FY15 HALF YEAR REPORT

vita
GROUP LIMITED

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Vita Group Limited

ABN 62 113 178 519

Interim Financial Report

for the half year ended 31 December 2014

Contents

Directors' Report

Your Directors submit their report for the half year ended 31 December 2014.

DIRECTORS

The Directors of the Company during the whole of the half year and up to the date of the report 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)

REVIEW AND RESULTS OF OPERATIONS

Operating revenue for the half grew 36% to $292.7m as the Group continued to optimise its portfolio of retail stores and its expansion in the business-to-business (B2B) channel. The Telecommunications segment performed ahead of expectations, recording a 50% increase in revenues on the prior corresponding period, reflecting the contribution from newly acquired stores, like for like gains from Telstra-branded stores and growth in the business segment. These were marginally offset by lower Fone Zone revenues impacted by lower store numbers. Computing revenues were down 25% overall, mainly driven by a reduction in store numbers as the portfolio was further refined and older locations exited.

A reconciliation of underlying EBITDA (excluding impairment and amortisation of proprietary products) to the reported profit or loss before tax in the consolidated statement of comprehensive income is tabled below:

	Half year		
	31 December 2014	31 December 2013	Growth %
	$M	$M	
Profit/(loss) before tax	19.2	(13.4)	
Add: net finance costs	0.8	0.9	
Add: depreciation and amortisation	5.7	5.2	
Add: impairment of Next Byte	-	19.4	
EBITDA	25.7	12.1	112%
Less: non-cash benefit of discontinued proprietary products	(5.9)	-	
Underlying EBITDA	19.8	12.1	64%

Underlying EBITDA was up 64% to $19.8m in the period, reflecting growth in the Group's strategic businesses - Telstra stores and the business channel. The improvement in underlying EBITDA reflected growth in telecommunications revenues, favourable mix and higher rates of productivity. The Telecommunications segment delivered underlying EBITDA of $20.4m, 58% up on the same period last year, whilst the Computing segment made a small loss of $0.6m for the period after incurring costs of $0.8m relating to the exit from old format stores.

Gross debt was $22.2m at the end of the period, up $8.6m on the same time last year reflecting acquisitions of retail stores and business centres, all of which contributed to profits in the period. Operating cash flows of $25.3 were generated during the period and were applied to the repayment of gross debt of $6.7m, dividend payments of $4.0m (net of new share capital issue) and $2.1m in other capital expenditure. Cash and cash equivalents were $20.3m at the end of the period compared with $11.2m at the end of the prior corresponding period. As a result, net debt was only $1.9m at period end.

During the half, as part of its ongoing capital management plan, the Board announced a special dividend of 3.00cps, fully franked. The special dividend was fully underwritten and as a result share capital was increased by $4.0m.

The Board has approved, in February, an interim dividend of 4.12cps, up 116% from 1.91cps in the prior corresponding period, and re-iterated its intent to target a full year payout ratio of 65% of profits after tax (excluding non-cash benefit from Vita's discontinued proprietary warranty/swap products). Following the special dividend of 3.00cps paid in December 2014, the Board has also declared a second fully-franked special dividend to accompany the interim dividend. Record date for the interim dividend and special dividend will be 16 March 2015, with payment date being 10 April 2015.

Directors' Report (continued)

Shareholder Returns

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

	Half year	
	31 December 2014	**31 December 2013**
Basic earnings per share (cents)	9.38	(10.68)
Underlying earnings per share* (cents)	6.48	2.93
Net debt/(Net debt plus total equity)	4.45%	9.56%

**Excludes amortisation of proprietary products and impairment*

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, in respect of the "rounding off" of amounts in the directors' and financial reports. Amounts have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.

Dick Simpson
Chairman

Maxine Horne
Director

Brisbane
Date: 26 February 2015

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Auditor's Independence Declaration

As lead auditor for the review of Vita Group Limited for the half-year ended 31 December 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 review; and

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

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

Kim Challenor

Partner
PricewaterhouseCoopers

Brisbane
26 February 2015

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Consolidated Statement of Comprehensive Income
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	Half year 31 December 2014 $'000	31 December 2013 $'000
Continuing operations			
Sale of goods		215,385	170,162
Fee and commission revenue		77,308	45,673
Revenue	6(a)	**292,693**	**215,835**
Cost of Sales		(188,094)	(145,682)
Gross profit		**104,599**	**70,153**
Other income	6(b)	4,217	4,576
Employment expenses	6(e)	(55,247)	(40,987)
Marketing and advertising expenses		(4,335)	(4,639)
Operating lease rental expenses	6(f)	(11,514)	(9,648)
Administration expenses		(9,120)	(6,661)
Other expenses		(2,862)	(711)
		25,738	12,083
Depreciation and amortisation	6(d)	(5,749)	(5,235)
Impairment of Next Byte goodwill	9	-	(19,397)
		19,989	(12,549)
Finance income		198	156
Finance costs		(978)	(1,016)
Net finance costs	6(c)	(780)	(860)
Profit/(loss) before income tax		**19,209**	**(13,409)**
Income tax (expense)		(5,776)	(1,810)
Profit/(loss) from operations		**13,433**	**(15,219)**
Other comprehensive income/(loss) for the half year, net of tax		-	-
Total comprehensive income/(loss) for the half year, attributable to the ordinary equity holders of Vita Group Limited		**13,433**	**(15,219)**
Earnings per share for income/(loss) from continuing operations attributable to the ordinary equity holders of the company			
- basic (cents per share)		9.38	(10.68)
- diluted (cents per share)		9.38	(10.68)

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

Consolidated Balance Sheet
AS AT 31 DECEMBER 2014

	Note	31 December 2014 $'000	30 June 2014 $'000	31 December 2013 $'000
ASSETS				
Current Assets				
Cash and cash equivalents		20,294	6,808	11,168
Trade and other receivables		33,158	25,546	27,878
Inventories		16,270	11,900	17,170
Total Current Assets		**69,722**	**44,254**	**56,216**
Non-current Assets				
Term deposits		25	25	25
Plant and equipment	7	19,701	22,158	22,916
Intangible assets and goodwill	8	55,482	46,412	34,914
Deferred tax assets		10,667	11,988	14,155
Total Non-current Assets		**85,875**	**80,583**	**72,010**
TOTAL ASSETS		**155,597**	**124,837**	**128,226**
LIABILITIES				
Current Liabilities				
Trade and other payables		80,051	63,304	70,554
Interest bearing loans and borrowings		11,224	5,683	9,147
Income tax liability		2,436	1,037	1,347
Provisions		2,630	1,868	1,471
Total Current Liabilities		**96,341**	**71,892**	**82,519**
Non-current Liabilities				
Trade and other payables		4,280	7,058	15,302
Interest bearing loans and borrowings		10,942	11,221	4,440
Provisions		3,817	3,926	3,080
Total Non-current Liabilities		**19,039**	**22,205**	**22,822**
TOTAL LIABILITIES		**115,380**	**94,097**	**105,341**
NET ASSETS		**40,217**	**30,740**	**22,885**
EQUITY				
Contributed equity	10	17,290	13,079	13,079
Retained earnings		22,927	17,661	9,806
TOTAL EQUITY		**40,217**	**30,740**	**22,885**

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

Consolidated Statement of Changes in Equity
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holders of the parent		
	Contributed equity $'000	**Retained earnings $'000**	**Total equity $'000**
At 1 July 2013	**13,079**	**27,419**	**40,498**
(Loss) for the half year	-	(15,219)	(15,219)
Total comprehensive (loss) for the half year	**-**	**(15,219)**	**(15,219)**
Transactions with owners in their capacity as owners:			
Dividends provided for or paid	-	(2,394)	**(2,394)**
At 31 December 2013	**13,079**	**9,806**	**22,885**
At 1 July 2014	**13,079**	**17,661**	**30,740**
Profit for the half year	-	13,433	13,433
Total comprehensive income for the half year	**-**	**13,433**	**13,433**
Transactions with owners in their capacity as owners:			
Dividend Reinvestment Plan net of costs	4,211	-	**4,211**
Dividends provided for or paid	-	(8,167)	**(8,167)**
At 31 December 2014	**17,290**	**22,927**	**40,217**

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

Consolidated Statement of Cash Flows
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Note	Half year 31 December 2014 $'000	31 December 2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		307,175	240,337
Payments to suppliers and employees (inclusive of GST)		(278,093)	(228,080)
Interest received		198	156
Finance costs		(957)	(893)
Income tax (paid)		(3,058)	(2,908)
Net cash flows from operating activities		**25,265**	**8,612**
Cash flows from investing activities			
Purchase of plant and equipment		(1,769)	(1,661)
Purchase of intangibles		(315)	(326)
Payments for store acquisitions	11	(11,055)	(3,709)
Proceeds from sale of plant and equipment		50	-
Net cash flows (used in) investing activities		**(13,089)**	**(5,696)**
Cash flows from financing activities			
Proceeds from borrowings		11,974	3,798
Repayment of borrowings		(6,120)	(4,882)
Repayment of finance lease principal		(588)	(1,047)
Issue of share capital		4,211	-
Dividends paid	5	(8,167)	(2,394)
Net cash flows from/(used in) financing activities		**1,310**	**(4,525)**
Net increase/(decrease) in cash and cash equivalents		13,486	(1,609)
Cash and cash equivalents at beginning of year		6,808	12,777
Cash and cash equivalents at end of the half year		**20,294**	**11,168**

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

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

1. BASIS OF PREPARATION OF HALF YEAR REPORT

This condensed consolidated interim financial report for the half year ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2014, which has been prepared in accordance with IFRS and any public announcements made by Vita Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Certain new accounting standards and interpretations have been published that are not mandatory to the 31 December 2014 reporting period and have not been early adopted by the Group. This includes:

- *IFRS 15 Revenue from Contracts with Customers* establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is available for early adoption and is mandatory for annual reporting periods from 1 January 2017.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The Group's net current liability position reflects the natural flow of cash in and out of the business and a focus on working capital controls. The Group has access to cash balances arising from operations and unused credit facilities of $4.9 million (31 December 2013: $15.4 million) with the Australia and New Zealand Banking Group Limited to meet its financial obligations and to fund its investment strategy for the coming year and onwards.

2. 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 31 December 2014, $10.5 million (31 December 2013: $29.2 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 restructuring activities during the half year. Costs of restructuring, including redundancy costs and onerous leases were $1.1 million in the half year to 31 December 2014 (31 December 2013: $0.7 million).

Acquisitions
The Group has applied the requirements of AASB 3 Business Combinations to acquisitions undertaken in the period (as detailed in Note 11).

Notes to the Financial Statements (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

2. ACCOUNTING ESTIMATES AND SIGNIFICANT ITEMS (continued)

Impairment
An impairment charge of $19.4 million was made against goodwill in the half year ended 31 December 2013 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. Whilst the Group intends to deliver improved financial returns from the business, a decision has been made to redirect some human and capital resources away from Next Byte and into more profitable growth opportunities, primarily the Telecommunications business channel and as a result, financial aspirations for the business have been reduced. Consequently, the net present value of expected future cash flows arising from Next Byte was impacted and an impairment charge was deemed necessary by the Board (as detailed in Note 9). There is no impact in the half year ended 31 December 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.

The Telecommunications and Computing segments sell different products and have different risk profiles. The products sold in the Telecommunications segment comprise fixed line and mobile communication devices, related accessories and services as well as voice and data services. Products sold in the Computing segment comprise laptop and desktop computers, mobile devices, associated accessories and peripheral equipment as well as service and rental contracts. This segment also sells limited voice and data services.

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 half year ended 31 December 2014 is as follows:

		Half year	
	Telecommunications $'000	**Computing $'000**	**Total operations $'000**
Half year ended 31 December 2014			
Revenue			
Sales of goods	184,995	30,390	215,385
Fee and commission revenue	76,087	1,221	77,308
Revenue from external customers	261,082	31,611	292,693
Underlying EBITDA*	**20,444**	**(638)**	**19,806**

** Underlying EBITDA excludes amortisation of proprietary products*

Half year ended 31 December 2013			
Revenue			
Sales of goods	129,002	41,160	170,162
Fee and commission revenue	44,755	918	45,673
Revenue from external customers	173,757	42,078	215,835
Underlying EBITDA*	**12,901**	**(818)**	**12,083**

** Underlying EBITDA excludes impairment*

Notes to the Financial Statements (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 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 underlying 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.

(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 consolidated statement of comprehensive income. Revenues from external customers are derived from the sale of telecommunications and computing products and services as defined in Note 6(a). A summary of revenue across these product areas is shown below:

	Half year	
	31 December 2014 $'000	**31 December 2013 $'000**
Telecommunications products	261,082	173,757
Computing products	31,611	42,078
Total segment revenue	**292,693**	**215,835**

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

	Half year	
	31 December 2014 $'000	**31 December 2013 $'000**
Total segment revenue	292,693	215,835
Total revenue from continuing operations (Note 6 (a))	**292,693**	**215,835**

(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, amortisation, impairment and amortisation of proprietary products.

A reconciliation of underlying EBITDA (excluding impairment and amortisation of proprietary products) to operating profit/(loss) before income tax is provided as follows:

	Half year	
	31 December 2014 $'000	**31 December 2013 $'000**
Underlying EBITDA	19,806	12,083
Interest revenue	198	156
Finance costs	(978)	(1,016)
Depreciation and amortisation	(5,749)	(5,235)
Impairment of Next Byte goodwill	-	(19,397)
Non-cash benefit of discontinued proprietary products	5,932	-
Profit/(loss) from continuing operations before income tax	**19,209**	**(13,409)**

Notes to the Financial Statements (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 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:

	Half year	
	31 December 2014 $'000	31 December 2013 $'000
Telecommunications	144,993	109,997
Computing	10,604	18,229
Total assets as per the consolidated balance sheet	**155,597**	**128,226**

(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.

4. INCOME TAXES

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the half year to 31 December 2014 is 30% (the estimated tax rate for the financial year ending 30 June 2015 is 30%). Income tax expense for the half year includes a credit of $30,129 resulting from finalisation of the 30 June 2014 income tax return.

5. DIVIDENDS

(a) Ordinary shares

	Half year	
	31 December 2014 $'000	31 December 2013 $'000
Dividends provided for or paid during the half year:		
Final dividend for 30 June 2014 (franked)	3,890	2,394
Special dividend (franked)	4,277	-
	8,167	2,394

Notes to the Financial Statements (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

5. DIVIDENDS (continued)

(b) Dividends not recognised at the end of the half year

In addition to the above dividends, since the end of the half year the Board have approved the payment of an interim dividend of 4.12 cents per fully paid ordinary share (2013: 1.91 cents per share), fully franked based on tax paid at 30%. The Board has also approved a special dividend of 3.00 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 10 April 2015 out of retained earnings at 31 December 2014, but not recognised as a liability at the end of the half year, is:

	Half year	
	31 December 2014 $'000	31 December 2013 $'000
Interim dividend for 31 December 2014 (franked)	6,035	2,722
Special dividend (franked)	4,395	-

6. REVENUE AND EXPENSES

	Half year	
	31 December 2014 $'000	31 December 2013 $'000
Revenue and Expenses		
(a) Revenue		
Sale of goods	215,385	170,162
Fee and commission revenue	77,308	45,673
	292,693	215,835
(b) Other income		
Cooperative marketing revenue	3,744	4,214
Other miscellaneous income	473	362
	4,217	4,576
(c) Net finance costs		
Finance charges under finance leases	6	92
Finance charges under hire purchase contracts	132	355
Provisions: unwinding of discount	47	82
Line facility fee	445	386
Interest on term debt	347	56
Other interest expense	1	45
Total finance costs	978	1,016
Interest revenue on bank deposits	(198)	(156)
Finance income	(198)	(156)
Net finance costs	780	860
(d) Depreciation and amortisation		
Depreciation of plant and equipment	5,009	3,917
Depreciation of plant and equipment under lease	89	786
Amortisation of intangible assets	651	532
	5,749	5,235
(e) Employment expenses		
Wages and salaries	48,729	36,065
Defined contribution superannuation expense	3,928	3,144
Employee entitlements	2,590	1,778
	55,247	40,987
(f) Operating lease rental expenses		
Minimum lease payments – operating lease	11,514	9,648

Notes to the Financial Statements (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

7. PLANT AND EQUIPMENT

	31 December 2014 $'000	30 June 2014 $'000	31 December 2013 $'000
Plant and equipment under lease	-	3,730	6,443
Accumulated amortisation and impairment	-	(2,943)	(4,933)
	-	**787**	**1,510**
Plant and equipment	60,488	55,543	51,813
Accumulated depreciation and impairment	(40,787)	(34,172)	(30,407)
	19,701	**21,371**	**21,406**
Total plant and equipment – at cost	60,488	59,273	58,256
Accumulated amortisation, depreciation and impairment	(40,787)	(37,115)	(35,340)
	19,701	**22,158**	**22,916**

	Plant and equipment under lease	Plant and equipment	Total plant and equipment
Cost:			
At 1 July 2014	3,730	55,543	59,273
Additions	-	2,155	2,155
Acquired on acquisition	-	555	555
Transfers	(3,717)	3,717	-
Disposals	(13)	(1,482)	(1,495)
At 31 December 2014	**-**	**60,488**	**60,488**
Accumulated Amortisation and Depreciation:			
At 1 July 2014	2,943	34,172	37,115
Charge for period	89	5,009	5,098
Transfers	(3,019)	3,019	-
Disposals	(13)	(1,413)	(1,426)
At 31 December 2014	**-**	**40,787**	**40,787**
Net Book Value:			
At 31 December 2014	**-**	**19,701**	**19,701**

	Plant and equipment under lease	Plant and equipment	Total plant and equipment
Cost:			
At 1 July 2013	7,610	50,469	58,079
Additions	-	1,636	1,636
Acquired on acquisition	-	305	305
Transfers	(1,024)	1,024	-
Disposals	(143)	(1,621)	(1,764)
At 31 December 2013	**6,443**	**51,813**	**58,256**
Accumulated Amortisation and Depreciation:			
At 1 July 2013	5,293	27,108	32,401
Charge for period	786	3,917	4,703
Transfers	(1,003)	1,003	-
Disposals	(143)	(1,621)	(1,764)
At 31 December 2013	**4,933**	**30,407**	**35,340**
Net Book Value:			
At 31 December 2013	**1,510**	**21,406**	**22,916**

Notes to the Financial Statements (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

8. INTANGIBLE ASSETS AND GOODWILL

	31 December 2014 $'000	30 June 2014 $'000	31 December 2013 $'000
Customer database	720	720	720
Accumulated amortisation	(720)	(720)	(720)
	-	-	-
Software	8,138	7,821	6,684
Accumulated amortisation	(6,648)	(6,007)	(5,472)
	1,490	**1,814**	**1,212**
Goodwill	95,205	85,811	74,915
Accumulated amortisation and impairment	(41,213)	(41,213)	(41,213)
	53,992	**44,598**	**33,702**
Customer database, software and goodwill	104,063	94,352	82,319
Accumulated amortisation and impairment	(48,581)	(47,940)	(47,405)
	55,482	**46,412**	**34,914**

	Customer database	Software	Goodwill	Total intangible assets and goodwill
Cost:				
At 1 July 2014	720	7,821	85,811	94,352
Additions	-	328	-	328
Acquired on acquisition	-	-	9,394	9,394
Disposal	-	(11)	-	(11)
At 31 December 2014	**720**	**8,138**	**95,205**	**104,063**
Accumulated Amortisation and Impairment:				
At 1 July 2014	720	6,007	41,213	47,940
Charge for period	-	652	-	652
Impairment	-	-	-	-
Disposal	-	(11)	-	(11)
At 31 December 2014	**720**	**6,648**	**41,213**	**48,581**
Net Book Value:				
At 31 December 2014	**-**	**1,490**	**53,992**	**55,482**

	Customer database	Software	Goodwill	Total intangible assets and goodwill
Cost:				
At 1 July 2013	720	6,353	68,898	75,971
Additions	-	336	-	336
Acquired on acquisition	-	-	6,017	6,017
Disposal	-	(5)	-	(5)
At 31 December 2013	**720**	**6,684**	**74,915**	**82,319**
Accumulated Amortisation and Impairment:				
At 1 July 2013	720	4,945	21,816	27,481
Charge for period	-	532	-	532
Impairment	-	-	19,397	19,397
Disposal	-	(5)	-	(5)
At 31 December 2013	**720**	**5,472**	**41,213**	**47,405**
Net Book Value:				
At 31 December 2013	**-**	**1,212**	**33,702**	**34,914**

Notes to the Financial Statements (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

9. 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.

At 31 December 2014 no impairment indicators were evident in the Telecommunications segment and as such no impairment testing of goodwill was deemed necessary for this segment.

	Telecommunications	Computing	Carrying amount of goodwill
	$'000	$'000	$'000
At 1 July 2013	27,685	19,397	47,082
Additions	6,017	-	6,017
Impairment charge	-	(19,397)	(19,397)
At 31 December 2013	**33,702**	**-**	**33,702**
At 1 July 2014	44,598	-	44,598
Additions	9,394	-	9,394
At 31 December 2014	**53,992**	**-**	**53,992**

b) Impairment charge

In December 2013, as a result of an internal reassessment of strategy following the acquisition of Camelon I.T. 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 ended 31 December 2013 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.

Notes to the Financial Statements (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

10. CONTRIBUTED EQUITY

	31 December 2014 $'000	30 June 2014 $'000	31 December 2013 $'000
Ordinary shares			
Issued and fully paid	**17,290**	**13,079**	**13,079**

	Number of shares	$'000
Movements in ordinary shares on issue		
At 1 July 2013	142,499,800	13,079
At 31 December 2013	**142,499,800**	**13,079**
At 1 July 2014	142,499,800	13,079
Dividend reinvestment plan:		
50,819 new shares issued at $1.0404 per share	50,819	53
112,889 new shares issued at $1.0862 per share	112,889	123
Dividend reinvestment plan underwriting agreement:		
2015 Interim special dividend issued $ 1.0862 per share	3,824,199	4,154
	146,487,707	17,409
Less: Transaction costs arising on share issue		(169)
Deferred tax credit recognised directly in equity		50
At 31 December 2014	**146,487,707**	**17,290**

Terms and conditions of contributed equity

Ordinary shares entitle their holder to 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.

Notes to the Financial Statements (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

11. BUSINESS COMBINATIONS

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

13 August 2014	Success Telstra Licensed Store
1 September 2014	Dalby Telstra Licensed Store
1 September 2014	Toowoomba Telstra Licensed Store
30 September 2014	Macarthur Telstra Licensed Store
30 September 2014	Campbelltown Telstra Licensed Store
21 October 2014	Liverpool Telstra Business Centre
21 October 2014	Wollongong Telstra Business Centre
21 October 2014	Mittagong Telstra Business Centre

Purchase consideration:

	$'000
Success Telstra Licensed Store	1,225
Dalby Telstra Licensed Store	1,453
Toowoomba Telstra Licensed Store	2,819
Macarthur Telstra Licensed Store	2,271
Campbelltown Telstra Licensed Store	380
Liverpool, Wollongong, and Mittagong Telstra Business Centres	2,430
Total purchase consideration	**10,578**

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

	Inventories	**Plant and equipment**	**$'000 Fair value Net identifiable assets acquired**	**Add: Goodwill**	**Total identifiable assets acquired**
Success Telstra Licensed Store	29	-	29	1,196	1,225
Dalby Telstra Licensed Store	59	73	132	1,321	1,453
Toowoomba Telstra Licensed Store	72	85	157	2,662	2,819
Macarthur Telstra Licensed Store	107	-	107	2,164	2,271
Campbelltown Telstra Licensed Store	65	42	107	273	380
Liverpool, Wollongong, and Mittagong Telstra Business Centres	297	355	652	1,778	2,430
	629	**555**	**1,184**	**9,394**	**10,578**

Acquisition related costs
$477,170 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 no 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.

Notes to the Financial Statements (Continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

11. BUSINESS COMBINATIONS (continued)

*Revenue and profit contribution**
The acquired businesses contributed revenues of $11,439,995 and EBITDA of $1,884,545 to the Group for the period from acquisition date to 31 December 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 2014 contributions to the Group for revenue and EBITDA is estimated at $20,514,454 and $3,318,758 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.

	31 December 2014 $'000	31 December 2013 $'000
Cash flow information		
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	10,578	3,700
Acquisition related costs	477	54
	11,055	**3,754**
Less: Balances acquired		
Cash	-	41
Bank overdraft	-	(86)
	-	(45)
	11,055	**3,709**

12. CONTINGENCIES

There are no contingent assets or liabilities as at the reporting date.

13. EVENTS OCCURRING AFTER BALANCE SHEET DATE

There have been no other matters or circumstances not otherwise dealt with in this report, that will significantly affect the operation of the Group, the results of those operations or state of affairs of the Group or subsequent financial years.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 20 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 31 December 2014 and of its performance for the half year ended on that date; and

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

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

Dick Simpson Chairman	Maxine Horne Director

Brisbane
Date: 26 February 2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vita Group Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Vita Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vita Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Liability limited by a scheme approved under Professional Standards Legislation.

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K Challenor

Kim Challenor
Partner

Brisbane
26 February 2015

vita
GROUP LIMITED

Vita Group Limited ABN 62 113 178 519