



**vita**<sup>TM</sup>  
GROUP LIMITED

**Vita Group Limited**

**ABN 62 113 178 519**

**Financial Report**

**for the year ended 30 June 2015**



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## **CORPORATE GOVERNANCE AND INFORMATION**

**ABN 62 113 178 519**

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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.

Vita Group's corporate governance policies and practices are publicly available in the corporate governance charter on the Group's website at <http://www.vitagroup.com.au/script/cus/corporate-governance.asp>. All policies and practices were in place for the year. Refer to Vita Group's website for further information on policies that have been approved and adopted by the board.

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 8 to 10.

### **Directors**

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

### **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](http://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](http://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

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Your Directors submit their report for the year ended 30 June 2015.

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

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

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

### DIRECTORS

#### **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. 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 a member of the board of Tibra Capital (a private company), is a Director of Chevalier College in Bowral, NSW, is the Chairman of the Chevalier Foundation 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.

Maxine was recently appointed as a Director of Camp Quality, which is ranked in the top ten of Australia's most trusted charities whose purpose is to create a better life for every child living with cancer.

#### **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 (CML) 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 Chairman of Foodworks Ltd (independent supermarkets), a Non-Executive Director of Beacon Lighting Group Limited (ASX:BLX), and is also a Non-Executive Director of Lovisa Holdings Ltd (ASX:LOV).

Neil is a Certified Practising Accountant (CPA) and a fellow of the Australian Institute of Company Directors (FAICD).

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.

## DIRECTORS' REPORT (continued)

### DIRECTORS (continued)

#### 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.

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 18 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 and Director of ASX listed Bailador Technology Investments Ltd (ASX:BTI), which focuses on minority investments in expansion capital opportunities in the information technology 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 other current board positions include: Chairman of SiteMinder, a provider of cloud based solutions to the hotel industry, selling into over 100 countries; Chairman of iPRO, a leading provider of cloud based vendor management software; 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 2014	Ordinary shares purchased/(sold)	Dividends Reinvested	Ordinary shares held at 30 June 2015
Dick Simpson	243,509	(61,424)	6,725	188,810
Maxine Horne	66,270,403	(12,000,000)*	-	54,270,403
Neil Osborne	271,342	-	-	271,342
Robyn Watts	20,000	-	2,038	22,038
Paul Wilson	-	45,000	-	45,000

\* As per Notice of Change of Interests of Substantial Holder lodged with ASX 29 December 2014.

## DIRECTORS' REPORT (continued)

### 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.

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.

Name	Vita Group Board		Audit, Compliance & Risk Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B
Dick Simpson	17	17	5	5	2	2
Maxine Horne	17	16	*	*	*	*
Neil Osborne	17	17	5	5	2	2
Robyn Watts	17	17	5	5	2	2
Paul Wilson	17	16	5	5	2	2

A = Number of meetings held during the time the Director held office or was a member of the committee during the year

B = Number of meetings attended

\* = Not a member of the relevant committee

### 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, 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 2014		
- on ordinary shares	2.73	3,890
Interim dividend for the year ended 30 June 2015		
- on ordinary shares	4.12	6,035
Special dividends for the year ended 30 June 2015 (2 x 3.00 cps)		
- on ordinary shares	6.00	8,672
		<b>18,597</b>

Since the end of the financial year, the Directors have approved the payment of a final full franked ordinary dividend of \$5,841,890 (3.86 cents per fully paid share) to be paid in October 2015 (FY14: \$3,890,245). In addition to the final ordinary dividend, the board has also declared and approved a 2.00 cent per share fully franked special dividend to accompany the final dividend. Record date for the final dividend and special dividend will be 3 September 2015, with payment date being 8 October 2015.

## 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 small to medium business, Enterprise 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

FY15 was yet another strong year for the Group. Vita further strengthened the performance of its portfolio of Telstra retail stores and began to build on the solid foundation put in place in FY14 in the small to medium sized business (SMB) and Enterprise channels.

In retail, five Telstra licensed stores were acquired during the year, while the consolidation of the Fone Zone, One Zero and Next Byte brands continued. The Telstra branded portfolio grew strongly, reflecting improved like-for-like performance and the contribution from new stores, underpinned by improved customer advocacy.

The SMB channel expanded in the year, to 16 Telstra Business Centres (TBCs), including one closure, and also grew revenues in existing geographies. Improved operating disciplines and focused on a broader product offering benefited results in the period.

In the Enterprise channel, the year saw continued investment in sales and technical talent to support a much broader product and service portfolio particularly in the cloud, collaboration and professional and managed services categories.

The board declared a fully-franked dividend of 7.98 cents per share (cps) for the year, including the interim dividend of 4.12 cps paid in April. The full-year dividend was an increase of 72% on the previous year. Two fully franked special dividends of 3.00 cps each were paid during the year, funded via the issuance of new shares; and a further special dividend of 2.00 cps has been declared, bringing the total special dividend to 8.00 cps.

#### Group Results

Group revenues grew 34% to \$601.4 million during the year. EBITDA, a measure used by the Group as a proxy for cash profitability, grew strongly, up 48% to \$49.7 million in the year. After adjusting for a \$10.5 million benefit relating to the Group's now discontinued proprietary swap and extended warranty products, underlying EBITDA for the year was \$39.2 million, up 45%.

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

	FY15	FY14
	\$M	\$M
Profit before tax	36.5	1.8
Add: net finance costs	1.4	1.6
Add: depreciation and amortisation	11.8	10.7
Add: impairment of Next Byte	-	19.4
Less: non-cash benefit of discontinued proprietary products	(10.5)	(6.5)
<b>Underlying EBITDA</b>	<b>39.2</b>	<b>27.0</b>

#### Telecommunications

Revenues from this division increased 44% in the year, driven by higher returns from Vita's Telstra-branded footprint, evident in strong like-for-like improvement, up 26%, coupled with the contribution from new stores. Higher revenues from the SMB and Enterprise channels also contributed with SMB up 79% and Enterprise up 60% albeit from low but growing bases. These were offset by a lower contribution from a consolidating Fone Zone portfolio, down to five points of presence at year end.

Telecommunications EBITDA grew strongly, up 46% to \$50.4 million, reflecting the growth in revenues and productivity improvements. Underlying EBITDA, excluding the benefit related to now-discontinued proprietary products, grew 43% to \$39.9 million.



## DIRECTORS' REPORT (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

#### Next Byte

In the computing division, a 20% decline in Next Byte revenue to \$59.9 million was the result of fewer stores and softness in older-format (V1) stores. Two V1 stores were closed leaving 12 stores overall at period end. On a like-for-like basis revenues were 7% down, however EBITDA increased by 11%. Newer-format (V2) stores significantly outperformed V1 stores with like-for-like revenues up 9% and EBITDA up 30%.

Further information relating to the results of both the Telecommunications and Computing segments are available under Segment Reporting in Note 1 to the Financial Statements.

#### Balance Sheet

The Group generated \$35.3 million in operating cash flows after interest and tax reflective of the strong uplift in earnings during the year and strong cash collections. Capital investment was \$16.0 million, slightly down on prior year with less acquisition activity occurring, particularly in the second half. Dividends of \$18.6 million were paid and \$11.4 million of new share capital was issued through the Dividend Reinvestment Plan. Gross debt reduced by \$3.5 million to \$13.4 million at period end, and cash balances were \$8.7 million higher than the previous year. Net debt was eliminated during the year with a net cash position of \$2.1 million (cash \$15.5 million less debt \$13.4 million) at year end.

#### Dividends

The board approved a total ordinary dividend for the year of 7.98 cps, fully franked, which represents an increase of 72% on the prior year and a payout ratio of 65% of profits after tax (excluding the non-cash benefit from Vita's discontinued proprietary warranty/swap products). The interim dividend paid in the year was 4.12 cents (FY14: 1.91 cents).

During the year the board also declared two special dividends of 3.00 cps in excess of ordinary dividends as part of its ongoing capital management plan. In addition, a further special dividend of 2.00 cps has been declared. Total dividends paid during the year totalled 15.98 cps, up 244% on prior year.

In October 2014, the Group announced a special dividend plan as part of its ongoing capital management strategy. The Group has declared 8.00 cps under this initiative, fully-franked, representing a significant return to shareholders. The Group also raised \$11.4 million through underwriting two of the three special dividends. In FY15, a class ruling was obtained from the Australian Taxation Office (ATO) which ensured that all franking credits attached to the underwritten special dividends would be recognised. The ATO is reviewing its treatment of dividends funded via capital raisings and accordingly, has withdrawn the class ruling relating to Vita Group for any distribution after June 30, 2015. The board will review its position in relation to future special dividends in light of developments on the availability of franking credits on dividends funded in part or wholly by the issue of shares.

The Dividend Reinvestment Plan was re-commenced in FY15, allowing eligible shareholders the flexibility to re-invest ordinary dividends in Vita Group shares.

The record date for both the ordinary and special dividends is 3 September 2015 with payment to be made on 8 October 2015.

#### The Future

Group priorities for FY16 and beyond are:

- Continuing to optimise the performance of retail by investing in people to improve leadership qualities, sales capability and execution, and to drive customer advocacy;
- Capture opportunities in the SMB channel, drive growth across a broad range of product categories, build team member capabilities and continue to build scale;
- Build on the platform established in Enterprise, embed new leadership and grow the sales pipeline across a broadening range of product categories.

#### Shareholder Returns

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

	FY15	FY14
Basic earnings per share (cents)	17.40	(3.26)
Underlying earnings per share* (cents)	10.18	7.14
Net debt/(net debt plus total equity)	(4.5%)	24.7%

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

The share price at 30 June 2015 was \$1.70 (FY14: \$0.74).

## DIRECTORS' REPORT (continued)

### OPERATING AND FINANCIAL REVIEW (continued)

#### Review of Financial Condition

The consolidated statement of cash flows shows an operating cash flow of \$35.3 million, compared to the previous year of \$17.6 million. Cash and cash equivalents at 30 June 2015 was \$15.5 million, compared to \$6.8 million at the end of the previous year.

#### Profile of Debts

	FY15 \$'000	FY14 \$'000
<b><i>Current</i></b>		
Obligations under finance leases, hire purchase contracts and chattel mortgages	62	4,522
Short term debt	7,738	1,161
	<b>7,800</b>	<b>5,683</b>
<b><i>Non-current</i></b>		
Obligations under finance leases, hire purchase contracts and chattel mortgages	-	1,310
Non-current term debt	5,594	9,911
	<b>5,594</b>	<b>11,221</b>
<b><i>Total</i></b>	<b>13,394</b>	<b>16,904</b>

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 (4.5%) 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)

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### 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 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 Chairman)
Maxine Horne	Chief Executive Officer
Neil Osborne	Director (Independent Non-Executive)
Robyn Watts	Director (Independent Non-Executive)
Paul Wilson	Director (Independent Non-Executive)

##### (ii) Executives

Adam Taylor	Chief People Officer (Resigned: 22 May 2015)
Andrew Leyden	Chief Financial Officer
Chris Preston	Chief Marketing Officer
Mark Anning	Group Company Secretary and Legal Counsel
Peter Connors	Chief Operating Officer

### 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 third 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 & 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 2014 Annual General Meeting

Vita Group Limited received more than 95.8% of "yes" votes on its remuneration report for the 2014 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 and loss figures for the current year, and the five prior years are as follows:

	FY15 \$m	FY14 \$m	FY13 \$m	FY12 \$m	FY11 \$m	FY10 \$m
Revenue from operating activities	601.4	450.1	434.7	410.4	386.9	**292.0
EBIT *	37.9	3.4	10.9	(8.5)	11.1	11.5
<b>Net Profit after Tax</b>	<b>25.4</b>	<b>(4.6)</b>	<b>6.2</b>	<b>(12.0)</b>	<b>6.8</b>	<b>7.7</b>
Total dividend for the year	<b>cents</b>	<b>cents</b>	<b>cents</b>	<b>cents</b>	<b>cents</b>	<b>cents</b>
Ordinary (cps)	7.98	4.64	2.83	1.50	3.10	-
Special (cps)	8.00	-	-	-	-	-
	<b>15.98</b>	<b>4.64</b>	<b>2.83</b>	<b>1.50</b>	<b>3.10</b>	<b>-</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Market Price per Share at 30 June</b>	1.70	0.74	0.62	0.25	0.22	0.22

\* 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 2015 were trading at \$1.70 (FY14: \$0.74).

A final dividend has been declared for the year ended 30 June 2015 of 3.86 cps (FY14: 2.73 cents). The total dividend for the year was 15.98 cps (4.12 cents interim paid, two 3.00 cents special dividend paid plus 3.86 cents final and 2.00 cents special dividends declared) (FY14: 4.64 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. Total Fixed Remuneration (TFR) which is comprised of:
- (i) Salary cash component;
  - (ii) Salary sacrificing (for example, superannuation);
  - (iii) Legislative superannuation contributions;
  - (iv) Other company provided non-cash benefits that would be considered part of a remuneration package (for example, motor vehicles, car allowances) as agreed from time to time; and
  - (v) The amount of any fringe benefits tax, GST and other taxes payable by Vita Group in consequence of the provision of non-cash benefits as part of the fixed remuneration package

Note: The following TFR components are excluded for the purposes of calculation of STIP and LTIP: (iv) non cash benefits provided by Vita Group; and (v) the amount of fringe benefits tax, GST and other taxes payable by Vita Group in consequence of the provision of non-cash benefits.

Each KMP's TFR is reviewed annually by the Remuneration & 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, including:
- (i) Short Term Incentive Program (STIP) – short term incentive payments paid as annual bonus payments, based on Group performance and individual performance and / or:
  - (ii) Long Term Incentive Program (LTIP) – longer term incentive payments in the form of bonus payments that are earned based on Group performance and paid in subsequent financial years.

#### STIP

The purpose of STIP is to drive financial performance in the year.

STIP will be paid if the Group achieves 95% or higher of the annual EBITDA budget as set by the board during the annual budgeting process. If the 95% hurdle is not achieved, the STIP pool is not available for allocation.

The amount of STIP payable is based upon:

- A multiplier based on performance against the Group's pre-determined annual EBITDA budget
- The individual's performance rating percentage, as reviewed by the CEO and moderated by the Board as part of the annual performance review process.

Under the FY15 STIP, KMPs may earn up to the following percentage of salary cash component; salary sacrificing amounts; and the legislative superannuation contribution component of their TFR (that is, A(i) , A(ii) and A(iii) as defined above) paid during the financial year:

CEO:	40 %
Other KMPs:	30 %

Payment amounts are determined as part of the annual remuneration review and are paid in the first quarter of financial year 2016. The amounts payable are subject to the discretion of the CEO (or in the case of the CEO, subject to the discretion of the Chairman), and in all cases are subject to approval by the board.

#### LTIP

The purpose of this program is to encourage KMP retention and drive the achievement of sustained financial results over a longer period of time. The program is structured on a deferred cash basis, involving no options or equity rights.

LTIP is based on achievement of predetermined targets for Group net profit after tax (NPAT). LTIP is calculated at 20% of the salary cash component; salary sacrificing amounts; and the legislative superannuation contribution component of their TFR (that is, A(i) , A(ii) and A(iii) as defined above) paid during the financial year. The LTIP amount is paid on a 1/3, 1/3, 1/3 basis over three years, conditional on the Group's attainment of NPAT. The NPAT target was set as part of the annual budgeting process and was achieved in FY15.

Payment amounts are determined as part of the annual remuneration review and are paid in in the first quarter of financial year 2016.

FY15 is the third year of operation of the LTIP for KMPs.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (AUDITED) (continued)

#### Remuneration of Key Managers (continued)

Name	Short Term Employee Benefits				Post Employment Benefits	Long Term Benefits		Total
	Cash salary and fees	Termination payments	Non-monetary Benefits	Bonus	Superannuation	Bonus	Long Service Leave	
<b>Non-executive Directors</b>								
<b>Dick Simpson</b>								
2015	169,223	-	-	-	16,076	-	-	185,299
2014	164,675	-	-	-	15,233	-	-	179,908
<b>Neil Osborne</b>								
2015	84,611	-	-	-	8,038	-	-	92,649
2014	82,337	-	-	-	7,616	-	-	89,953
<b>Robyn Watts</b>								
2015	84,611	-	-	-	8,038	-	-	92,649
2014	82,337	-	-	-	7,616	-	-	89,953
<b>Paul Wilson (Appointed: 9 May 2014)</b>								
2015	92,650	-	-	-	-	-	-	92,650
2014	15,442	-	-	-	-	-	-	15,442
<b>Executive Directors</b>								
<b>Maxine Horne</b>								
2015	660,181	-	65,390	291,089	36,346	78,529	25,680	1,157,215
2014	631,873	-	99,437*	218,054	25,000	36,342	21,193	1,031,899
<b>Other Group KMP</b>								
<b>Andrew Leyden</b>								
2015	537,560	-	-	169,048	-	63,666	-	770,274
2014	483,747	-	-	174,375	-	31,000	-	689,122
<b>Peter Connors</b>								
2015	425,722	-	9,493	150,000	25,961	48,334	37,884	697,394
2014	386,839	-	37,686*	121,875	25,000	21,667	4,249	597,316
<b>Adam Taylor (Resigned: 22 May 2015)</b>								
2015	222,451	37,759	-	96,952	36,115	26,198	(2,211)	417,264
2014	75,447	-	-	-	5,463	-	186	81,096
<b>Kendra Hammond (Resigned: 28 February 2014)</b>								
2015	-	-	-	-	-	-	-	-
2014	141,626	39,207	718*	110,227	28,412	14,300	-	334,490
<b>Mark Anning</b>								
2015	241,713	-	-	76,938	18,783	28,934	925	367,293
2014	208,821	-	-	52,146	24,518	12,876	1,818	300,179
<b>Jim Collier (Resigned: 6 September 2013)</b>								
2015	-	-	-	-	-	-	-	-
2014	48,820	14,731	-	-	4,989	-	-	68,540
<b>Chris Preston (Appointed: 6 January 2014)</b>								
2015	227,135	-	-	36,316	26,237	7,017	-	296,705
2014	102,584	-	-	-	8,613	-	-	111,197
<b>Total KMP Compensation</b>								
2015	2,745,857	37,759	74,883	820,343	175,594	252,678	62,278	4,169,392
2014	2,424,548	53,938	137,841	676,677	152,460	116,185	27,446	3,589,095

\*FY14 figures have been restated to include fringe benefits tax on non-monetary benefits.

- Other benefits include motor vehicles, private and spouse travel, and corporate hospitality.
- 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.
- An annual bonus for Maxine Horne is based upon a performance assessment against predetermined criteria. At the time of completion of this report, the Remuneration & Nomination Committee had not yet met to assess entitlements for FY15. The annual bonus for key management personnel (other than the CEO), 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, FY15 entitlements had not been assessed. This report reflects bonus paid in FY15 relating to FY14 entitlements. The annual bonus in FY14 reflects bonus paid in FY14 relating to FY13 entitlements.
- The LTIP bonus for key management personnel is based upon a performance assessment against predetermined criteria. At the time of completion of this report, FY15 entitlements had not been assessed. This report reflects bonus paid in FY15 relating to FY13 and FY14 entitlements. Payments relating to FY15 will be in FY16, FY17 and FY 18 and reflected in FY16, FY17 and FY18's remuneration report. In FY15 an amount of \$466K has been provided. The LTIP bonus paid in FY14 reflects bonus paid in FY14 relating to FY13 entitlements.
- 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.
- Paul Wilson's services as a Director is provided by Peandel Pty Ltd, which invoices Vita Group for his Directors fees. As such, Mr Wilson is responsible for his own superannuation arrangements.

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (AUDITED) (continued)

#### Remuneration of Key Managers (continued)

##### Components of Remuneration

Name	Fixed Remuneration		At Risk – STI/LTI	
	FY15 %	FY14 %	FY15%	FY14%
<b>Executive Directors</b>				
Maxine Horne	68.1	75.3	31.9	24.7
<b>Other Key Management Personnel</b>				
Adam Taylor - Resigned 22 May 2015	70.5	100.0	29.5	-
Andrew Leyden	69.8	70.2	30.2	29.8
Chris Preston - Appointed 6 January 2014	85.4	100.0	14.6	-
Jim Collier - Resigned 6 September 2013	-	100.0	-	-
Kendra Hammond - Resigned 28 February 2014	-	62.8	-	37.2
Mark Anning	71.2	78.3	28.8	21.7
Peter Connors	71.6	76.0	28.4	24.0

\*FY14 figures have been restated to include fringe benefits tax on non-monetary benefits. In addition the LTI has been reclassified as At Risk.

#### **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.

#### **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.

There was no increase to remuneration of the Non-Executive Directors in FY15. The base Director's fee per year, inclusive of superannuation, and including committee work remained at \$92,650 with the Chairman's fee remaining at \$185,600. This sum covers Directors' fees and superannuation contributions.

## **DIRECTORS' REPORT (continued)**

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### **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 2001 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 2001. 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:

	FY15 \$	FY14 \$
PricewaterhouseCoopers		
Tax compliance and consulting services	39,760	75,013
Other assurance services	17,471	9,227
	<b>57,231</b>	<b>84,240</b>

Signed in accordance with a resolution of the Directors.



Dick Simpson  
Chairman



Maxine Horne  
Director and Chief Executive Officer

Brisbane  
24 August 2015



## Auditor's Independence Declaration

As lead auditor for the audit of Vita Group Limited for the year ended 30 June 2015, 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.

  
PricewaterhouseCoopers

  
Kim Challenor  
Partner

Brisbane  
24 August 2015

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2015

	Note	FY15 \$'000	FY14 \$'000
Continuing operations			
Sale of goods		450,492	343,547
Fee and commission revenue		150,883	106,507
<b>Revenue</b>	2	<b>601,375</b>	<b>450,054</b>
Cost of sales		(393,019)	(295,858)
<b>Gross profit</b>		<b>208,356</b>	<b>154,196</b>
Other income	2	8,478	9,791
Employment expenses	3	(112,903)	(85,911)
Marketing and advertising expenses		(8,671)	(9,033)
Operating lease rental expenses	3	(22,636)	(20,102)
Administration expenses		(18,387)	(13,329)
Other expenses		(4,507)	(2,098)
		<b>49,730</b>	<b>33,514</b>
Depreciation and amortisation	3	(11,822)	(10,734)
Impairment of Next Byte business	3	-	(19,397)
		<b>37,908</b>	<b>3,383</b>
Interest income		461	319
Finance costs		(1,900)	(1,931)
<b>Net finance costs</b>	3	<b>(1,439)</b>	<b>(1,612)</b>
<b>Profit before income tax</b>		<b>36,469</b>	<b>1,771</b>
Income tax (expense)	24	(11,067)	(6,413)
<b>Profit/(loss) for the period</b>		<b>25,402</b>	<b>(4,642)</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income/(loss) for the year, attributable to the ordinary equity holders of Vita Group Limited</b>		<b>25,402</b>	<b>(4,642)</b>
<b>Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company</b>			
- basic (cents per share)	22	17.40	(3.26)
- diluted (cents per share)	22	17.40	(3.26)

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

## CONSOLIDATED BALANCE SHEET

### AS AT 30 JUNE 2015

	Note	FY15 \$'000	FY14 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	12	15,494	6,808
Trade and other receivables	4	29,418	25,546
Inventories	5	14,567	11,900
<b>Total Current Assets</b>		<b>59,479</b>	<b>44,254</b>
<b>Non-current Assets</b>			
Term deposits	13	25	25
Plant and equipment	6	17,277	22,158
Intangible assets and goodwill	7	54,891	46,412
Deferred tax assets	11	9,700	11,988
<b>Total Non-current Assets</b>		<b>81,893</b>	<b>80,583</b>
<b>TOTAL ASSETS</b>		<b>141,372</b>	<b>124,837</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	67,394	63,304
Interest bearing loans and borrowings	14	7,800	5,683
Income tax liability		2,358	1,037
Provisions	10	2,832	1,868
<b>Total Current Liabilities</b>		<b>80,384</b>	<b>71,892</b>
<b>Non-current Liabilities</b>			
Trade and other payables	9	2,046	7,058
Interest bearing loans and borrowings	14	5,594	11,221
Provisions	10	4,356	3,926
<b>Total Non-current Liabilities</b>		<b>11,996</b>	<b>22,205</b>
<b>TOTAL LIABILITIES</b>		<b>92,380</b>	<b>94,097</b>
<b>NET ASSETS</b>		<b>48,992</b>	<b>30,740</b>
<b>EQUITY</b>			
Contributed equity	23	24,526	13,079
Retained earnings	23	24,466	17,661
<b>TOTAL EQUITY</b>		<b>48,992</b>	<b>30,740</b>

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 2015

	Attributable to equity holders of the parent		
	Contributed equity	Retained earnings	Total equity
	\$'000	\$'000	\$'000
At 1 July 2013	13,079	27,419	40,498
(Loss) for the year	-	(4,642)	(4,642)
<b>Total comprehensive (loss) for the year</b>	-	(4,642)	(4,642)
Transactions with owners in their capacity as owners:			
Dividends paid	-	(5,116)	(5,116)
<b>At 30 June 2014</b>	<b>13,079</b>	<b>17,661</b>	<b>30,740</b>
At 1 July 2014	13,079	17,661	30,740
Profit for the year	-	25,402	25,402
<b>Total comprehensive income for the year</b>	-	<b>25,402</b>	<b>25,402</b>
Transactions with owners in their capacity as owners:			
Dividend Reinvestment Plan net of costs	11,447	-	11,447
Dividends paid	-	(18,597)	(18,597)
<b>At 30 June 2015</b>	<b>24,526</b>	<b>24,466</b>	<b>48,992</b>

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 2015

	Note	FY15 \$'000	FY14 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		648,239	494,126
Payments to suppliers and employees (inclusive of GST)		(604,112)	(469,655)
Interest received		461	319
Finance costs		(1,804)	(1,792)
Income tax (paid)		(7,463)	(5,373)
<b>Net cash flows from operating activities</b>	12	<b>35,321</b>	<b>17,625</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(4,687)	(4,968)
Purchase of software		(278)	(1,476)
Payments for acquisitions	8	(11,055)	(13,224)
Proceeds from sale of property, plant & equipment		46	-
<b>Net cash flows (used in) investing activities</b>		<b>(15,974)</b>	<b>(19,668)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		11,966	12,665
Repayment of borrowings		(14,889)	(9,425)
Repayment of finance lease principal		(588)	(2,050)
Issue of share capital		11,447	-
Dividends paid	15	(18,597)	(5,116)
<b>Net cash flows (used in) financing activities</b>		<b>(10,661)</b>	<b>(3,926)</b>
Net increase/(decrease) in cash and cash equivalents		8,686	(5,969)
Cash and cash equivalents at beginning of year		6,808	12,777
<b>Cash and cash equivalents at end of the year</b>	12	<b>15,494</b>	<b>6,808</b>

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

## NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL OVERVIEW FOR THE YEAR ENDED 30 JUNE 2015

### 1. SEGMENT REPORTING

#### *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. 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.

#### *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 2015 is as follows:

	Telecommunications \$'000	Computing \$'000	Total operations \$'000
<b>FY15</b>			
<b>Revenue</b>			
Sales of goods	392,723	57,769	450,492
Fee and commission revenue	148,786	2,097	150,883
<b>Total segment revenue</b>	<b>541,509</b>	<b>59,866</b>	<b>601,375</b>
<b>Underlying EBITDA*</b>	<b>39,898</b>	<b>(703)</b>	<b>39,195</b>
Depreciation and amortisation	(11,009)	(813)	(11,822)
Allocated income tax expense	(11,389)	322	(11,067)
*Underlying EBITDA excludes amortisation of proprietary products.			
<b>FY14</b>			
<b>Revenue</b>			
Sales of goods	270,406	73,141	343,547
Fee and commission revenue	104,471	2,036	106,507
<b>Total segment revenue</b>	<b>374,877</b>	<b>75,177</b>	<b>450,054</b>
<b>Underlying EBITDA*</b>	<b>27,975</b>	<b>(1,005)</b>	<b>26,970</b>
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.			

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.

**NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL OVERVIEW (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**1. SEGMENT REPORTING (continued)**

*Other segment information*

*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 above. A summary of revenue across these product areas is shown below:

	FY15 \$'000	FY14 \$'000
Telecommunications products	541,509	374,877
Computing products	59,866	75,177
<b>Total segment revenue</b>	<b>601,375</b>	<b>450,054</b>

Revenues of approximately \$153,731,732 (FY14: \$107,047,786) 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:

	FY15 \$'000	FY14 \$'000
<b>Total segment revenue</b>	<b>601,375</b>	<b>450,054</b>
<b>Total revenue from continuing operations (Note 2)</b>	<b>601,375</b>	<b>450,054</b>

*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 discontinued joint ventures.

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

	FY15 \$'000	FY14 \$'000
<b>Underlying EBITDA (excluding Next Byte impairment)</b>	<b>39,195</b>	<b>26,970</b>
Non-cash benefit of discontinued proprietary products	10,535	6,544
Interest revenue	461	319
Finance costs	(1,900)	(1,931)
Depreciation and amortisation	(11,822)	(10,734)
Impairment of Next Byte goodwill	-	(19,397)
<b>Profit from continuing operations before income tax</b>	<b>36,469</b>	<b>1,771</b>

*Segment assets and liabilities*

No reporting is currently provided to the Chief Executive Officer and the board with respect to total segment assets and 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.

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

	FY15 \$'000	FY14 \$'000
Telecommunications	134,063	114,566
Computing	7,309	10,271
<b>Total assets as per the consolidated balance sheet</b>	<b>141,372</b>	<b>124,837</b>



**NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL OVERVIEW (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**2. REVENUE**

	FY15 \$'000	FY14 \$'000
Revenue		
Sale of goods	450,492	343,547
Fee and commission revenue	150,883	106,507
	<b>601,375</b>	<b>450,054</b>
Other income		
Cooperative advertising revenue	7,716	8,378
Other miscellaneous income	762	1,413
	<b>8,478</b>	<b>9,791</b>

***Recognition and measurement***

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 measurable 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 or installation of the goods to the customer.

*Rendering of services*

Revenue from professional services is recognised in the accounting period in which the services are rendered.

*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.

*Dividends*

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

**NOTES TO THE FINANCIAL STATEMENTS: FINANCIAL OVERVIEW (Continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**3. EXPENSES**

	Note	FY15 \$'000	FY14 \$'000
<b>Net finance costs</b>			
Finance charges under finance leases		6	138
Finance charges under hire purchase contracts and chattel mortgages		201	595
Provisions: unwinding of discount		152	125
Line facility fee		817	924
Interest on term debt		656	148
Other interest expense		68	1
<b>Total finance costs</b>		<b>1,900</b>	<b>1,931</b>
Interest revenue on bank deposits		(461)	(319)
<b>Net finance costs</b>		<b>1,439</b>	<b>1,612</b>
<b>Depreciation and amortisation</b>			
Depreciation of plant and equipment	6	10,514	8,303
Amortisation of plant and equipment under lease	6	91	1,338
Amortisation of intangibles	7	1,217	1,093
		<b>11,822</b>	<b>10,734</b>
<b>Impairment</b>			
Impairment of Next Byte goodwill	17	-	19,397
		-	<b>19,397</b>
<b>Employment expenses</b>			
Wages and salaries		99,136	75,947
Defined contribution superannuation expense		8,056	6,365
Employee entitlements		5,711	3,599
		<b>112,903</b>	<b>85,911</b>
<b>Operating lease rental expenses</b>			
Lease payments – operating lease		<b>22,636</b>	<b>20,102</b>

**Recognition and measurement**

*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.

*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.

*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.

*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.

**NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS**  
FOR THE YEAR ENDED 30 JUNE 2015

**4. TRADE AND OTHER RECEIVABLES**

	FY15 \$'000	FY14 \$'000
Trade receivables	28,093	27,654
Allowance for doubtful debts	(4,321)	(4,554)
	<b>23,772</b>	<b>23,100</b>
Other receivables	1,827	1,156
Prepayments	3,819	1,290
	<b>29,418</b>	<b>25,546</b>

**Allowance for doubtful debts**

As at 30 June 2015, provisions were made against current trade receivables to the value of \$4,320,777 (FY14: \$4,554,210). 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	4,321	4,554
Balance at 30 June	<b>4,321</b>	<b>4,554</b>

Movements in provision for doubtful debts were as follows:

At 1 July	4,554	4,571
(Release)/charge for the year	(114)	75
Amounts written off	(119)	(92)
Balance at 30 June	<b>4,321</b>	<b>4,554</b>

As of 30 June 2015, trade receivables of \$132,998 (FY14: \$300,970) 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	86	152
91+ days	47	149
Balance at 30 June	<b>133</b>	<b>301</b>

**Recognition and measurement**

Trade receivables are non-interest bearing. They include an assessment of amounts owing by Telstra as well as regular debtors. 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. Telstra claims can take up to 12 months to finalise.

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.

## NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS (continued) FOR THE YEAR ENDED 30 JUNE 2015

### 4. TRADE AND OTHER RECEIVABLES (continued)

#### *Recognition and measurement (continued)*

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.

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.

### 5. INVENTORY

	FY15 \$'000	FY14 \$'000
Finished goods	16,225	12,710
Provision for diminution in value	(1,658)	(810)
<b>Total inventories at the lower of cost or net realisable value</b>	<b>14,567</b>	<b>11,900</b>

Inventories recognised as an expense for the year ended 30 June 2015 totalled \$389,893,842 (FY14: \$291,287,153). This expense has been included in the cost of sales line item as a cost of inventories.

Inventory write-downs recognised as an expense totalled \$1,592,729 (FY14: \$1,009,985).

#### *Recognition and measurement*

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.

#### *Replacement Handset Stock*

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

**NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS (continued)**  
FOR THE YEAR ENDED 30 JUNE 2015

**6. PLANT AND EQUIPMENT**

	Plant and equipment under lease	Plant and equipment	Total
	\$'000	\$'000	\$'000
<b>At 1 July 2013</b>			
Cost	7,610	50,469	58,079
Accumulated depreciation and impairment	(5,293)	(27,108)	(32,401)
<b>Net book amount</b>	<b>2,317</b>	<b>23,361</b>	<b>25,678</b>
<b>Year ended 30 June 2014</b>			
Opening net book amount	2,317	23,361	25,678
Additions	-	5,021	5,021
Acquired on acquisition	-	1,185	1,185
Transfers	(192)	192	-
Disposals	-	(85)	(85)
Depreciation charge	(1,338)	(8,303)	(9,641)
<b>Closing net book amount</b>	<b>787</b>	<b>21,371</b>	<b>22,158</b>
<b>At 1 July 2014</b>			
Cost	3,730	55,543	59,273
Accumulated depreciation and impairment	(2,943)	(34,172)	(37,115)
<b>Net book amount</b>	<b>787</b>	<b>21,371</b>	<b>22,158</b>
<b>Year ended 30 June 2015</b>			
Opening net book amount	787	21,371	22,158
Additions	-	5,246	5,246
Acquired on acquisition	-	555	555
Transfers	(696)	696	-
Disposals	-	(77)	(77)
Depreciation charge	(91)	(10,514)	(10,605)
<b>Closing net book amount</b>	<b>-</b>	<b>17,277</b>	<b>17,277</b>

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

There were no additions during the year of plant and equipment financed under finance lease agreements (FY14: nil).

Additions to the lease make good asset recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* during FY15 were \$426,162 (FY14: \$313,900). This amount is offset by the corresponding provision for make good in Note 10 Provisions.

**Recognition and measurement**

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.

## NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS (continued) FOR THE YEAR ENDED 30 JUNE 2015

### 6. PLANT AND EQUIPMENT (continued)

#### Recognition and measurement (continued)

##### Impairment

The carrying values of fixed assets are reviewed for impairment at each reporting date, and when events or changes in circumstances indicate that the carrying value may not be recoverable. 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. 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.

The recoverable amount of plant and equipment is the higher of 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 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 consolidated 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 consolidated statement of comprehensive income in the year the asset is derecognised.

### 7. INTANGIBLE ASSETS AND GOODWILL

	Customer database	Software	Goodwill	Total
	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2013</b>				
Cost	720	6,353	68,898	75,971
Accumulated amortisation	(720)	(4,945)	(21,816)	(27,481)
<b>Net book amount</b>	<b>-</b>	<b>1,408</b>	<b>47,082</b>	<b>48,490</b>
<b>Year ended 30 June 2014</b>				
Opening net book amount	-	1,408	47,082	48,490
Additions	-	1,499	-	1,499
Acquired on acquisition	-	-	16,913	16,913
Transfers	-	-	-	-
Disposals	-	-	-	-
Amortisation and impairment charge	-	(1,093)	(19,397)	(20,490)
<b>Closing net book amount</b>	<b>-</b>	<b>1,814</b>	<b>44,598</b>	<b>46,412</b>
<b>At 1 July 2014</b>				
Cost	720	7,821	85,811	94,352
Accumulated amortisation	(720)	(6,007)	(41,213)	(47,940)
<b>Net book amount</b>	<b>-</b>	<b>1,814</b>	<b>44,598</b>	<b>46,412</b>
<b>Year ended 30 June 2015</b>				
Opening net book amount	-	1,814	44,598	46,412
Additions	-	306	-	306
Acquired on acquisition	-	-	9,394	9,394
Transfers	-	-	-	-
Disposals	-	(4)	-	(4)
Amortisation charge	-	(1,217)	-	(1,217)
<b>Closing net book amount</b>	<b>-</b>	<b>899</b>	<b>53,992</b>	<b>54,891</b>

**NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**7. INTANGIBLE ASSETS AND GOODWILL (continued)**

***Recognition and measurement***

*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 acquirees' 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.

*Intangible assets*

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 with a finite life 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. This requires an estimation of the recoverable amount of the cash-generating units to which the intangible with finite life is allocated. 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:

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.

<b>Accounting Method</b>	<b>Customer Database</b>	<b>Software</b>
Method used	2 years – straight line	2 ½ years – straight line
Impairment test / recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists

## NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS (continued) FOR THE YEAR ENDED 30 JUNE 2015

### 8. 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, Wollongong, and Mittagong Telstra Business Centres

<b>Purchase Consideration</b>	<b>\$'000</b>
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
<b>Total purchase consideration</b>	<b>10,578</b>

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

	<b>Inventories</b>	<b>Plant and equipment</b>	<b>Net identifiable assets acquired</b>	<b>Add: Goodwill</b>	<b>Total identifiable assets acquired</b>
<b>Fair Value</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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
	<b>629</b>	<b>555</b>	<b>1,184</b>	<b>9,394</b>	<b>10,578</b>

#### **Acquisition related costs**

\$477,170 in acquisition-related costs are included in administration expenses in the consolidated 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 these stores 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 \$29,213,039 and EBITDA of \$4,117,130 to the Group for the period from acquisition date to 30 June 2015.

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 \$37,264,529 and \$5,153,385 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.



**NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS (continued)**  
FOR THE YEAR ENDED 30 JUNE 2015

**8. BUSINESS COMBINATIONS (continued)**

*Revenue and profit contribution\* (continued)*

Cash flow information	FY15 \$'000	FY14 \$'000
<b>Outflow of cash to acquire business, net of cash acquired</b>		
Cash consideration	10,578	13,125
Acquisition related costs	477	54
	<b>11,055</b>	<b>13,179</b>
<b>Less: Balances acquired</b>		
Cash	-	41
Bank overdraft	-	(86)
	<b>11,055</b>	<b>13,224</b>

**9. TRADE AND OTHER PAYABLES**

	FY15 \$'000	FY14 \$'000
<b>Current</b>		
Trade payables	30,558	23,106
Other payables and accruals	24,586	20,160
Unearned revenue	7,045	15,767
Annual leave accrual	5,205	4,271
	<b>67,394</b>	<b>63,304</b>
<b>Non-current</b>		
Other payables and accruals	2,001	2,547
Unearned revenue	45	4,511
	<b>2,046</b>	<b>7,058</b>
<b>Total</b>	<b>69,440</b>	<b>70,362</b>

**Recognition and measurement**

Trade payables 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, non-interest bearing and are paid within terms ranging from 14 to 90 days from recognition.

*Fair value*

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

*Wages, salaries, annual leave and bonuses*

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 in relation to bonuses are recognised in other payables and accruals where contractually obliged or where there is a past practice that has created a constructive obligation.

Liabilities for annual leave are recognised in annual leave accrued 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: KEY NUMBERS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**10. PROVISIONS**

	2015			2014		
	Current \$'000	Non- Current \$'000	Total \$'000	Current \$'000	Non-Current \$'000	Total \$'000
Employee benefits	764	1,380	2,144	633	828	1,461
Make good provision	1,127	1,832	2,959	715	2,098	2,813
Onerous lease provision	941	420	1,361	520	331	851
Contingent consideration	-	724	724	-	669	669
	<b>2,832</b>	<b>4,356</b>	<b>7,188</b>	<b>1,868</b>	<b>3,926</b>	<b>5,794</b>

Movements in provisions:

	Make good provision \$'000	Onerous lease liability \$'000	Contingent consideration \$'000	Total \$'000
Opening balance	2,812	851	669	4,332
Additional provisions	427	1,368	-	1,795
Unwinding of discount	19	78	55	152
Utilised during the year	(299)	(936)	-	(1,235)
	<b>2,959</b>	<b>1,361</b>	<b>724</b>	<b>5,044</b>

**Recognition and measurement**

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.

*Employee benefits*

The current employee benefits provision represents the unconditional entitlements to long service leave where the employee has completed their required service period. The non-current provision for employee benefits represents conditional long service leave entitlements and employee entitlements expected to be settled outside 12 months. Liabilities for long service leave are 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 corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. The LTIP for KMP was introduced in FY13. The Group has recognised a payable and provision based on the expected entitlement earned in FY15 but to be paid on a 1/3, 1/3, 1/3 basis over the coming three years.

*Make good provision*

The Group is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease terms. The Group estimates its liability to provide for the restoration by reference to historical data and by specific estimates on a premise-by-premise basis. 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.

*Onerous lease provision*

The Group 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.

**NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**10. PROVISIONS (continued)**

**Recognition and measurement (continued)**

*Contingent consideration*

The Group has made a contingent consideration arrangement in the event that certain pre-determined EBITDA targets are met 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.

**11. DEFERRED TAX ASSET**

<b>Note</b>	<b>FY15 \$'000</b>	<b>FY14 \$'000</b>
Deferred income tax in the consolidated balance sheet relates to the following:		
Provisions	3,351	2,801
Inventory	552	292
Finance lease liability	-	178
Provision employee benefits	2,073	1,719
Lease provision	1,296	1,099
Unearned revenue	2,127	6,084
Share issue cost	119	-
Property, plant and equipment	182	(185)
<b>Net deferred tax assets</b>	<b>9,700</b>	<b>11,988</b>
Deferred tax assets expected to be recovered within 12 months	8,015	9,508
Deferred tax assets expected to be recovered after more than 12 months	1,685	2,665
Deferred tax liabilities expected to be recovered after more than 12 months	-	(185)
	<b>9,700</b>	<b>11,988</b>
<b>Movement in deferred tax assets</b>		
<b>At 1 July</b>	11,988	13,310
Credited to profit or loss	24	(2,407)
Amounts recognised directly in equity	23	119
Acquisition of Camelot ICT Solutions Pty Ltd	-	664
<b>At 30 June</b>	<b>9,700</b>	<b>11,988</b>

**Recognition and measurement**

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.

## NOTES TO THE FINANCIAL STATEMENTS: KEY NUMBERS (continued) FOR THE YEAR ENDED 30 JUNE 2015

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### 11. DEFERRED TAX ASSET (continued)

#### *Recognition and measurement (continued)*

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.

**NOTES TO THE FINANCIAL STATEMENTS: CASH MANAGEMENT**  
FOR THE YEAR ENDED 30 JUNE 2015

**12. CASH AND CASH EQUIVALENTS**

	FY15 \$'000	FY14 \$'000
<b>Cash at bank and on hand</b>	<b>15,494</b>	<b>6,808</b>
<b>Reconciliation of net profit/(loss) after tax to net cash flows from operations</b>		
Net profit/(loss)	25,402	(4,642)
<i>Adjustments for:</i>		
Depreciation	10,514	8,303
Amortisation	1,308	2,431
Impairment of goodwill	-	19,397
Net profit/(loss) on disposal of plant and equipment	61	(6)
Make good provision: unwinding of discount	19	81
Onerous lease provision: unwinding of discount	78	20
Doubtful debt provision	(233)	999
Inventory obsolescence provision	848	(108)
Make good provision	(299)	(477)
Onerous lease provision	(936)	(312)
<i>Changes in operating assets and liabilities:</i>		
(Decrease) in trade and other receivables	(1,110)	(4,326)
(Decrease)/increase in inventory	(2,885)	2,036
(Decrease) in prepayments	(2,529)	(170)
Decrease in deferred tax assets	2,288	1,986
Increase/(decrease) in current tax liability	1,321	(944)
Increase/(decrease) in trade, other payables and accruals	13,594	(2,933)
(Decrease) in unearned revenue	(13,188)	(7,707)
Increase in provisions	1,068	3,997
<b>Net cash flow from operating activities</b>	<b>35,321</b>	<b>17,625</b>

**Recognition and measurement**

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.

**13. TERM DEPOSITS**

	FY15 \$'000	FY14 \$'000
<b>Term deposits</b>	<b>25</b>	<b>25</b>

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 1.50% (FY14: 2.00%).

**NOTES TO THE FINANCIAL STATEMENTS: CASH MANAGEMENT (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**14. INTEREST BEARING LOANS AND BORROWINGS**

	Maturity	FY15 \$'000	FY14 \$'000
<b>Current</b>			
Obligations under finance leases	2016	-	594
Obligations under hire purchase contracts	2016	62	2,310
Obligations under chattel mortgage	2016	-	1,618
Short term debt	2016	7,738	1,161
		<b>7,800</b>	<b>5,683</b>
<b>Non-current</b>			
Non-current term debt	2017 - 2018	5,594	9,911
Obligations under hire purchase contracts	2017	-	62
Obligations under chattel mortgage	2017	-	1,248
		<b>5,594</b>	<b>11,221</b>
<b>Total</b>		<b>13,394</b>	<b>16,904</b>

***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 6. The value of assets under hire purchase contracts is nil (FY14: \$6,374,928). The value of assets under chattel mortgage arrangements is \$36,026 (FY14: \$3,507,751).

***Short term debt and non-current term debt***

The interest rate and facility fee charged on the term debt at 30 June 2015 was between 3.09% to 5.30% (FY14: 4.17% to 5.30%).

The Group's loan and lease facilities are secured under the Group's Deed of Cross Guarantee, which is detailed in Note 19.

***Fair values***

The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates varying from 3.09% to 4.59% (FY14: 4.17% to 5.71%), depending on the type of borrowing.

	Carrying amount		Fair value	
	FY15 \$'000	FY14 \$'000	FY15 \$'000	FY14 \$'000
Obligations under finance leases and hire purchase contracts	62	2,966	59	2,790
Obligations under chattel mortgage	-	2,866	-	2,671
Term debt	13,332	11,072	12,763	10,241
	<b>13,394</b>	<b>16,904</b>	<b>12,822</b>	<b>15,702</b>

***Interest rate and liquidity risk***

Details regarding interest rate and liquidity risk are disclosed in Note 16.

***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 \$13.7 million (FY14: \$10.9 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 (FY14: \$3.0 million).

**NOTES TO THE FINANCIAL STATEMENTS: CASH MANAGEMENT (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**14. INTEREST BEARING LOANS AND BORROWINGS (continued)**

*Recognition and measurement*

*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 these assets would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

*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 right 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.

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.

**15. DIVIDENDS PAID AND PROPOSED**

*Declared and paid during the year*

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.

	FY15 \$'000	FY14 \$'000
Final dividend for FY14 of 2.73 cents per share (FY13: 1.68)	3,890	2,394
Special dividend for FY15 of 3.00 cents per share (FY14: Nil)	4,277	-
Interim dividend for FY15 of 4.12 cents per share paid (FY14: 1.91)	6,035	2,722
Special dividend for FY15 of 3.00 cents per share (FY14: Nil)	4,395	-
	<b>18,597</b>	<b>5,116</b>

**NOTES TO THE FINANCIAL STATEMENTS: CASH MANAGEMENT (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**15. DIVIDENDS PAID AND PROPOSED (continued)**

*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 3.86 cents per share (FY14: 2.73), fully franked based on tax paid at 30%. The directors have also approved a special dividend of 2.00 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividends expected to be paid in October 2015 out of retained earnings at 30 June 2015, but not recognised as a liability at year end, is \$8,864,939.

	FY15 \$'000	FY14 \$'000
	8,865	3,890

*Franked dividends*

The franked portions of the final dividends approved after 30 June 2015 will be franked out of existing franking credits or franking credits arising from the payment of income tax in the year ending 30 June 2016.

Franking credits available for subsequent financial years based on a tax rate of 30% (FY14: 30%):

	FY15 \$'000	FY14 \$'000
	43,737	43,424

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 \$3,799,260 (FY14: \$1,667,484).



## NOTES TO THE FINANCIAL STATEMENTS: RISK FOR THE YEAR ENDED 30 JUNE 2015

### 16. 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 commodity and equity price risks.

#### **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 14.

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

	FY15 \$'000	FY14 \$'000
<b>Financial Assets</b>		
Cash	15,494	6,808
Term deposits	25	25
	<b>15,519</b>	<b>6,833</b>
<b>Financial Liabilities</b>		
Term debt	(5,931)	(7,572)
Obligations under hire purchase	(62)	(1,652)
Obligations under chattel mortgage	-	(2,223)
	<b>(5,993)</b>	<b>(11,447)</b>
<b>Net Asset/(Exposure)</b>	<b>9,526</b>	<b>(4,614)</b>

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 2015, 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)	67	(32)
- 1 % (100 basis points)	(67)	32

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

#### **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, 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.

## NOTES TO THE FINANCIAL STATEMENTS: RISK (continued)

### FOR THE YEAR ENDED 30 JUNE 2015

#### 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### *Credit risk (continued)*

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 2015. 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 2015.

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

	1 year or less	1 - 5 years	Over 5 years	Total contractual outflows	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2015					
Trade and other payables	30,558	-	-	30,558	30,558
Borrowings	8,174	5,685	-	13,859	13,394
Finance leases	-	-	-	-	-
	<b>38,732</b>	<b>5,685</b>	<b>-</b>	<b>44,417</b>	<b>43,952</b>
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
	<b>32,751</b>	<b>8,370</b>	<b>-</b>	<b>41,121</b>	<b>40,005</b>

**NOTES TO THE FINANCIAL STATEMENTS: RISK (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**17. IMPAIRMENT TESTING OF GOODWILL**

***Impairment tests for 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. The Group's cash-generating units are 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	Computing	Carrying amount of goodwill
	\$'000	\$'000	\$'000
At 1 July 2013	27,685	19,397	47,082
Additions	16,913	-	16,913
Impairment*	-	(19,397)	(19,397)
At 30 June 2014	<b>44,598</b>	-	<b>44,598</b>
At 1 July 2014	44,598	-	44,598
Additions	9,394	-	9,394
At 30 June 2015	<b>53,992</b>	-	<b>53,992</b>

\*The carrying amount of the computing business has been reduced to its recoverable amount through recognition of an impairment loss against goodwill in FY14.

***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 year's two to five. 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 FY15'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 three fair values due to the use of non-observable inputs.

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

	FY15	FY14
Revenue	4.9%	5.9%
Cost of goods sold	4.6%	5.4%
Operating expenses	3.9%	4.4%
Pre-tax discount rate	11.7%	13.0%

**NOTES TO THE FINANCIAL STATEMENTS: RISK (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**17. IMPAIRMENT TESTING OF GOODWILL (continued)**

***Impairment charge***

As a result of an internal reassessment of strategy following the acquisition of Camelot 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 FY14 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.

***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.

<b>Sensitivity – Telecommunications segment</b>	<b>Impact on cash flows \$'000</b>	<b>Impairment charge</b>
2% reduction in projected revenues in all years	(48,840)	<b>No</b>
5% reduction in projected revenues in all years	(122,101)	<b>No</b>
1% increase in pre-tax discount rate	(69,413)	<b>No</b>
3% increase in pre-tax discount rate	(175,191)	<b>No</b>

**NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE**  
FOR THE YEAR ENDED 30 JUNE 2015

**18. PARENT ENTITY DISCLOSURES**

	FY15 \$'000	FY14 \$'000
Result of parent entity		
Profit/(loss) for the year	21,741	(17,131)
Other comprehensive income	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>21,741</b>	<b>(17,131)</b>
<b>Financial position of parent entity at year-end</b>		
Current assets	30,043	14,250
Non-current assets	19,696	19,577
<b>Total assets</b>	<b>49,739</b>	<b>33,827</b>
Current liabilities	2,366	1,047
<b>Total liabilities</b>	<b>2,366</b>	<b>1,047</b>
<b>Total equity of the parent comprising of:</b>		
Share capital	34,336	22,889
Retained earnings	13,037	9,891
	<b>47,373</b>	<b>32,780</b>

During the financial year ended 30 June 2015, Vita Group Limited declared and paid fully franked dividends of \$18,596,689. The directors also approved and paid intercompany fully franked dividends of \$31,000,000 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.

	FY15 \$'000	FY14 \$'000
Guarantees held for:		
Leasing commitments	2,108	2,259
Other supplier arrangements	19,000	19,000
	<b>21,108</b>	<b>21,259</b>

There were no other contingencies as at reporting date (FY14: 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 19 to the accounts.

**Capital commitments**

The parent entity had not committed to any capital commitments at reporting date (FY14: nil).

**Recognition and measurement**

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

*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.

*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.

**NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**18. PARENT ENTITY DISCLOSURES (continued)**

**Recognition and Measurement (continued)**

*Taxation*

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.

**19. RELATED PARTY DISCLOSURES**

**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	
		FY15 %	FY14 %	FY15 \$'000	FY14 \$'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	-	-
Vita People Pty Ltd	Australia	100	100	-	-
The Learning Academy Pty Ltd	Australia	100	100	-	-
<b>Total investments in controlled entities – at cost</b>				<b>19,293</b>	<b>19,293</b>

**Subsidiaries of Fone Zone Pty Ltd:**

Fone Zone Queensland Pty Ltd	Australia	100	100
Fone Zone New 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	Australia	100	100

**Subsidiaries of Communique Holdings Pty Ltd:**

Sprout Corporation Pty Ltd	Australia	100	100
iConcierge Technology Solutions Pty Ltd	Australia	100	100
Qibbus (Aust) Pty Ltd	Australia	100	100

**Subsidiaries 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

The above entities are providers of communications, electronics and accessories and ICT products and services.

## NOTES TO THE FINANCIAL STATEMENTS: GROUP STRUCTURE (continued)

### FOR THE YEAR ENDED 30 JUNE 2015

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#### 19. RELATED PARTY DISCLOSURES (continued)

##### ***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 Entities, 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.

##### ***Transactions with Directors and Director related entities***

During the year there were no transactions with Directors or Director related entities.

##### ***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 18.

## NOTES TO THE FINANCIAL STATEMENTS: UNRECOGNISED ITEMS FOR THE YEAR ENDED 30 JUNE 2015

### 20. COMMITMENTS AND CONTINGENCIES

#### *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 one and five 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:

	FY15	FY14
	\$'000	\$'000
Within one year	14,890	16,235
After one year but not more than five years	14,172	24,624
	<b>29,062</b>	<b>40,859</b>

#### *Sub-lease payments*

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

	132	359
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#### *Finance lease commitments*

The Group had finance leases for various items of plant and equipment with a carrying amount of nil (FY14: \$787,413). These leases had terms of renewal but no purchase options and escalation clauses. Renewals were 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
<b>Total minimum payments</b>	-	<b>594</b>
Less amounts representing finance charges	-	(7)
<b>Present value of minimum payments</b>	-	<b>587</b>

#### *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:

Within one year	64	106
After one year but not more than five years	-	230
<b>Total minimum lease payments</b>	<b>64</b>	<b>336</b>
Less amounts representing finance charges	(2)	(19)
<b>Present value of minimum lease payments</b>	<b>62</b>	<b>317</b>

#### *Capital commitments*

There was \$4,608,617 of capital commitments as at reporting date (FY14: \$1,149,335).



**NOTES TO THE FINANCIAL STATEMENTS: UNRECOGNISED ITEMS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**20. COMMITMENTS AND CONTINGENCIES (continued)**

**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.

	FY15 \$'000	FY14 \$'000
Leasing commitments	2,516	3,470
Other supplier arrangements	19,000	19,000
	<b>21,516</b>	<b>22,470</b>

**21. EVENTS AFTER BALANCE SHEET DATE**

The below table represent contracts entered into by the Group to acquire the listed licensed Telstra Licensed stores and Telstra Business Centres.

Location	Contract Date	Settlement Date	Consideration \$'000
Telstra Business Centre Virginia	17/04/2015	23/07/2015	2,200
Telstra Business Centre Frenchs Forest and Telstra Licensed Store Warriewood	02/07/2015	20/08/2015	2,175

At the time the financial statement were authorised for issue, accounting for the business combinations was incomplete, as the fair values of the assets and liabilities were still being determined.

## NOTES TO THE FINANCIAL STATEMENTS: OTHER FOR THE YEAR ENDED 30 JUNE 2015

### 22. EARNINGS PER SHARE

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

	FY15 \$'000	FY14 \$'000
<b>Net profit/(loss) attributable to ordinary equity holders of the parent</b>	25,402	(4,642)
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	146,001	142,500
Effect of dilution: Share options	-	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>146,001</b>	<b>142,500</b>
Basic earnings per share (cents)	17.40	(3.26)
Underlying earnings per share* (cents)	10.18	7.14

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

#### Recognition and measurement

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 of 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 of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### 23. CONTRIBUTED EQUITY, RETAINED EARNINGS AND RESERVES

	FY15 \$'000	FY14 \$'000
<b>Contributed equity</b>		
Ordinary shares		
<b>Issued and fully paid</b>	<b>24,526</b>	<b>13,079</b>

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 2013	142,499,800	13,079
Treasury shares bought from the market	-	-
Ordinary shares issued for options exercised	-	-
<b>At 30 June 2014</b>	<b>142,499,800</b>	<b>13,079</b>
<b>Dividend reinvestment plan:</b>		
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
334,694 new shares issued at \$1.5852 per share	334,630	530
<b>Dividend reinvestment plan underwriting agreement:</b>		
2015 special dividend issued at \$1.0862 per share	3,824,199	4,153
2015 special dividend issued at \$1.5852 per share	4,330,099	6,864
Less: Transaction costs arising on share issues		(395)
Deferred tax credit recognised directly in equity		119
<b>At 30 June 2015</b>	<b>151,152,436</b>	<b>24,526</b>

**NOTES TO THE FINANCIAL STATEMENTS: OTHER (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**23. CONTRIBUTED EQUITY, RETAINED EARNINGS AND RESERVES (continued)**

Retained earnings	FY15	FY14
Movements in retained earnings were as follows:	\$'000	\$'000
Balance 1 July	17,661	27,419
Net profit/(loss) for the year	25,402	(4,642)
Dividends	(18,597)	(5,116)
<b>Balance 30 June</b>	<b>24,466</b>	<b>17,661</b>

**Nature and purpose of reserve**

*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 FY15, dividends of \$18,596,691 were paid to shareholders (FY14: \$5,115,743).

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 2015 and 2014 were as follows:

	Note	FY15 \$'000	FY14 \$'000
Total borrowings *	14	13,394	16,904
Less: Cash and cash equivalents	12	(15,494)	(6,808)
<b>Net debt</b>		<b>(2,100)</b>	<b>10,096</b>
Total equity		48,992	30,740
<b>Net debt plus equity</b>		<b>46,892</b>	<b>40,836</b>
<b>Net debt / (Net debt plus equity) ratio</b>		<b>(4.48%)</b>	<b>24.72%</b>

\*Comprises interest bearing loans and borrowings.

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

**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.

**NOTES TO THE FINANCIAL STATEMENTS: OTHER (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**24. INCOME TAX**

	Note	FY15 \$'000	FY14 \$'000
The major components of income tax expense are:			
Current income tax			
Current income tax charge		8,831	4,466
Adjustments for current tax of prior periods		(171)	(39)
Deferred income tax			
Relating to origination and reversal of temporary differences	11	2,407	1,986
<b>Income tax expense reported in the income statement</b>		<b>11,067</b>	<b>6,413</b>
A reconciliation between tax expense and the profit before income tax multiplied by the Group's applicable income tax rate is as follows:			
<b>Profit before income tax</b>		<b>36,469</b>	<b>1,771</b>
At the Group's statutory income tax rate of 30% (FY14: 30%)		10,941	531
Tax effect of amounts which are not deductible in calculating taxable income:			
Impairment of Next Byte		-	5,819
Other		39	72
<b>Accounting expenses not deductible for income tax purposes</b>		<b>39</b>	<b>5,891</b>
		<b>10,980</b>	<b>6,422</b>
Adjustments for current tax of prior periods		(171)	(39)
Adjustment for deferred tax of prior periods		139	30
<b>Aggregate income tax expense</b>		<b>10,948</b>	<b>6,413</b>
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit and loss or comprehensive income but directly debited or credited to equity			
Transaction costs on dividend reinvestments		119	-
		<b>119</b>	<b>-</b>

**25. AUDITOR'S 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.

	FY15 \$	FY14 \$
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	270,000	285,000
• other services in relation to the entity and any other entity in the consolidated Group:		
a. tax compliance and consulting services	39,760	75,013
b. other assurance services	17,471	9,227
<b>Total remuneration of PwC Australia</b>	<b>327,231</b>	<b>369,240</b>

**NOTES TO THE FINANCIAL STATEMENTS: OTHER (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**26. DIRECTOR AND EXECUTIVE DISCLOSURES**

***Details of Key Management Personnel***

<b>(i) Directors</b>	
Dick Simpson	Chairman (Independent Non-Executive chairman)
Maxine Horne	Chief Executive Officer
Neil Osborne	Director (Independent Non-Executive)
Robyn Watts	Director (Independent Non-Executive)
Paul Wilson	Director (Independent Non-Executive)

<b>(ii) Executives</b>	
Adam Taylor	Chief People Officer (Resigned: 22 May 2015)
Andrew Leyden	Chief Financial Officer
Chris Preston	Chief Marketing Officer
Mark Anning	Group Company Secretary and Legal Counsel
Peter Connors	Chief Operations Officer

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

***Compensation of Key Management Personnel by category***

	FY15	FY14
	\$	\$
Short-term	3,209,990	2,894,275*
Post employment	143,443	121,995
Long-term benefits	314,956	143,631
Termination benefits	37,759	53,938
	<b>3,706,148</b>	<b>3,213,839</b>

\*FY14 figures have been restated to include fringe benefits tax on non-monetary benefits.

Detailed remuneration disclosures are provided in sections *Remuneration of Key Managers* and *Remuneration of Non-Executive Directors* of the remuneration report on pages 11 to 15.

***Compensation options: Granted during the year***

During the financial year no share options were granted as equity compensation benefits (FY14: nil).

***Shareholdings of Key Management Personnel***

*Shares held in Vita Group Limited*

	Balance at 30 June 2014	Purchased/(Sold)	Dividends Reinvested	Balance at 30 June 2015
<b>Directors</b>				
Dick Simpson	243,509	(61,424)	6,725	188,810
Maxine Horne	66,270,403	(12,000,000)*	-	54,270,403
Neil Osborne	271,342	-	-	271,342
Robyn Watts	20,000	-	2,038	22,038
Paul Wilson	-	45,000	-	45,000
<b>Executives</b>				
Adam Taylor - resigned 22 May 2015	-	-	-	-
Andrew Leyden	73,660	18,940	8,439	101,039
Chris Preston	-	-	-	-
Mark Anning	-	-	-	-
Peter Connors	209,919	-	-	209,919

\* As per Notice of Change of Interests of Substantial Holder lodged with ASX 29 December 2014.

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.

## NOTES TO THE FINANCIAL STATEMENTS: OTHER (continued)

### FOR THE YEAR ENDED 30 JUNE 2015

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#### 26. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

##### *Loans to Key Management Personnel*

There were no loans provided to Key Management Personnel during the financial year (FY14: nil).

##### *Other transactions and balances with Key Management Personnel*

Details of other transactions with Key Management Personnel are in Note 19 Related party disclosure.

##### *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.

#### 27. SUMMARY OF OTHER ACCOUNTING POLICIES

##### *Corporate Information*

The financial report of the Group for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of directors on 24 August 2015. The Group 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.

The financial statements were authorised for issue by the Directors on 24 August 2015. The Directors have the power to amend and reissue the financial statements.

##### *Summary of Significant Accounting Policies*

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. Where there is reference to individual line items in the financial statements, the accounting policy information as well as information about critical accounting estimates and judgements are now included in the individual notes to financial statements. The notes to the financial statements have been restructured to present the financial report in a more relevant manner.

##### *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.

##### *Compliance with IFRS*

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) 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 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.

##### *Accounting standards issued but not effective*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

## NOTES TO THE FINANCIAL STATEMENTS: OTHER (continued)

### FOR THE YEAR ENDED 30 JUNE 2015

#### 27. SUMMARY OF ACCOUNTING POLICIES (continued)

##### *Basis of preparation (continued)*

###### *Accounting standards issued but not effective (continued)*

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 has applied 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 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. The AASB has issued an equivalent standard (AASB 15). The new standard is based on the principle that the revenue is recognised when the control of the goods or services transfers to the customers. The Group is in the process of assessing the impact of the new rules on its revenue recognition policies. The standard must be adopted for financial years commencing on or after 1 January 2017. The Group has not yet decided when to adopt AASB 15.

###### *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 2014.

###### *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 2015, \$4.5 million (30 June 2014: \$18.8 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.

###### *Restructuring Costs*

The Group undertook some significant restructuring activities during the year. Costs of restructuring, primarily redundancy costs were \$0.8 million in FY15 (FY14: \$0.6 million).

## NOTES TO THE FINANCIAL STATEMENTS: OTHER (continued)

### FOR THE YEAR ENDED 30 JUNE 2015

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#### 27. SUMMARY OF ACCOUNTING POLICIES (continued)

##### *Basis of preparation (continued)*

###### *Going Concern*

At 30 June 2015, the Group had a net profit of \$25.4 million (FY14: \$4.6 million net loss) and the Group had current liabilities in excess of current assets at 30 June 2015 amounting to \$20.9 million (FY14: \$27.6 million). The net current liability position includes the current portion of unearned revenue of \$7.0 million (FY14: \$15.8 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 \$13.7 million (FY14: \$10.9 million) (as detailed in Note 14) and forecast net cash inflows from operating activities are sufficient to cover current liabilities of the Group (FY15 actual cash inflows from operating activities: \$35.3 million). The directors believe the Group is a going concern.

##### *Basis of consolidation*

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

###### *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 intragroup 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 8).

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.



## NOTES TO THE FINANCIAL STATEMENTS: OTHER (continued)

### FOR THE YEAR ENDED 30 JUNE 2015

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#### 27. SUMMARY OF ACCOUNTING POLICIES (continued)

##### ***Basis of consolidation (continued)***

###### *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.

###### *Transactions eliminated on consolidation*

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup 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.

##### ***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 in the following notes:

Note 6	<i>Plant and Equipment</i>
Note 7	<i>Intangible Assets and Goodwill</i>
Note 10	<i>Provisions</i>
Note 17	<i>Impairment Testing of Goodwill</i>

##### ***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.

##### ***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.

##### ***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.

##### ***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. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right.

## **NOTES TO THE FINANCIAL STATEMENTS: OTHER (continued)**

### **FOR THE YEAR ENDED 30 JUNE 2015**

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#### **28. SUMMARY OF ACCOUNTING POLICIES (continued)**

##### ***Tax consolidation (continued)***

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.

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 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. 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. 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.

##### **Other accounting policies**

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

## Directors' Declaration

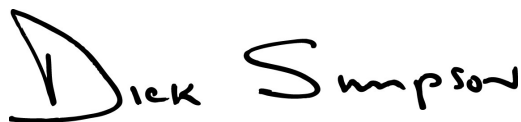
In the opinion of the directors:

- (a) the financial statements and notes set out on pages 19 to 58 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 2015 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 19 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 19.

Note 27 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  
24 August 2015



## **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 consolidated balance sheet as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 the Vita Group Limited Group (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 27, 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*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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Liability limited by a scheme approved under Professional Standards Legislation.



### *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 2015 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 27.

### ***Report on the Remuneration Report***

We have audited the remuneration report included in pages 11 to 15 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'K Challenor'.

Kim Challenor  
Partner

Brisbane  
24 August 2015

## 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 2015.

### (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	600	328,291	0.22
1,001 – 5,000	831	2,480,855	1.64
5,001 – 10,000	562	4,492,739	2.97
10,001 – 100,000	830	21,771,178	14.40
100,001 and over	82	122,079,373	80.77
	2,905	151,152,436	100.00
<b>Shareholdings of less than a marketable parcel</b>			
Holdings of less than 258 shares	150	22,464	0.01

### (b) Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully paid	
	Number	Percentage
FZIC PTY LTD	44,342,124	29.34
NATIONAL NOMINEES LIMITED	16,414,394	10.86
MR DAVID LAWRENCE MCMAHON	12,055,058	7.98
FZIC PTY LTD <MCMAHON SUPER FUND A/C>	9,817,807	6.50
CITICORP NOMINEES PTY LIMITED	9,595,780	6.35
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,786,866	3.17
KAVEL PTY LTD <KLEEMANN FAMILY A/C>	4,100,000	2.71
MIRRABOOKA INVESTMENTS LIMITED	1,401,203	0.93
ROBERT FERGUSON + JENNIFER FERGUSON + RACHEL FERGUSON <TORRYBURN S/F A/C>	1,224,490	0.81
KING EQUITY CAPITAL PTY LTD	1,080,000	0.71
J P MORGAN NOMINEES AUSTRALIA LIMITED	856,776	0.57
MRS GOOLESTAN DINSHAW KATRAK	800,000	0.53
GERNIS HOLDINGS PTY LIMITED	750,000	0.50
NATIONAL NOMINEES AUSTRALIA LIMITED	625,971	0.41
MR DAVID FREDERICK OAKLEY	560,000	0.37
G CHAN PENSION PTY LTD <CHAN SUPERANNUATION FUND A/C>	545,792	0.36
DALESAM PTY LTD <JON BRETT SUPPER FUND A/C>	490,000	0.32
MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	440,429	0.29
SANDHURST TRUSTEES LTD <ENDEAVOR ASSET MGMT MDA A/C>	431,795	0.29
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	424,176	0.28
<b>Top 20 holders of ORDINARY FULLY PAID SHARES</b>	<b>110,742,661</b>	<b>73.27</b>

## 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 2015 were:

Ordinary Shareholders	Fully paid	
	Number	Percentage
FZIC Pty Ltd	54,270,403	37.05
David Lawrence McMahon	12,056,058	7.98
Pie Funds Management Ltd	7,861,264	5.37
<b>TOTAL</b>	<b>74,186,725</b>	<b>50.40</b>