FY15 ANNUAL REPORT

vita®
GROUP LIMITED

YOU GET WHAT YOU WORK FOR


vita®
GROUP LIMITED

CONTENTS

.VITA GROUP. 20 YEARS

IN THE MAKING

WHERE WE CAME FROM

Our vision is to make the Vita Group a great place to be – for our team members, our customers, our partners and of course our shareholders. This has been our vision from the beginning.

It starts with our team members – our Vita peeps. We're all about creating a great working environment for our teams, whether they are in our central support team or looking after our customers from one of our points of presence or regional hubs.

We know that our great team vibe extends to our customers and the communities that we're part of, making Vita a great place to be for everyone. It's our secret sauce and it keeps our customers coming back for more!

Twenty years ago, the first Fone Zone store was opened on Queensland's Gold Coast with the mantra, 'people first'. Chief Executive Officer, Maxine Horne, and her team have driven sustained growth over the subsequent 20 years, focusing always on people and exceptional customer service. But there's more to the success story than that – there are many core capabilities in the team's DNA, including agility, executional excellence and results-focused leadership.

1995
Fone Zone Pacific Fair opens - Vita's first store

1996
CARE program launches, establishing Vita's focus on customers

1998
The VIBE internal culture program launches, defining Vita as a 'great place to be'

2000
Fone Zone signs an agreement with Telstra

2002
Fone Zone wins Telstra National Dealer of the Year (Solution Innovator) award

2004
Fone Zone opens its 100th store at Hornsby

2005
Fone Zone is publicly listed on the ASX at $1 per share

2008
Fone Zone changes name to Vita Group Limited, meaning 'way of life'

2010
Vita Group expands its reach to small business customers, opening its first Telstra Business Centre

2011
Vita Group launches Sprout, our very own accessory brand

2013
Vita Group further grows its business team with a stronger focus on enterprise customers in the cloud and ICT markets

2014
Vita Group's 100th Telstra store opens

2015
Vita Group celebrates its 20th birthday, with many more to come!

WHO WE ARE TODAY

Vita is a story of strategy, focus and sustained growth.

We're now a business with revenues exceeding $600m and 149 physical points of presence across a number of well-known brands, including own our accessory brand, Sprout.

We strategically partner with Telstra and Apple to provide the very best products and services on the market to retail consumers, small to medium business customers and larger enterprise and government customers.

FY15 WAS A GREAT YEAR

GREAT GROUP **PROFITABILITY**

$601.4 MILLION *revenue* **UP 34%**

$39.2 MILLION UNDERLYING EBITDA UP 45%

no net **DEBT**

RECORD DIVIDENDS
INCLUDING SPECIAL DIVIDENDS
15.98 CENTS PER SHARE

CONTINUED PORTFOLIO **OPTIMISATION IN RETAIL**

FIVE NEW TELCO RETAIL STORES

1.4 MILLION RETAIL TRANSACTIONS

100TH VITA GROUP STORE **OPENED** EATON FAIR, WA

CONTINUED TRANSFORMATION IN **SMALL TO MEDIUM BUSINESS**

4 NEW TELSTRA BUSINESS CENTRES

28,000 INTERACTIONS WITH SMB CUSTOMERS

LAYING FOUNDATIONS IN **ENTERPRISE**

NEW ENTERPRISE OFFICE IN PITT STREET • SYDNEY

5000 INTERACTIONS WITH ENTERPRISE CUSTOMERS

FOCUSED ON **OUR PEOPLE**

65,101 CANDIDATES APPLIED TO JOIN THE VITA TEAM

114 TEAM MEMBERS WERE PROMOTED

44,815 COACHING SESSIONS HELD

364 FRONTLINE LEADERS ATTENDED LEADERSHIP DEVELOPMENT PROGRAMS

21 TEAM MEMBERS WELCOMED NEW BUNDLES OF JOY INTO THEIR FAMILIES

36 TEAM MEMBERS CELEBRATED 10 YEARS OR MORE WITH THE TEAM

$44,246 PAID FOR TEAM MEMBERS' EDUCATION AND CHILDCARE

1,289 PAID DAYS OFF TO CELEBRATE BIRTHDAYS & TENURE AND TO SUPPORT VOLUNTEERING

DICK SIMPSON
CHAIRMAN

On behalf of the Board, I am delighted to report another strong result for Vita Group. This was made possible by the hard work of our dedicated team and a consistent focus on our strategic plan.

Growth is clearly evident in the company's performance with revenue up 34 per cent to $601.4m. This is the largest incremental revenue increase in the company's history – a fitting way to celebrate Vita's 20th year. Earnings before interest, tax, depreciation and amortisation (EBITDA) grew 48 per cent to $49.7m. Underlying EBITDA, which excludes the non-cash benefit from the amortisation of the discontinued ESP insurance product, was $39.2m, a 45 per cent increase on the prior year.

Our net profit after tax was $25.4m and the company paid an ordinary dividend of 7.98 cents per share (cps), an increase of 72 per cent on the prior year, and a total of 8 cps in special dividends.

"Without strong leadership, no organisation will prosper... Vita has assembled a highly capable group of leaders to steer the company forward"

Financial Highlights

34%

increase in revenue to $601.4m

45%

increase in underlying EBTIDA to $39.2m

15.98

cps paid in total dividends

Our FY15 performance extends the consistent record of growth established in recent years and can be traced directly to the strategy we chose several years ago, which centred on establishing a network of Telstra-branded retail stores and optimising the performance of each individual store. We explained to shareholders at the time that the strategy would be capital intensive for a period, but would deliver a powerful platform for growth.

Today, Vita operates fewer points of presence – 149 (at the time of writing). This is down from 210 in FY08, however the network as a whole is generating more revenue, EBITDA and net profit. We have invested heavily in Vita's people - in leadership, sales capability and in the customer experience. We are adept at adjusting our product mix to maximise earnings.

Importantly, our efforts are delivering for our strategic partner Telstra. Vita's superior customer experience is reflected in our high Net Promoter Score (NPS) – the measure of our ability to generate favourable recommendations for Telstra among customers. This is a key measure for Telstra.

Looking ahead, growth for Vita will come from continued optimisation of the retail network continued focus on growing the business channel and further focus on Vita's people. Vita's offering for small to medium business (SMB) customers will centre on our network of Telstra Business Centres, currently numbering 18 at the time of writing, while Vita Enterprise Services will service large business customers. Vita's capability in the SMB and enterprise segments has developed significantly in the past 12 to 18 months, reflected in a growing contribution from this channel in FY15.

We are grateful to our shareholders for their loyalty over the recent years. We hope they feel rewarded. Shareholder value has accrued in line with our consistent performance, and we have sustained a healthy dividend stream.

Without strong leadership, no organisation will prosper. Vita has assembled a highly capable group of leaders to steer the company forward. The Board thanks them and all the Vita team members for their work and dedication in delivering such an outstanding result in FY15.

Dick Simpson

DICK SIMPSON
CHAIRMAN

MAXINE HORNE
CHIEF EXECUTIVE OFFICER

I am thrilled to say that financial year 2015 has been sensational, with an outstanding end-of-year result to mark Vita Group's 20th birthday.

Twenty years ago, when I founded this business, I knew that we needed to stand out from the crowd – and we have certainly done that. The key ingredient for our success has always been our people, from the very beginning through to today.

I have always said that if we look after our team members and provide a great place to work, we will create an atmosphere which our customers will want to be part of. This simple formula is at the heart of our long success story.

A focus on people is not the only ingredient that sets us apart from our competitors. We have core capabilities that are well embedded with the team, and continuously enhanced through coaching, mentoring and training. Examples include:

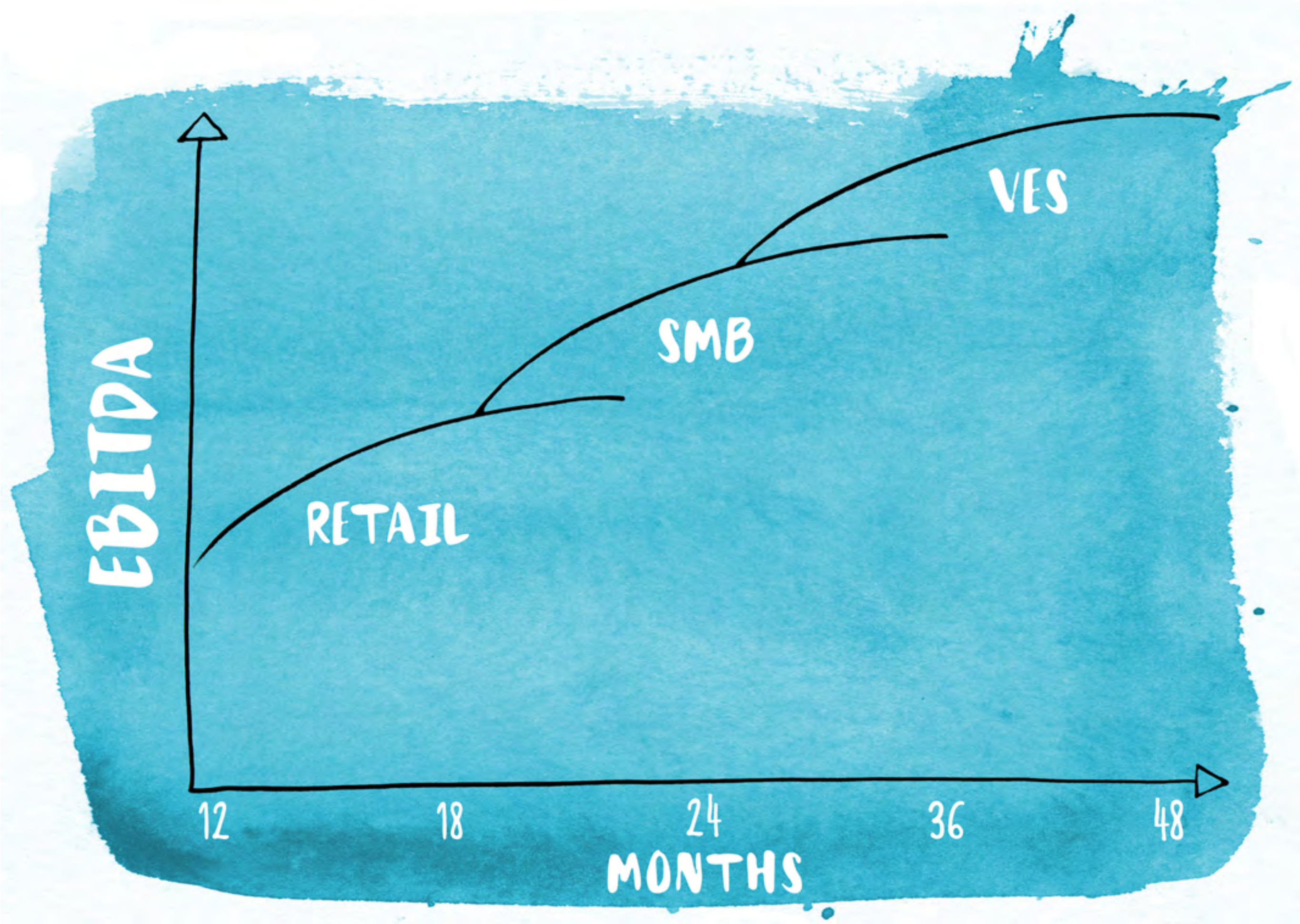
- Strong and effective leadership
- Executional excellence
- Sensational customer service
- Solution selling
- Agility, in the ability to look ahead and quickly adapt.

Since 1995, we have had a clear plan for our future, with a focus on sustained growth. Our strategy for FY16 and beyond is focused on delivering results across our three key channels:

RETAIL CHANNEL

- We will continue to optimise our footprint, with a focus on creating geographical clusters and achieving the productivity benefits that come from national scale
- We have a clear program of work in place to drive sustained improvements in the earnings capacity of each store
- As always in retail, we will drive an unwavering focus on delivering an exceptional, personalised customer experience.

> "Our recipe for success has always been our people, from the very beginning through to today"



SMB CHANNEL

- We will continue our transformation by capitalising on the physical growth we have made in the last 12 months and we will further scale the business
- Our recent investment in leadership will underpin our growth.

ENTERPRISE CHANNEL (VES)

- In the VES channel, our focus is on delivering the benefits of the investments made in the last 12 months
- With a solid leadership team in place, we will continue to build foundations, with a focus on embedding the systems, processes and sales methodologies that have started to deliver results
- New products will be on the horizon for our enterprise customers, as we work with Telstra to deliver best-in-class solutions.

We will also continue to grow our Sprout accessories brand, following sustained growth as a result of significant distribution gains made in FY15.

Of course, the foundation of our strategy is still people first. A comprehensive people plan will deliver the development, frameworks and programs that will help us to get, grow and keep great people.

The team has together delivered an exceptional result and I'm very proud of our efforts. Thank you to each and every one of our Vita peeps!

MAXINE HORNE
CHIEF EXECUTIVE OFFICER

OUR PEOPLE AND CUSTOMERS ARE EVERYTHING TO US

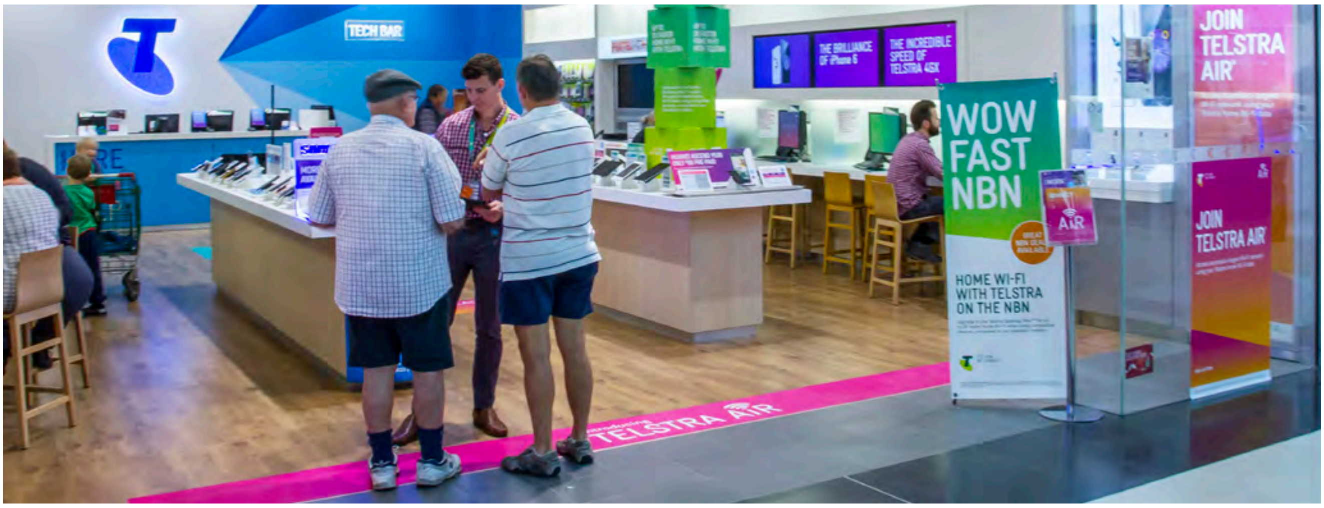

ASK ME ABOUT
OUR LATEST
HOT DEAL

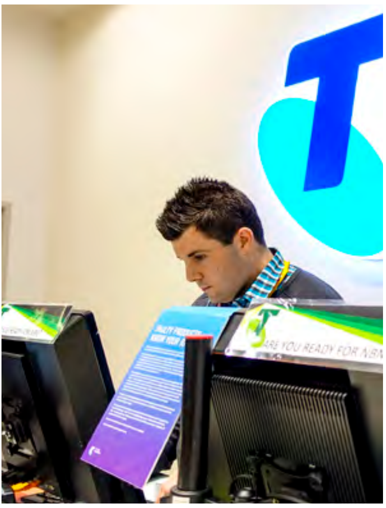
CONTINUED SUCCESS IN **RETAIL**

In our retail portfolio, Vita Group operates under the brands of Telstra, Fone Zone and One Zero (for telecommunications) and Next Byte (for computing). Retail is at the heart of our business. It's where the Vita Group began and it's where we have driven continued success over the last 20 years. We have a national footprint that allows us to be truly part of our local communities, and our 1,100 customer-facing team members provide the very best products and services such as mobile technology, broadband and media solutions, computing solutions and accessories.

OUR FOCUS IN RETAIL IS TO OPTIMISE:

- Our physical store footprint
- The performance and productivity of our people





FY15 HIGHLIGHTS INCLUDE:

We opened new Telstra stores as part of Vita's strategic geographical outlook and closed less profitable stores as part of our long-established practice of reviewing store profitability. Vita's desire to stay ahead of the game underpinned 24 retail store changes in the past year (openings, closures and re-fits), demonstrating agility and executional excellence as core capabilities.

We maintained a clear focus on the continued growth and evolution of our leadership team. This is a standout feature of Vita's retail team.

The design and implementation of proprietary coaching and leadership tools have provided the leadership team with the data and insight to drive continued and sustained performance improvement. As an example, the leadership team has access to detailed information about leader / team member coaching sessions – including how often coaching occurs and what topics are being covered. This rich, granular data allows us to 'inspect what we expect' against the actions and behaviours that we know drive productivity.

We continue to lift the bar on the minimum standards – in this way, performance of the entire retail channel lifts. Consistency of performance is a key focus for the executive and senior leadership team and a well-embedded operating rhythm drives minimum standards for all.

Vita's 20th birthday means our relationship with Telstra has now also reached a 20-year milestone. This is a true reflection of the mutual respect that defines this partnership. Vita is proud to be a custodian of the Telstra brand. Telstra's focus on providing a personalised service is clearly aligned with Vita's core capabilities and we continue to add great value to our Telstra customers by placing an unwavering focus on providing an exceptional, personalised service – it's what we've been known for from the very beginning, 20 years ago. It's what we intend to be famous for 20 years from now.

Our retail team works closely with Telstra to share best practice tips while also collaborating on growth activities, such as exciting new store formats, national broadband network (NBN) growth and new products and services.

VITA IS ALREADY LOOKING AHEAD TO ANOTHER 12 MONTHS OF RETAIL GROWTH. THE YEAR AHEAD INCLUDES:

- Ongoing returns as we continue to optimise our store footprint and drive the performance and productivity of our people. Activities are underway to further simplify in-store tasks, enabling our customer-facing team to spend more time with our customers and communities, exploring their needs and providing truly personalised experiences
- Continued development of proprietary leadership tools so we can give further data and rich information to provide insights for our leaders
- Continued improvements to our onboarding and leadership development programs. We will have a particular focus on our retail teams, in which Vita gains our highest volume of new team members. Improvements are focused on getting new team members up to speed and 'customer ready' quicker.

We're proud of delivering yet another great year in our engine-room – retail. We have the scale and the capabilities to continue our success, and a clear program to ensure ongoing growth.

GROWTH IN **SMALL TO MEDIUM BUSINESS**

In our Small to Medium Business (SMB) portfolio, Vita Group operates under the Telstra brand with 18 Telstra Business Centres (TBCs) across 10 (at time of writing) geographical territories known as 'geozones' and via contact centre operations.

Our customers in the SMB segment range from single operators through to medium-sized businesses. We help them meet their business needs through products and services such as mobile and fixed line solutions, data, unified communications and cloud-based technologies.

The SMB team demonstrated great traction in FY15, with revenue up a huge 79 per cent on last year. In the last 12 months the team's focus has been on transforming the channel so it will be a significant contributor to the Group in future years.

As with the retail channel, the focus in SMB is to transform our physical footprint, adding scale through TBCs and geozones. We will also continue to enhance leadership capability at all levels and drive the performance and productivity of our people.

In FY15, Vita Group's previously combined business channel was divided into two separate channels: SMB and Enterprise. This followed the growth of both channels and the need to provide leadership intensity in each.

FY15 HIGHLIGHTS INCLUDE:

Four new TBCs were opened in the year, which provided growth across additional geozones and furthered our reach into the market.

The expanding TBC team is well supported by a growing Contact Centre team as well as product specialist teams. These teams have a depth of knowledge and skill to draw on for various product sets such as the Telstra Business System product.

OUR FOCUS IN SMB IS ON TRANSFORMING AND SCALING:

Physically with our TBC and geozone footprint

With enhanced leadership and performance of our people

THE NEXT 12 MONTHS WILL BE FOCUSED ON CONTINUED LONG-TERM GROWTH IN THE SMB CHANNEL. KEY FOCUS AREAS INCLUDE:

- Continuing to embed an effective, B2B-focused sales program that provides our sales team with the tools, frameworks and insights to truly make a difference to our customers and their businesses
- Embedding clear, defined operating rhythms that provide the team with a consistent method for planning and managing their customer activities; and provide leaders with a monitoring and coaching methodology
- Developing our leadership bench strength and developing product and sales knowledge within our sales and service teams
- Adapting our sales and leadership tools for use in the business teams, drawing off the success we've had with these tools in retail. This includes a targeted focus on coaching.

We've made great traction in SMB this year. We will continue to grow our scale and build our capabilities, drawing from our experience and success in retail.

OUR RECIPE FOR SUCCESS IN **ENTERPRISE**

In the enterprise market, Vita Group operates under the Vita Enterprise Solutions (VES) brand with a team of approximately 40 specialists. Working closely with Telstra's business teams, VES provides an extensive range of products and services to some of Australia's larger businesses and government departments. VES specialises in managed-mobility solutions, fixed connectivity, data, cloud and collaboration products.

The enterprise channel is in the early days of growth and we are focused on building the foundations that will set us up for sustained growth in the longer term. Enterprise delivered a 60 per cent revenue improvement this year, off the back of significant account wins with major Australian clients such as the RSPCA and a number of public agency clients.

Over the last 12 months, significant investments were made in leadership, sales capability and technical talent to support a broader product offering, which will set up the channel for profitability over the coming year. The team grew significantly with a focus on creating a deeper skillset in core products as well as a growth in technical capability, such as solutions architecture and project management.

Along with the growth in people and capability, new product offerings were created in-house and added to the suite, including a mobility-managed service product. This product provides an end-to-end solution for large customers with a mobile device fleet and has been exceptionally well received in the market.

WE WILL CONTINUE TO BUILD FOR FUTURE SUCCESS OVER THE NEXT 12 MONTHS. THE FOCUS WILL INCLUDE:

- Continuing to embed an effective, B2B-focused sales program that provides our sales team with the tools, frameworks and insights to truly make a difference to our customers and their businesses
- A focus on building and managing a sales pipeline that includes an end-to-end approach to engaging with our customers
- A continued focus on managing customer projects in a professional, seamless way that ensures that Vita Group and Telstra are easy to do business with
- Ongoing development of our capabilities and accreditations including leadership, technical and product
- Continuing the success of our mobility-managed services product with new value-added products and services that enhance the already exceptional Telstra product suite.

RSPCA AND VITA GROUP: CASE STUDY

With 250 staff, 3000 volunteers, international partners and multiple stakeholders across Queensland, effective communications within the RSPCA were challenging at best.

When VES started talking with the RSPCA, most of their team was working remotely, wrestling with a mix of unreliable technologies to receive important training and stay connected. This was a poor second-best option to the costly exercise of flying everyone to a central hub for face-to-face interactions. It was a lose-lose situation, eating into the funds of the not-for-profit organisation.

The VES team worked closely with the RSPCA CEO and his team to really understand how the organisations worked, considering ways to make them more efficient. Partnering with Avaya, VES came up with a solution that provided:

- Productivity gains
- A connected workforce
- A reliable, future-proofed solution
- The ability to scale up/down.

RSPCA
for all creatures great & small

In enterprise, the last year has been focused on building a solid platform. Our recipe for success is delivering results and we will focus on driving productivity over the coming year and beyond.

WE'RE ALL ABOUT **OUR TEAM**

It's clear that we have what it takes to be successful. it's in our DNA - it always has been. There are many things that define our recipe for success – all easy to describe but difficult to embed and maintain.

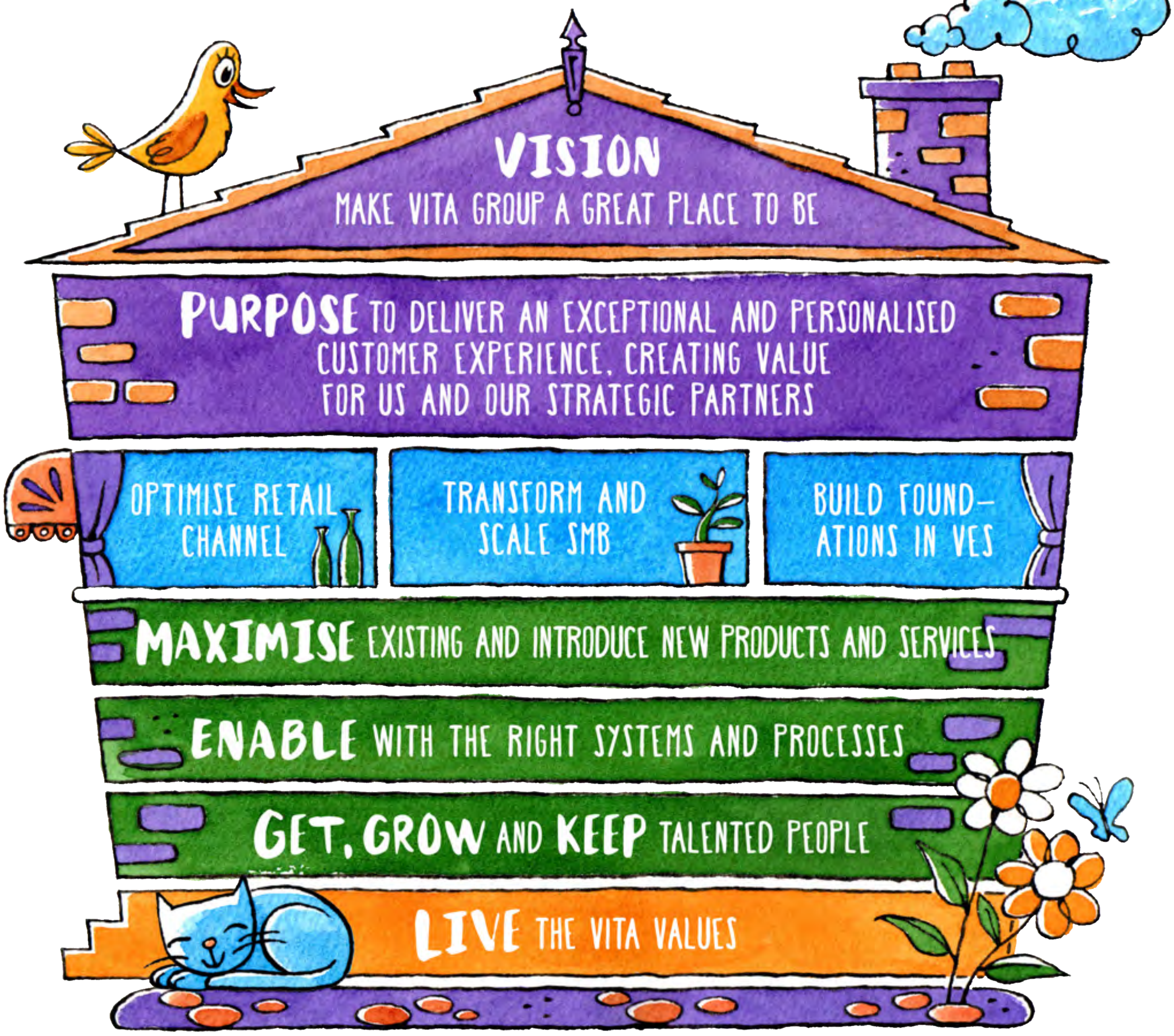
Our aim is to help our team members find purpose, mastery and autonomy in their work. We do this by communicating effectively, providing great opportunities for learning and development and providing frameworks that reward and recognise people.

Our reward and recognition (R&R) programs are one part of our employee value proposition – that is, one way we entice people to work with us, stay with us and add great value while they are with the Vita team.

Our aim is to create a working environment where people can learn and have fun. We often like to say 'We take our business seriously, but we don't take ourselves too seriously'.

Our R&R program includes:

- A Pin Program that recognises our highest sales achievers
- A Shining Star program where we acknowledge team members for demonstrating the Vita values
- Local Pow Wows each quarter where teams are paid to get together, do something fun and work together on ways to improve our business
- Our annual Club Success program where our highest achievers head overseas for a week-long fully paid trip. This year 73 people went to Los Angeles to celebrate a great year – it was a record number of attendees following a record profit year
- Our annual Leaders' Conference, where we bring together every leader in the business and our valued strategic partners (such as Telstra) and our leading product partners (such as Samsung). This year, the team spent four days on the Gold Coast celebrating our great year, sharing best practice and learning how to be even better leaders.



At Vita, communication is key. A dedicated communications team exists to drive key messages throughout the organisation, from strategy through to daily operational activities.

Our communication happens via videos, blogs, an intranet site, social media and good old face-to-face catch ups. We keep it interesting so our readers are engaged, for example our group strategy is communicated as a cartoon, not a boring business model.

Communicating our strategy gives the team a sense of purpose and context for their work, so they know what we're all aiming for. It aligns the team towards a shared goal, and also provides some boundaries to ensure that we stay focused on the main game.

Our aim is to help our team members find purpose, mastery and autonomy in their work.

care

THE WAY WE CARE ABOUT OUR CUSTOMERS

The CARE program was created in 1996, just one year after the group began, and it has been going strong ever since.

CARE stands for Customers Are Really Everything. It is a sales methodology and customer service program that has evolved to incorporate:

- **PLANNING AND COACHING**
  Our operating rhythm that includes business planning and forecasting, leadership and coaching. It's how we get ready for our customers
- **PERSONALISED SERVICE**
  The way we approach our customers and provide the very best service. We call it 'the Vita Touch' and it sets us apart from our competitors
- **COMMUNITY ENGAGEMENT**
  The way we engage with our local communities, such as events, sponsorships and networking activities. This is about being a local trusted advisor in our communities.

Underpinning these three components of CARE are a suite of tools and templates, a leadership toolkit and a comprehensive training and coaching program.

In fact, CARE is so well embedded within the organisation that all team meetings, pow wows and workshops begin with a 'CARE Share'. As the manufacturing and resources industries have learnt, this is a key way of embedding a concept in an organisation.

A CARE Share might include a story about great customer service that was provided by one of the team, or a new way to engage with our community or a coaching opportunity.

SHARE care SHARE

"I've started to plan my team's coaching sessions out for the fortnight ahead. It provides a much better structure for my team, and our results are up. I can share more if you like."

"A customer I served yesterday told me about a local fete coming up for their son's school – we should get involved."

"I met with one of my customers yesterday to see how they're travelling with their new fleet of devices, and I learnt about a new app that they're using to manage their business invoices more effectively. I'll send you the link."

HERE'S WHAT OUR CUSTOMERS HAVE TO SAY

"The consultant was very switched on very good at what she does. I would have her in my business anytime"

FONE ZONE GALLERIA

"Very approachable, knowledgeable and helpful in working out what was best for my business needs"

TELSTRA BUSINESS CENTRE ROCKHAMPTON

"I love dealing with Jack - he knows his business and is very efficient in getting the job done quickly"

TELSTRA HYDE PARK

"Rebecca at Mittagong office is exceptional. She is fun, kind and dedicated. You need to clone her!"

TELSTRA BUSINESS CENTRE MITTAGONG

OUR VALUES ARE IMPORTANT TO US

At Vita, we have eight core values. We like to think of them as 'the rules by which we play the game'. The values are our shared behavioural code and they define the way we work - individually and as a team.

To ensure that the values are truly lived (not just a pretty picture on the wall), we have embedded them into our performance management framework. Each team member at Vita is measured on both what they achieve (their results) as well as how they achieve them (the way they live the values).

Here are some examples of what each value looks like in practice:

You get what you work for

Work hard, and seek feedback to learn and grow

The collective wisdom and effort of the team always outperforms the individual

Share great ideas and best practice with your team

Be part of cross-team collaboration to drive the best outcomes for the group

Dare to be different as creativity drives innovation

Challenge the status quo – come up with a better way of doing something

Love what you do

Take your work seriously, but don't take yourself too seriously

Every action is taken with the benefit of the whole team in mind

Challenge the 'sacred cows' that get in the way of making the right decision

We're proud to be profitable: profitability equals opportunity

Smash your targets

Suggest ideas that will reduce cost or increase revenue

Our people and customers are everything to us

Download an app that a customer might enjoy on their new device

Take the time for quality, coaching sessions

Always do the right thing

Follow the rules

Be honest – with yourself and other, even if the truth sometimes hurts a little

LOVE WHAT YOU DO

At Vita, we're part of our local communities across Australia. We live in them and we work in them. One of our mottos is Live Local, Love Local and we try to live and breathe this. We're involved in our local communities in a number of ways, from proactive involvement through to our reaction to local disasters such as fires and floods.

Recently, we formalised all of the ways we were individually making a difference and brought it together in a coordinated way. We were very proud to recently launch the Vita Foundation, where our aim is to make a difference to those who need it most in our community. Our motto is 'It just takes 1' ... 1 person, 1 dollar, 1 act of kindness, 1 moment of your time.

Although the Vita Foundation has just kicked off, we have big goals. In FY16, we're aiming to give $250,000 in donations and 1,140 in volunteer hours to those who need it most.

THERE ARE THREE WAYS THAT VITA PEOPLE GET INVOLVED WITH THE VITA FOUNDATION:

PAYROLL GIVING – where team members can donate any amount, over any timeframe, through their pay. Some people have given amazing one-off donations, and some have committed to regular fortnightly amounts to any registered charity that means something to them

PEER FUNDRAISING – where anyone can set up a webpage and raise funds for their chosen registered charity

VOLUNTEER DAY OFF – where team members can take one fully-paid day off a year to volunteer for their registered charity. We also support leave for volunteering, as well as opportunities to share our skills with charities who need them.

"Our aim is to make a difference to those who need it most in our community"

CYCLONE MARCIA

In February 2015, our North Queensland team suffered through Cyclone Marcia along with the rest of the community. Our teams in Yeppoon, Rockhampton and North Rockhampton responded quickly, with a pop-up kiosk in Yeppoon. They handed out free chargers, pre-paid SIMS and devices to get customers from other telcos connected while their networks were unavailable.

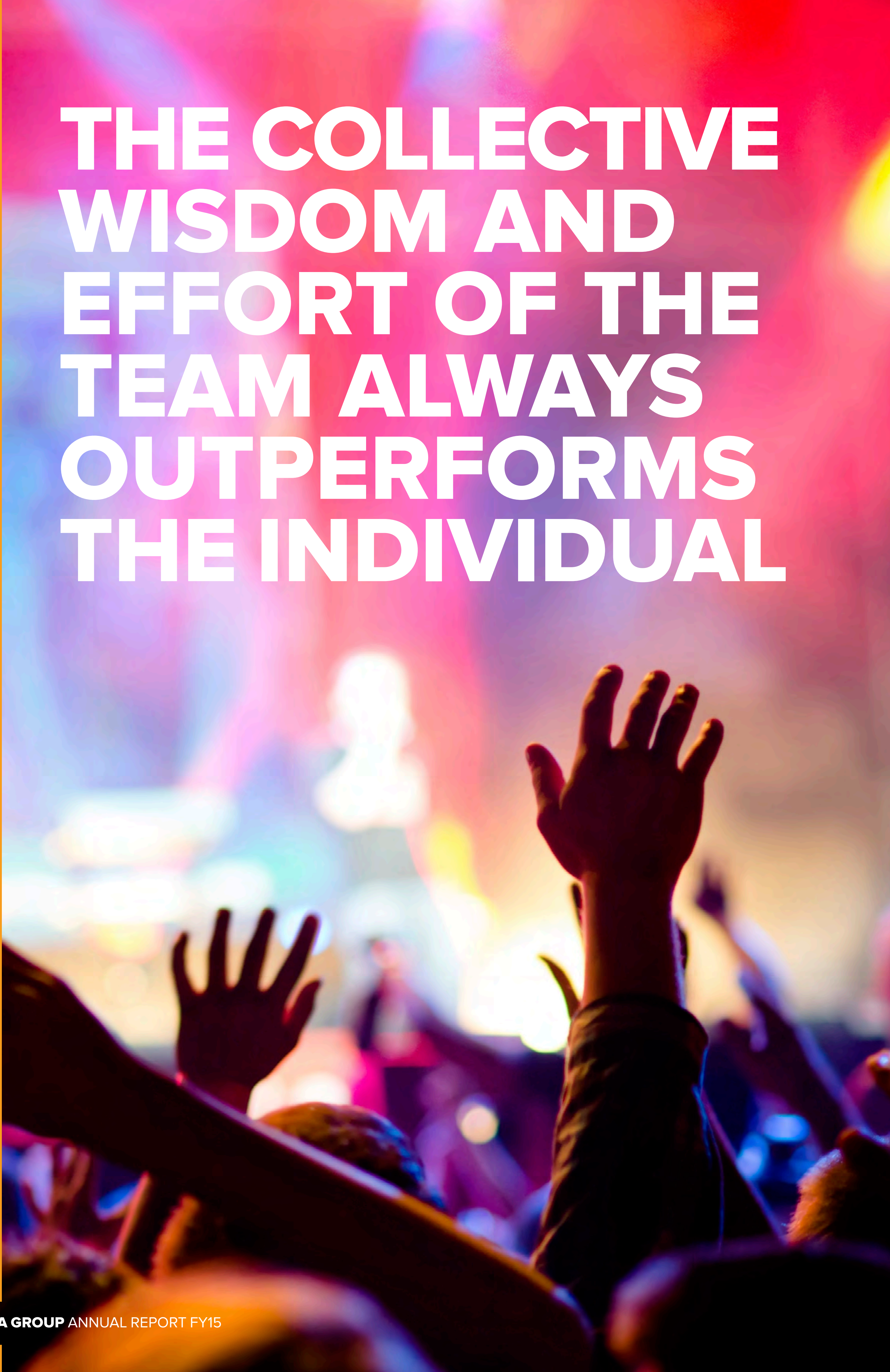
The local radio station helped out and told the community where to go for help. At any given time over a very long week for locals, there were dozens of mobile devices charging and plenty of free Wi-Fi in use for people to stay connected and up to date.

It was a difficult time, but as we often see in times of distress, the community pulled together to get through it. The team were very proud to live the value *our people and customers are everything to us*. This is just one way that the Vita team get involved with their community.

SMB TECHNOLOGY ROADSHOW

For our small-to-medium business (SMB) customers, the team runs regular technology roadshows around Australia. In May 2015, the topic was ‘Using technology to drive your business’ and 15 Telstra Business Centres across the country hosted educational breakfasts for more than 650 local businesses to learn more about the tools and techniques available.

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



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 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).

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.

Dick became a Director of Vita Group in September 2005, and has served on the Remuneration and Nomination Committee, and the Audit, Compliance and Risk Committee.

MAXINE HORNE
CHIEF EXECUTIVE OFFICER

Since founding the company with one store in 1995, Maxine has guided the transformation of the group. She is responsible for the strategic and operational direction of the business and leads the Group Leadership Team. Her focus is on achieving results through people and culture.

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

Maxine was named QBR Business Woman of the Year, Retail in 2006 and received the 2014 EY Entrepreneur of the Year award for the Industry category, Northern region.

Maxine is also a Director of Camp Quality, one of Australia's most trusted charities whose purpose is to create a better life for every child living with cancer.

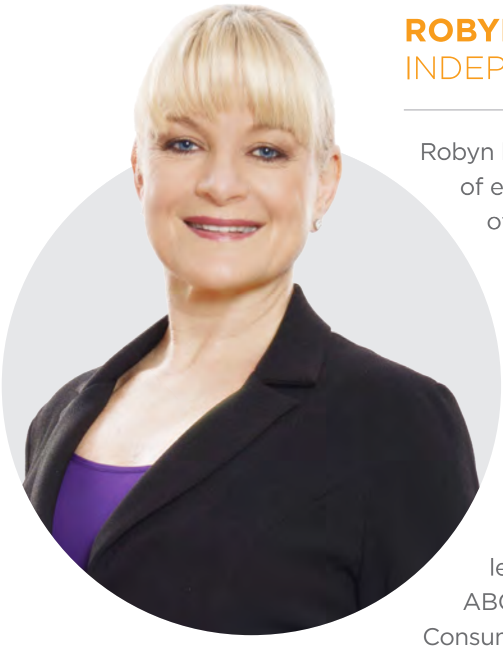
NEIL THOMPSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

Neil was formerly a partner with one of the world's largest consulting and technology services firms, Accenture. He has more than 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.

His previous roles include 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 and Risk Committee, and a member of the Remuneration and Nomination Committee.



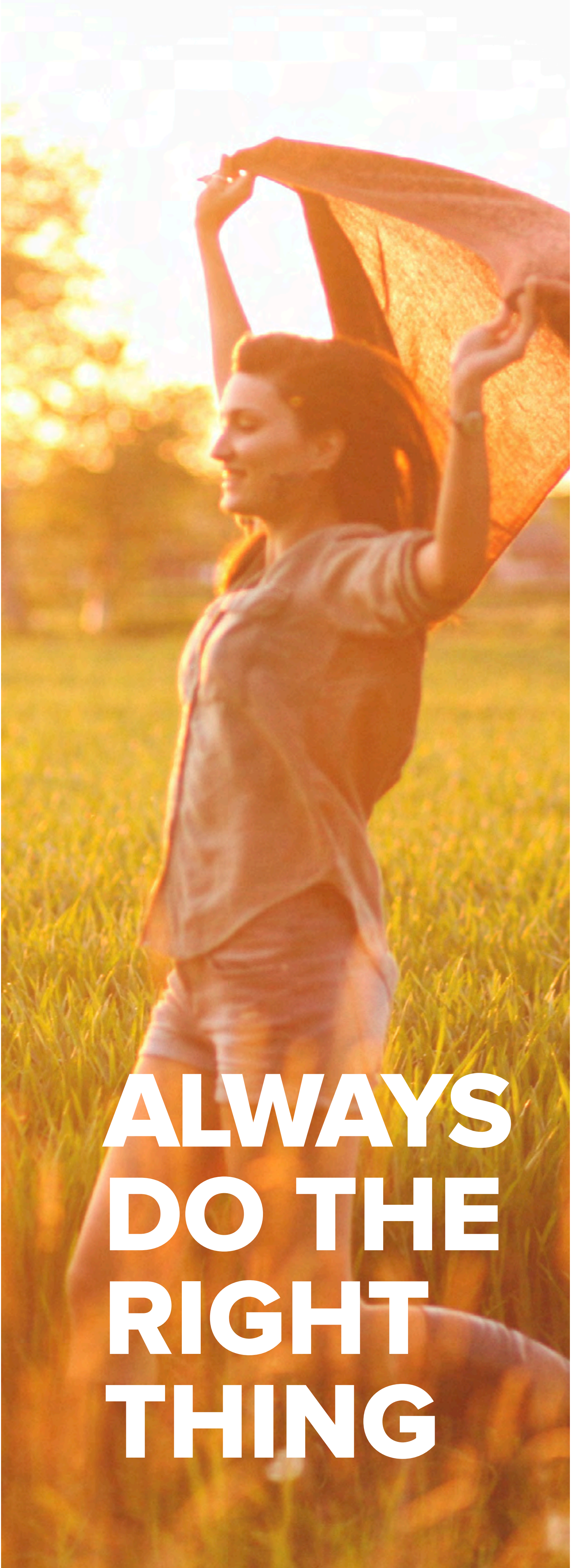
ROBYN WATTS
INDEPENDENT NON-EXECUTIVE DIRECTOR

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 on the board of Fantastic Holdings Limited (ASX:FAN) and is a member of its Audit and Compliance Committee and Remuneration and Nomination Committee. She is also on the boards of: Geyer Pty Ltd (private company), as Chair; the Australian School of Performing Arts Pty Ltd (private company) and Camp Quality. Robyn is on the Board of Governors for ANU Endowment and is 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
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Paul's business background includes 18 years' of 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 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 and Risk Committee, and the Remuneration and Nomination Committee.

PETE CONNORS
CHIEF OPERATING OFFICER

Pete leads the Vita Group's operational channels, which includes Telstra stores, Fone Zone stores, Next Byte stores, Telstra Business Centres, Vita Enterprise Solutions, Call Centres and One Zero Dealers. Pete is responsible for leading these teams to deliver the very best customer experience to our customers.

Prior to joining Vita Group in 2008, Pete held various general management roles in global manufacturing and product development organisations. His previous roles include General Manager Residential at ASSA ABLOY Australia, General Manager Industrial Division at EGR, General Manager Domestic and International Marketing and Product Development at GWA Caroma.

ANDREW LEYDEN
CHIEF FINANCIAL OFFICER

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

Before joining Vita Group in 2011, Andrew held a number of leadership positions in general management, finance and IT. Previous roles include Chief Information Officer for Foster's Group, Global Finance Director for Foster's Wine Estates, Managing Director – Asia for Beringer Blass Winer Estates and Regional Financial Director, Asia for Reckitt Benckiser.

CHRIS PRESTON
CHIEF MARKETING OFFICER

Chris Preston is an experienced marketing leader with hands-on experience in Australia and North America. At Vita Group, Chris leads the Marketing, Product and Sprout teams. He is responsible for strategic marketing planning, brand development, digital marketing, product innovation and leading the Sprout accessory brand.

Before joining Vita Group in 2014, Chris was the Group Conversion Marketing Manager for Stockland's portfolio of residential, retirement and shopping centre assets and was the Global Corporate Marketing Leader for Flight Centre, where he was responsible for creating and executing the marketing strategy for Flight Centre's corporate travel division.

MARK ANNING
GROUP COMPANY SECRETARY AND LEGAL COUNSEL

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

Mark was admitted as a Solicitor in 1993, and is a Fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators Australia. Over the last 23 years he has specialised in corporate and commercial law, and corporate governance, gaining this experience with national law firms, including at Partner level, and in executive roles at several ASX listed companies.

Before joining Vita Group in 2009, Mark's prior role was as Group Company Secretary of Queensland Gas Company Limited (ASX: QGC).

KENDRA HAMMOND
CHIEF PEOPLE OFFICER

The Chief People Officer leads the People and Performance (P&P) division, which includes human resources (HR), talent acquisition, leaning and development and organisational development. P&P is integral in driving our strategy to get grow and keep talented people, which underpins the Group's strategy for the future.

Kendra joined Vita Group in 2007 and has undertaken roles including human resources management, organisational development and project management for the group. She was appointed to the role of Chief People Officer in 2011. She recently took a 12 month sabbatical from the Group and we are very pleased to say she has recently returned as Chief People Officer.

Prior to joining Vita Group, Kendra worked in various senior corporate roles in HR as well as retail sales leadership. Previous roles include HR Strategy Advisor at Suncorp and Area Manager at National Australia Bank.

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

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

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

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

Solicitors
Minter Ellison Lawyers
Brisbane, Australia

Bankers
ANZ Bank Limited
Brisbane, Australia

Auditors
PricewaterhouseCoopers
Brisbane, Australia

DIRECTORS' REPORT

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

	Vita Group Board		Audit, Compliance & Risk Committee		Remuneration & Nomination Committee	
Name	**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
		18,597

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.

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 $M	FY14 $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)
Underlying EBITDA	**39.2**	**27.0**

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.

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)	12.35	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
Current		
Obligations under finance leases, hire purchase contracts and chattel mortgages	62	4,522
Short term debt	7,738	1,161
	7,800	**5,683**
Non-current		
Obligations under finance leases, hire purchase contracts and chattel mortgages	-	1,310
Non-current term debt	5,594	9,911
	5,594	**11,221**
Total	**13,394**	**16,904**

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.

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

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
Net Profit after Tax	**25.4**	**(4.6)**	**6.2**	**(12.0)**	**6.8**	**7.7**
Total dividend for the year	cents	cents	cents	cents	cents	cents
Ordinary (cps)	7.98	4.64	2.83	1.50	3.10	-
Special (cps)	8.00	-	-	-	-	-
	15.98	**4.64**	**2.83**	**1.50**	**3.10**	**-**
	$	$	$	$	$	$
Market Price per Share at 30 June	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.

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.

   <u>STIP</u>

   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.

   <u>LTIP</u>

   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.

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	
Non-executive Directors								
Dick Simpson								
2015	**169,223**	**-**	**-**	**-**	**16,076**	**-**	**-**	**185,299**
2014	164,675	-	-	-	15,233	-	-	179,908
Neil Osborne								
2015	**84,611**	**-**	**-**	**-**	**8,038**	**-**	**-**	**92,649**
2014	82,337	-	-	-	7,616	-	-	89,953
Robyn Watts								
2015	**84,611**	**-**	**-**	**-**	**8,038**	**-**	**-**	**92,649**
2014	82,337	-	-	-	7,616	-	-	89,953
Paul Wilson (Appointed: 9 May 2014)								
2015	**92,650**	**-**	**-**	**-**	**-**	**-**	**-**	**92,650**
2014	15,442	-	-	-	-	-	-	15,442
Executive Directors								
Maxine Horne								
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
Other Group KMP								
Andrew Leyden								
2015	**537,560**	**-**	**-**	**169,048**	**-**	**63,666**	**-**	**770,274**
2014	483,747	-	-	174,375	-	31,000	-	689,122
Peter Connors								
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
Adam Taylor (Resigned: 22 May 2015)								
2015	**222,451**	**37,759**	**-**	**96,952**	**36,115**	**26,198**	**(2,211)**	**417,264**
2014	75,447	-	-	-	5,463	-	186	81,096
Kendra Hammond (Resigned: 28 February 2014)								
2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2014	141,626	39,207	718*	110,227	28,412	14,300	-	334,490
Mark Anning								
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
Jim Collier (Resigned: 6 September 2013)								
2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2014	48,820	14,731	-	-	4,989	-	-	68,540
Chris Preston (Appointed: 6 January 2014)								
2015	**227,135**	**-**	**-**	**36,316**	**26,237**	**7,017**	**-**	**296,705**
2014	102,584	-	-	-	8,613	-	-	111,197
Total KMP Compensation								
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.

(a) Other benefits include motor vehicles, private and spouse travel, and corporate hospitality.

(b) Bonus payments to key managers are at the discretion of the executive directors who take into account the Group and individual performance against key performance indicators.

(c) 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.

(d) The LTIP bonus for key management personnel is based upon a performance assessment against predetermined criteria. At the time of completion of this report, 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.

(e) The remuneration and other terms of employment for Andrew Leyden (the Chief Financial Officer) are formalised in a service agreement commencing 3 October 2013 and is due for review on 3 October 2015. The Group may terminate the Contract at any time without notice if serious breach has occurred. Either party may terminate the Contract without cause on 16 weeks' notice. Mr Leyden is responsible for his own superannuation arrangements. Leave provisions have been made for Mr Leyden on a non-accruing entitlement basis. The contract has inclusions for Mr Leyden to participate in the Vita Group STIP with a target STIP of 30% of his annual fee, and participation in the Vita Group LTIP at 20% of his annual fee.

(f) 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.

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Managers (continued)

Components of Remuneration

Name	Fixed Remuneration		At Risk – STI/LTI	
	FY15 %	FY14 %	FY15%	FY14%
Executive Directors				
Maxine Horne	68.1	75.3	31.9	24.7
Other Key Management Personnel				
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.

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.

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
	57,231	**84,240**

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

PricewaterhouseCoopers

K Challenor

Kim Challenor
Partner

Brisbane
24 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
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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
Revenue	2	**601,375**	**450,054**
Cost of sales		(393,019)	(295,858)
Gross profit		**208,356**	**154,196**
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)
		49,730	**33,514**
Depreciation and amortisation	3	(11,822)	(10,734)
Impairment of Next Byte business	3	-	(19,397)
		37,908	**3,383**
Interest income		461	319
Finance costs		(1,900)	(1,931)
Net finance costs	3	**(1,439)**	**(1,612)**
Profit before income tax		**36,469**	**1,771**
Income tax (expense)	24	(11,067)	(6,413)
Profit/(loss) for the period		**25,402**	**(4,642)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year, attributable to the ordinary equity holders of Vita Group Limited		**25,402**	**(4,642)**
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company			
- 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
ASSETS			
Current Assets			
Cash and cash equivalents	12	15,494	6,808
Trade and other receivables	4	29,418	25,546
Inventories	5	14,567	11,900
Total Current Assets		**59,479**	**44,254**
Non-current Assets			
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
Total Non-current Assets		**81,893**	**80,583**
TOTAL ASSETS		**141,372**	**124,837**
LIABILITIES			
Current Liabilities			
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
Total Current Liabilities		**80,384**	**71,892**
Non-current Liabilities			
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
Total Non-current Liabilities		**11,996**	**22,205**
TOTAL LIABILITIES		**92,380**	**94,097**
NET ASSETS		**48,992**	**30,740**
EQUITY			
Contributed equity	23	24,526	13,079
Retained earnings	23	24,466	17,661
TOTAL EQUITY		**48,992**	**30,740**

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

	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)
Total comprehensive (loss) for the year	-	**(4,642)**	**(4,642)**
Transactions with owners in their capacity as owners:			
Dividends paid	-	(5,116)	(5,116)
At 30 June 2014	**13,079**	**17,661**	**30,740**
At 1 July 2014	13,079	17,661	30,740
Profit for the year	-	25,402	25,402
Total comprehensive income for the year	-	**25,402**	**25,402**
Transactions with owners in their capacity as owners:			
Dividend Reinvestment Plan net of costs	11,447	-	11,447
Dividends paid	-	(18,597)	(18,597)
At 30 June 2015	**24,526**	**24,466**	**48,992**

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
Cash flows from operating activities			
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)
Net cash flows from operating activities	12	**35,321**	**17,625**
Cash flows from investing activities			
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	-
Net cash flows (used in) investing activities		**(15,974)**	**(19,668)**
Cash flows from financing activities			
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)
Net cash flows (used in) financing activities		**(10,661)**	**(3,926)**
Net increase/(decrease) in cash and cash equivalents		8,686	(5,969)
Cash and cash equivalents at beginning of year		6,808	12,777
Cash and cash equivalents at end of the year	12	**15,494**	**6,808**

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

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
FY15			
Revenue			
Sales of goods	392,723	57,769	450,492
Fee and commission revenue	148,786	2,097	150,883
Total segment revenue	**541,509**	**59,866**	**601,375**
Underlying EBITDA*	**39,898**	**(703)**	**39,195**
Depreciation and amortisation	(11,009)	(813)	(11,822)
Allocated income tax expense	(11,389)	322	(11,067)
*Underlying EBITDA excludes amortisation of proprietary products.			
FY14			
Revenue			
Sales of goods	270,406	73,141	343,547
Fee and commission revenue	104,471	2,036	106,507
Total segment revenue	**374,877**	**75,177**	**450,054**
Underlying EBITDA*	**27,975**	**(1,005)**	**26,970**
Depreciation and amortisation	(9,895)	(839)	(10,734)
Impairment of Next Byte goodwill	-	(19,397)	(19,397)
Allocated income tax expense	(6,375)	(38)	(6,413)

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

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.

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
Total segment revenue	**601,375**	**450,054**

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
Total segment revenue	**601,375**	**450,054**
Total revenue from continuing operations (Note 2)	**601,375**	**450,054**

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
Underlying EBITDA (excluding Next Byte impairment)	**39,195**	**26,970**
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)
Profit from continuing operations before income tax	**36,469**	**1,771**

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
Total assets as per the consolidated balance sheet	**141,372**	**124,837**

2. REVENUE

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

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 measureable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

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

3. EXPENSES

	Note	FY15 $'000	FY14 $'000
Net finance costs			
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
Total finance costs		**1,900**	**1,931**
Interest revenue on bank deposits		(461)	(319)
Net finance costs		**1,439**	**1,612**
Depreciation and amortisation			
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
		11,822	**10,734**
Impairment			
Impairment of Next Byte goodwill	17	-	19,397
		-	**19,397**
Employment expenses			
Wages and salaries		99,136	75,947
Defined contribution superannuation expense		8,056	6,365
Employee entitlements		5,711	3,599
		112,903	**85,911**
Operating lease rental expenses			
Lease payments – operating lease		**22,636**	**20,102**

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.

4. TRADE AND OTHER RECEIVABLES

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

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	**4,321**	**4,554**

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	**4,321**	**4,554**

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	**133**	**301**

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.

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)
Total inventories at the lower of cost or net realisable value	**14,567**	**11,900**

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.

6. PLANT AND EQUIPMENT

	Plant and equipment under lease $'000	Plant and equipment $'000	Total $'000
At 1 July 2013			
Cost	7,610	50,469	58,079
Accumulated depreciation and impairment	(5,293)	(27,108)	(32,401)
Net book amount	**2,317**	**23,361**	**25,678**
Year ended 30 June 2014			
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)
Closing net book amount	**787**	**21,371**	**22,158**
At 1 July 2014			
Cost	3,730	55,543	59,273
Accumulated depreciation and impairment	(2,943)	(34,172)	(37,115)
Net book amount	**787**	**21,371**	**22,158**
Year ended 30 June 2015			
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)
Closing net book amount	**-**	**17,277**	**17,277**

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.

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 $'000	Software $'000	Goodwill $'000	Total $'000
At 1 July 2013				
Cost	720	6,353	68,898	75,971
Accumulated amortisation	(720)	(4,945)	(21,816)	(27,481)
Net book amount	**-**	**1,408**	**47,082**	**48,490**
Year ended 30 June 2014				
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)
Closing net book amount	**-**	**1,814**	**44,598**	**46,412**
At 1 July 2014				
Cost	720	7,821	85,811	94,352
Accumulated amortisation	(720)	(6,007)	(41,213)	(47,940)
Net book amount	**-**	**1,814**	**44,598**	**46,412**
Year ended 30 June 2015				
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)
Closing net book amount	**-**	**899**	**53,992**	**54,891**

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.

Accounting Method	Customer Database	Software
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

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

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

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

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

Acquisition related costs

$477,170 in acquisition-related costs are included in administration expenses in the 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.

8. BUSINESS COMBINATIONS (continued)

Revenue and profit contribution* (continued)

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

9. TRADE AND OTHER PAYABLES

	FY15 $'000	FY14 $'000
Current		
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
	67,394	**63,304**
Non-current		
Other payables and accruals	2,001	2,547
Unearned revenue	45	4,511
	2,046	**7,058**
Total	**69,440**	**70,362**

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.

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
	2,832	**4,356**	**7,188**	**1,868**	**3,926**	**5,794**

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)
	2,959	**1,361**	**724**	**5,044**

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.

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

	Note	FY15 $'000	FY14 $'000
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)
Net deferred tax assets		**9,700**	**11,988**
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)
		9,700	**11,988**
Movement in deferred tax assets			
At 1 July		11,988	13,310
Credited to profit or loss	24	(2,407)	(1,986)
Amounts recognised directly in equity	23	119	-
Acquisition of Camelon ICT Solutions Pty Ltd		-	664
At 30 June		**9,700**	**11,988**

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.

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.

12. CASH AND CASH EQUIVALENTS

	FY15 $'000	FY14 $'000
Cash at bank and on hand	**15,494**	**6,808**
Reconciliation of net profit/(loss) after tax to net cash flows from operations		
Net profit/(loss)	25,402	(4,642)
Adjustments for:		
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)
Changes in operating assets and liabilities:		
(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
Net cash flow from operating activities	**35,321**	**17,625**

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
Term deposits	**25**	**25**

The term deposits are held as security over bank guarantees and are held for the duration of the guarantee to which they relate. The interest rate on term deposits is 1.50% (FY14: 2.00%).

14. INTEREST BEARING LOANS AND BORROWINGS

	Maturity	FY15 $'000	FY14 $'000
Current			
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
		7,800	**5,683**
Non-current			
Non-current term debt	2017 - 2018	5,594	9,911
Obligations under hire purchase contracts	2017	-	62
Obligations under chattel mortgage	2017	-	1,248
		5,594	**11,221**
Total		**13,394**	**16,904**

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
	13,394	**16,904**	**12,822**	**15,702**

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).

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	-
	18,597	**5,116**

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).

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

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.

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 $'000	1 - 5 years $'000	Over 5 years $'000	Total contractual outflows $'000	Carrying Amount $'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	-	-	-	-	-
	38,732	**5,685**	**-**	**44,417**	**43,952**
As at 30 June 2014					
Trade and other payables	23,106	-	-	23,106	23,106
Borrowings	9,051	8,370	-	17,421	16,311
Finance leases	594	-	-	594	588
	32,751	**8,370**	**-**	**41,121**	**40,005**

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	**44,598**	**-**	**44,598**
At 1 July 2014	44,598	-	44,598
Additions	9,394	-	9,394
At 30 June 2015	**53,992**	**-**	**53,992**

*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%

17. IMPAIRMENT TESTING OF GOODWILL (continued)

Impairment charge

As a result of an internal reassessment of strategy following the acquisition of Camelon ICT Solutions, and changes to the agreement with Telstra, the Group revisited the recoverable amount assumptions and calculations for the Computing segment. As a result an impairment charge of $19.4 million was made against goodwill in 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.

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

18. PARENT ENTITY DISCLOSURES

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

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
	21,108	**21,259**

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.

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	-	-
Total investments in controlled entities – at cost				**19,293**	**19,293**
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.

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 Entitles, as shown above, are party to the above Deed of Cross Guarantee and represent a 'Closed Group' for the purposes of the Class Order.

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

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.

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 $'000	FY14 $'000
Within one year	14,890	16,235
After one year but not more than five years	14,172	24,624
	29,062	**40,859**

Sub-lease payments

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

	132	**359**

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
Total minimum payments	**-**	**594**
Less amounts representing finance charges	-	(7)
Present value of minimum payments	**-**	**587**

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
Total minimum lease payments	**64**	**336**
Less amounts representing finance charges	(2)	(19)
Present value of minimum lease payments	**62**	**317**

Capital commitments

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

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
	21,516	**22,470**

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.

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
Net profit/(loss) attributable to ordinary equity holders of the parent	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	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**146,001**	**142,500**

Basic earnings per share (cents)	17.40	(3.26)
Underlying earnings per share* (cents)	12.35	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 or ordinary shares, adjusted for any bonus element.
Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

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

23. CONTRIBUTED EQUITY, RETAINED EARNINGS AND RESERVES

Contributed equity	FY15 $'000	FY14 $'000
Ordinary shares		
Issued and fully paid	**24,526**	**13,079**

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

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

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

	Number of shares	$'000
At 1 July 2013	142,499,800	13,079
Treasury shares bought from the market	-	-
Ordinary shares issued for options exercised	-	-
At 30 June 2014	**142,499,800**	**13,079**
Dividend reinvestment plan:		
50,819 new shares issued at $1.0404 per share	50,819	53
112,889 new shares issued at $1.0862 per share	112,889	123
334,694 new shares issued at $1.5852 per share	334,630	530
Dividend reinvestment plan underwriting agreement:		
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
At 30 June 2015	**151,152,436**	**24,526**

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

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

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)
Net debt		**(2,100)**	**10,096**
Total equity		48,992	30,740
Net debt plus equity		**46,892**	**40,836**
Net debt / (Net debt plus equity) ratio		**(4.48%)**	**24.72%**

*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.

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
Income tax expense reported in the income statement		**11,067**	**6,413**
A reconciliation between tax expense and the profit before income tax multiplied by the Group's applicable income tax rate is as follows:			
Profit before income tax		**36,469**	**1,771**
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
Accounting expenses not deductible for income tax purposes		**39**	**5,891**
		10,980	**6,422**
Adjustments for current tax of prior periods		(171)	(39)
Adjustment for deferred tax of prior periods		139	30
Aggregate income tax expense		**10,948**	**6,413**
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	-
		119	**-**

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
Total remuneration of PwC Australia	**327,231**	**369,240**

26. DIRECTOR AND EXECUTIVE DISCLOSURES

Details of Key Management Personnel

(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 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
	3,706,148	**3,213,839**

*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
Directors				
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
Executives				
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.

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:

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).

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.

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 *Plant and Equipment*
Note 7 *Intangible Assets and Goodwill*
Note 10 *Provisions*
Note 17 *Impairment Testing of Goodwill*

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.

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 .

PricewaterhouseCoopers, ABN 52 780 433 757
Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

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*.

PricewaterhouseCoopers

PricewaterhouseCoopers

KChallenor

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
Shareholdings of less than a marketable parcel			
Holdings of less than 258 shares	150	22,464	0.01

(b) Twenty largest holders of quoted equity securities

	Fully paid	
Ordinary Shareholders	**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
Top 20 holders of ORDINARY FULLY PAID SHARES	**110,742,661**	**73.27**

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:

	Fully paid	
Ordinary Shareholders	**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
TOTAL	74,186,725	50.40

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