans are repayable on call. No allowance has been made for impairment relating to amounts owed to or by related parties as payment is expected in full. An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Financial Guarantees held by the parent on behalf of other Group entities are detailed in Note 27.

24. AUDITORS’ REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity and its related practices. The auditor of Vita Group Limited is PricewaterhouseCoopers.

(a) PwC Australia

	FY14 $	FY13 $
Amounts received or due and receivable by PricewaterhouseCoopers for:		
• an audit or review of the financial report of the entity and any other entity in the consolidated Group	285,000	297,111
• other services in relation to the entity and any other entity in the consolidated Group:		
a. tax compliance and consulting services	75,013	37,760
b. other assurance services	9,227	8,788
Total remuneration of PwC Australia	**369,240**	**343,659**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

25. EVENTS AFTER THE BALANCE SHEET DATE

The below table represent contracts entered into by the Group to acquire the listed licensed Telstra stores:

Location	Contract Date	Settlement Date	Consideration $'000s
Success Telstra Licensed Store	17-Jun-14	15/08/2014	1,200
Dalby Telstra Licensed Store	31-Jul-14	1/09/2014	1,400
Toowoomba Telstra Licensed Store	31-Jul-14	1/09/2014	2,750

26. DIRECTOR AND EXECUTIVE DISCLOSURES

a) Details of Key Management Personnel

(i) Directors	
Dick Simpson	Chairman (Independent Non-Executive)
David McMahon	Joint Chief Executive Officer (resigned – 30 January 2013)
Maxine Horne	Chief Executive Officer
Neil Osborne	Director (Independent Non-Executive)
Robyn Watts	Director (Independent Non-Executive)
Paul Wilson	Director (Independent Non-Executive) (appointed – 9 May 2014)

(ii) Executives	
Adam Taylor	Chief People Officer (appointed – 3 March 2014)
Andrew Leyden	Chief Financial Officer
Chris Preston	Chief Marketing Officer (appointed - 6 January 2014)
Jim Collier	General Manager Next Byte (resigned – 6 September 2013)
Kendra Hammond	Chief People Officer (resigned – 28 February 2014)
Mark Anning	Group Company Secretary and Legal Counsel
Peter Connors	Chief Operations Officer (formerly – General Manager Telecoms)

There were no changes in Key Management Personnel after reporting date and before the date the financial report was authorised for issue.

b) Compensation of Key Management Personnel

Compensation by Category: Key Management Personnel

	FY14 $	FY13 $
Short-term	2,830,177	3,058,561
Post employment	121,995	145,842
Long-term benefits	143,631	30,967
Termination benefits	53,938	229,789
	3,149,741	**3,465,159**

Detailed remuneration disclosures are provided in sections *Remuneration of Key Managers* and *Remuneration of Non-Executive Directors* of the remuneration report on pages 10 to 15.

c) Compensation options: Granted during the year

During the financial year no share options were granted as equity compensation benefits (FY13: nil).

d) Options holdings of Key Management Personnel

At 30 June 2014 no share options had vested (FY13: nil) of which nil (FY13: nil) were exercisable. There were no un-exercisable vested options at 30 June 2014 (FY13: nil).

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

26. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

e) Shareholdings of Management Personnel

Shares held in Vita Group Limited

	Balance at 30 June 2013	Purchased/Sold	Balance at 30 June 2014
Directors			
Dick Simpson	243,509	-	243,509
Maxine Horne	66,270,403	-	66,270,403
Neil Osborne	271,342	-	271,342
Robyn Watts	-	20,000	20,000
Paul Wilson	-	-	-
Executives			
Adam Taylor - appointed 3 March 2014	-	-	-
Andrew Leyden	98,300	(24,640)	73,660
Chris Preston - appointed 6 January 2014	-	-	-
Jim Collier - resigned 6 September 2013	-	-	-
Kendra Hammond - resigned 28 February 2014	40,000	(40,000)	-
Mark Anning	-	-	-
Peter Connors	209,919	-	209,919

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

f) Loans to Key Management Personnel

There were no loans provided to Key Management Personnel during the financial year (FY13: nil).

g) Other transactions and balances with Key Management Personnel

Details of other transactions with Key Management Personnel are in Note 23 Related party disclosure.

h) Disclosure statement

The Group has applied the exemption under Corporation Amendment Regulation 2006 to transfer Key Management Personnel remuneration disclosures required by AASB 124 Related Party Disclosures to the Remuneration Report section within the Directors' Report. These transferred disclosures have been audited.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2014

27. PARENT ENTITY DISCLOSURES

As, and throughout, the financial year ended 30 June 2014, the parent entity of the Group was Vita Group Limited.

	FY14 $'000	FY13 $'000
Result of parent entity		
(Loss)/profit for the year	(17,131)	39,429
Other comprehensive income	-	-
Total comprehensive (loss)/income for the year	**(17,131)**	**39,429**
Financial position of parent entity at year-end		
Current assets	14,250	19,960
Non-current assets	19,577	36,675
Total assets	**33,827**	**56,635**
Current liabilities	1,047	1,659
Total liabilities	**1,047**	**1,659**
Total equity of the parent comprising of:		
Share capital	22,889	22,889
Retained earnings	9,891	32,087
Employee equity benefits reserve	-	-
	32,780	**54,976**

During the financial year ended 30 June 2014, Vita Group Limited declared and paid fully franked dividends of $5,115,743. Since the end of the financial year, the directors have approved an intercompany fully franked dividend of $7,500,000 to be paid to Vita Group Limited from wholly owned subsidiaries.

Parent entity contingencies

The parent has guarantees, in relation to leasing commitments as well as supplier arrangements, which are held on behalf of other Group entities.

	FY14 $'000	FY13 $'000
Guarantees held for:		
Leasing commitments	2,259	317
Other supplier arrangements	19,000	13,000
	21,259	**13,317**

There were no other contingencies as at reporting date (FY13: nil).

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 23 (ii) to the accounts.

Capital Commitments

The parent entity had not committed to any capital commitments at reporting date (FY13: nil).

Directors' Declaration

In the opinion of the directors:

(a) the financial statements and notes set out on pages 27 to 73 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in Note 23 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 23.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the joint chief executive officers and chief financial officer required by section 295A of the *Corporations Act 2001.*

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

Dick Simpson
Chairman

Maxine Horne
Director and Chief Executive Officer

Brisbane
21 August 2014

Independent auditor's report to the members of Vita Group Limited

Report on the financial report

We have audited the accompanying financial report of Vita Group Limited (the company), which comprises the balance sheet as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Vita Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Vita Group Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 15 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Vita Group Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

KChallenor

Kim Challenor

Partner

Brisbane

21 August 2014

Australian Securities Exchange (ASX) Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 18 August 2014.

(a) Distribution of equity securities

(i) Ordinary Share Capital

Fully paid ordinary shares are held by individual Shareholders.

All issued shares carry one vote per share and carry the rights to dividends.

(ii) Options

Nil options are held.

Options are not listed on Australian Securities Exchange (ASX) and do not carry the right to vote.

Distribution of Shareholders

Size of Shareholding	Total Holders	No. of ordinary shares	Percentage
1 – 1,000	429	223,987	0.16
1,001 – 5,000	371	1,163,965	0.82
5,001 – 10,000	321	2,654,109	1.86
10,001 – 100,000	540	15,938,967	11.19
100,001 and over	66	122,518,772	85.97
	1,727	142,499,800	100.00
Shareholdings of less than a marketable parcel			
Holdings of less than 618 shares	279	82,122	0.06

(b) Twenty largest holders of quoted equity securities

	Fully paid	
Ordinary Shareholders	**Number**	**Percentage**
FZIC PTY LTD	56,342,124	39.54
NATIONAL NOMINEES LIMITED	18,111,360	12.71
CITICORP NOMINEES PTY LIMITED	15,871,072	11.14
FZIC PTY LTD <MCMAHON SUPER FUND A/C>	9,817,807	6.89
KAVEL PTY LTD	4,100,000	2.88
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,917,873	1.35
ROBERT FERGUSON + JENNIFER FERGUSON + RACHEL FERGUSON <TORRYBURN S/F A/C>	1,224,490	0.86
MRS GOOLESTAN DINSHAW KATRAK	950,000	0.67
MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	897,678	0.63
BNP PARIBAS NOMS PTY LTD <DRP>	661,489	0.46
MR DAVID FREDERICK OAKLEY	560,000	0.39
GERNIS HOLDINGS PTY LIMITED	550,000	0.39
G CHAN PENSION PTY LTD <CHAN SUPERANNUATION FUND A/C>	495,297	0.35
DALESAM PTY LTD <JON BRETT SUPER FUND A/C>	490,000	0.34
J P MORGAN NOMINEES AUSTRALIA LIMITED	437,039	0.31
DARREN GAUNT	418,000	0.29
DR DAVID JOHN RITCHIE + DR GILLIAN JOAN RITCHIE <D J RITCHIE SUPER FUND A/C>	400,000	0.28
MR TIMOTHY BRYCE KLEEMANN	375,667	0.26
MR MARTIN GREEN	360,000	0.25
MR IAN WALLACE EDWARDS + MRS JOSEPHINE EDWARDS <THE EDWARDS SUPER FUND A/C>	350,000	0.25
Top 20 holders of ORDINARY FULLY PAID SHARES	**114,329,896**	**80.23**

Australian Securities Exchange (ASX) Additional Information (continued)

(c) Substantial Shareholders

The number of shares held by substantial Shareholders and their associates as disclosed in substantial shareholding notices given to the company as at August 2014 were:

	Fully paid	
Ordinary Shareholders	**Number**	**Percentage**
FZIC Pty Ltd	66,271,403	46.51
Pie Funds Management Limited	16,539,824	11.61
TOTAL	82,811,227	58.12

Vita Group Limited ABN 62 113 178 519