Vita Group Limited

ABN 62 113 178 519

Interim Report
for the half-year ended 31 December 2009

Contents

Directors' Report

Your directors present their report on the consolidated entity consisting of Vita Group Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2009.

DIRECTORS

The following persons were directors of Vita Group Limited during the whole of the half-year and up to the date of this report:

- R. A. Simpson (Chairman)
- D. L. McMahon (Joint Chief Executive Officer)
- M. J. Horne (Joint Chief Executive Officer)
- N. A. Osborne
- M. F. Snowden

REVIEW AND RESULTS OF OPERATIONS

	Half-year ended 31 December 2009 $000s	Half-year ended 31 December 2008 * $000s	Growth %
Total operating revenue (a)			
Telecommunications segment	72,911	81,802	(10.9)%
Computing segment	58,331	63,833	(8.6)%
Support Services segment	13,641	5,319	156.5%
Gross operating margin (b)	56,454	54,590	3.4%
Earnings before interest, taxation, depreciation and amortisation (c)	13,462	8,838	52.3%
Earnings before interest and taxation (d)	10,681	6,306	69.4%
Net profit for the period attributable to members	7,505	4,283	75.2%
Earnings per share (cents)	5.31 cents	3 03 cents	75.2%

* December 2008 comparatives have been restated as outlined in Note 2, Adjustment of Comparatives.
(a) Total segment revenue excluding Finance revenue (Note 3)
(b) Gross Profit excluding Finance revenue (Consolidated Statement of Comprehensive Income)
(c) Profit from continuing operations before income tax excluding Depreciation and Amortisation expenses and Finance revenue and costs (Consolidated Statement of Comprehensive Income)
(d) Profit from continuing operations before income tax excluding Finance revenue and costs (Consolidated Statement of Comprehensive Income)

Vita Group's results for the first half of the 2010 financial year showed solid improvement. Despite operating revenue being slightly down (4%) to $144.9 million:

- EBITDA improved to $13.5 million (up 52%) reflecting the impact of the advance Telstra payment. On a normalised basis EBITDA was $6.6 million (up 5%);
- EBIT increased to $10.7 million (up 69%); and
- NPAT moved up to $ 7.5 million (up 75%).

The reduction in revenue reflects the store optimisation programme, which reduced the number of stores by 19 as compared to the same period last year. This flowed through to a 22% reduction in headcount across the Group. The tightening of expenses and other operating efficiencies, combined with the advance Telstra payment, produced an improved set of results.

On 27 August 2009, Fone Zone renewed its dealer agreement with Telstra for another five years with the potential for up to four additional one year extensions, and was appointed a Master Licensee for Telstra's T[life] stores. Under this agreement the previous trailing commission arrangement was replaced by an increased upfront commission structure, rewarding the broader product suite offered in T[Life] stores.

Directors' Report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

In November 2009, Vita Group received an initial payment of $12 million in respect of trailing commissions earned under the old agreement. The payment received included an advance payment of $9.4 million being a portion of trailing commissions that would have otherwise been earned by the company beyond 31 December 2009.

The rollout of the initial 25 T[life] stores under the new agreement is on track, with 5 T[life] branded stores opened as at 31 December 2009. Vita Group also acquired two Telstra licensed stores, taking the Company's total Telstra branded stores to 12. The financial performance of the recently opened T[life] stores has been at the higher end of Vita Group's internal expectations, and has confirmed the more profitable and sustainable business model of T[life] stores for the Group. In addition, as expected, due to the upfront commission structure, the profitability of new stores is being achieved sooner.

Next Byte traded in line with expectations, with the benefits from previous operating improvements offsetting lower revenues following three store closures as compared to the same period last year.

The Group reduced debt by $11.6 million, with gearing, being net debt / (net debt + equity), at 31 December 2009 of 8.7%. With a strengthened balance sheet, Vita Group is committed to continue rolling out the Group's growth strategy. Vita Group plans to conserve cash, and as a result has resolved to not declare an interim dividend for this half.

The continued debt reduction, improvement in trading performance, pipeline of new store opportunities, and expense reductions combine to give Vita Group a positive outlook for the second half. Vita Group reaffirms its 2010 full year guidance of EBITDA in the range of $17-18 million.

An impairment review of the carrying value of the Group's goodwill and intangible assets undertaken in accordance with AASB 136 *Impairment of Assets* indicates that no additional impairment charge is required in relation to any of the group's assets.

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

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

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

D L McMahon	M J Horne
Director	Director

Brisbane,
Date: 25 February 2010

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
GPO BOX 150
BRISBANE QLD 4001
Brisbane
Australia
www.pwc.com/au
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999

Auditors' Independence Declaration

As lead auditor for the review of Vita Group Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Robert Baker

R A Baker

Partner
PricewaterhouseCoopers

Brisbane

25 February 2010

Consolidated Statement of Comprehensive Income
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	2009 $'000	2008 $'000
Continuing operations			
Sale of goods		113,285	126,980
Fee income / Commission		31,598	23,974
Finance revenue	4	183	280
Revenue		145,066	151,234
Cost of sales		(88,429)	(96,364)
Gross profit		**56,637**	**54,870**
Other income	4	1,925	2,281
Employment expenses	4	(28,299)	(32,385)
Marketing and advertising expenses		(2,177)	(2,643)
Operating lease rental expense		(7,471)	(7,468)
Depreciation and amortisation expenses	4	(2,781)	(2,532)
Other expenses	4	(6,970)	(5,537)
Finance costs	4	(476)	(1,000)
Profit from continuing operations before income tax		**10,388**	**5,586**
Income tax expense		(2,883)	(1,303)
Profit from continuing operations		**7,505**	**4,283**
Other comprehensive income for the period, net of tax		**-**	**-**
Total comprehensive income for the period, attributable to the ordinary equity holders of Vita Group Limited		**7,505**	**4,283**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company		**Cents**	**Cents**
- basic earnings per share		5.31	3.03
- diluted earnings per share		5.31	3.03

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2009

	Notes	31 December 2009 $'000	30 June 2009 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		9,087	9,850
Trade and other receivables		16,637	19,849
Inventories		13,536	10,106
Prepayments		1,758	1,467
Income tax receivable		-	1,573
Total Current Assets		**41,018**	**42,845**
Non-current Assets			
Term deposits		165	252
Deferred tax asset		5,259	4,943
Plant and equipment		12,904	12,251
Intangible assets and goodwill		54,362	54,399
Total Non-current Assets		**72,690**	**71,845**
TOTAL ASSETS		**113,708**	**114,690**
LIABILITIES			
Current Liabilities			
Trade and other payables		40,664	40,560
Interest bearing loans and borrowings		5,840	6,591
Income tax payable		2,616	-
Provisions		4,521	3,840
Total Current Liabilities		**53,641**	**50,991**
Non-current Liabilities			
Trade and other payables		2,230	2,469
Interest bearing loans and borrowings		7,751	18,554
Provisions		2,804	2,899
Total Non-current Liabilities		**12,785**	**23,922**
TOTAL LIABILITIES		**66,426**	**74,913**
NET ASSETS		**47,282**	**39,777**
EQUITY			
Contributed equity	6	12,844	12,844
Retained earnings		31,688	24,183
Reserves		2,750	2,750
TOTAL EQUITY		**47,282**	**39,777**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Attributable to equity holders of the parent			
	Contributed Equity $'000	Retained earnings $'000	Employee equity benefits reserve $'000	Total equity $'000
At 1 July 2008	12,844	20,177	2,672	35,693
Profit for the period	-	4,283	-	4,283
Total comprehensive income for the period	-	4,283	-	4,283
Transactions with owners in their capacity as owners:				
Dividends paid	-	(1,412)	-	(1,412)
Cost of share-based payment	-	-	(1)	(1)
At 31 December 2008	**12,844**	**23,048**	**2,671**	**38,563**
At 1 July 2009	12,844	24,183	2,750	39,777
Profit for the period	-	7,505	-	7,505
Total comprehensive income for the period	-	7,505	-	7,505
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	-	-
Cost of share-based payment	-	-	-	-
At 31 December 2009	**12,844**	**31,688**	**2,750**	**47,282**

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

Consolidated Statement of Cash Flows
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	2009 $'000	2008 $'000
Cash flows from operating activities			
Receipts from customers		165,673	159,801
Payments to suppliers and employees		(147,565)	(151,629)
Interest received		183	280
Finance costs		(476)	(1,000)
Income tax (paid)/refunded		851	2,618
Net GST remitted		(3,907)	(3,524)
Net cash flows from/(used in) operating activities		**14,759**	**6,546**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		55	(2)
Purchase of plant and equipment		(2,615)	(885)
Purchase of intangibles		(135)	(39)
Payments for business acquired	7	(251)	-
Purchase of interest bearing deposits		-	-
Net cash flows from/(used in) investing activities		**(2,946)**	**(926)**
Cash flows from financing activities			
Proceeds on exercise of options		-	-
Payment for ordinary shares on exercise of options		-	-
Proceeds from borrowings		348	-
Repayment of borrowings		(12,089)	(2,663)
Repayment of finance lease principal		(835)	(548)
Equity dividends paid	5	-	(1,412)
Net cash flows from/(used in) financing activities		**(12,576)**	**(4,623)**
Net increase/(decrease) in cash and cash equivalents		(763)	997
Cash and cash equivalents at beginning of half-year		9,850	9,908
Cash and cash equivalents at end of half-year		**9,087**	**10,905**

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

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Vita Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, with the exception of AASB 8 Operating Segments (refer to Note 1(a)(i)) and AASB 101 Presentation of Financial Statements (refer to Note 1(a)(ii)). As a result, the 2008 comparatives have been restated.

(a) New standards applicable from 1 July 2009

(i) Segment reporting

AASB 8 Operating Segments is applicable from 1 July 2009 and replaces AASB 114 Segment Reporting. AASB 8 aligns segment reporting with the requirements of the US standards SFAS 131 Disclosures about Segment of an Enterprise and Related Information. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. Comparatives for 2008 have been restated.

(ii) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements from 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these interim financial statements as of and for the six month period ended 31 December 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

2. ADJUSTMENT OF COMPARATIVES

Sales of extended warranties were treated as follows under Vita's previous accounting policy: revenue was recognised at the time the warranty was sold and a provision was also recognised at this time to reflect estimated future warranty costs. The correct treatment of these obligations is to recognise the consideration received over the period each warranty component is provided. Costs should be expensed as incurred and no provision recognised for future costs.

The adjustment had the following effects on the Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2008: Profit before income tax understated by $900,012, Income tax expense understated by $270,004 and Profit after income tax understated by $630,008

Each affected interim report line item for the comparative half-year has been adjusted as described above.

Basic and diluted earnings per share for the comparative period have also been restated resulting in increases of 0.45 cents per share for basic earnings per share and 0.44 cents per share and for diluted earnings per share.

3. SEGMENT REPORTING

(a) Description of segments
Management has determined the operating segments based on the reports reviewed by the Group Leadership Team ("GLT") that are used to make strategic decisions. The GLT currently consists of the Joint Chief Executive Officers, General Manager Mobile Phones, General Manager Next Byte Retail, General Manager Business Solutions, Chief Product, Marketing and Technology Officer, Chief Financial Officer, Chief Organisation Development Officer and the Group Company Secretary and Legal Counsel.

The GLT considers the business from a product and service perspective. The Group has three segments; the Telecommunications and Computing segments sell different products and as a result have different risk profiles; and a Support Services segment that provides support functions to the Group which are not recharged to the other segments.

The products sold in the Telecommunications segment comprise mobile phones and related accessories as well as voice and data services through a third party service provider partner.

The products sold in the Computing segment comprise laptop and desktop computers, associated accessories and peripheral equipment as well as service and rental contracts.

The Support Services segment provides central support functions including Product and Marketing, Finance, Human Resources and Information Technology.

The revenue items shown in the Support Services segment are Telecommunications trailing commissions and claims relating to prior periods; and future trailing commission entitlements under the old Telstra dealer agreement that have been brought forward under the new Telstra dealer agreement signed 27 August 2009. In November 2009 we received an initial payment of $12 Million in respect of trailing commissions earned (and to be earned) under the previous agreement. The payment received included an advance payment of $9.4 Million reflecting a portion of trailing commissions that would have been earned by the company beyond 31 December 2009. These items are reported separately to the overall Telecommunications segment.

The Group operates predominantly in Australia and thus the GLT does not consider the business from a geographical perspective.

There are currently no non-reportable segments.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

3. SEGMENT REPORTING (continued)

(b) Segment information provided to the Group Leadership Team
The segment information provided to the GLT for the reportable segments for the half-year ended 31 December 2009 is as follows:

	Telecomm-unications $'000	Computing $'000	Support Services $'000	Total Operations $'000
Half year ended 31 December 2009				
Revenue				
Sales of goods	54,780	58,331	174	113,285
Fee income / Commission	18,131	-	* 13,467	31,598
Total segment revenue	72,911	58,331	13,641	144,883
Inter-segment revenue	-	-	-	-
Revenue from external customers	72,911	58,331	13,641	144,883
Adjusted EBITDA	8,737	1,430	3,295	13,462
Half year ended 31 December 2008				
Revenue				
Sales of goods	62,608	63,833	539	126,980
Fee income / Commission	19,194	-	4,780	23,974
Total segment revenue	81,802	63,833	5,319	150,954
Inter-segment revenue	-	-	-	-
Revenue from external customers	81,802	63,833	5,319	150,954
Adjusted EBITDA	9,623	1,699	(2,484)	8,838
Total segment assets				
31 December 2009	53,055	53,453	7,200	113,708
30 June 2009	53,879	53,068	7,743	114,690

The 2008 Segment Reporting comparative has been restated to match the classifications applied to the 2009 disclosure. In addition the disclosure has been restated for the adjustment of comparatives as detailed in Note 2.

The GLT assesses the performance of the operating segments based on a measure of adjusted EBITDA.

No reporting is currently provided to the GLT 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 above are an allocation of total consolidated assets based on the operations of the segments and the physical locations of assets.

All Fee Income / Commission reported for the Telecommunications and Support Services segments above relates to Telstra. There are no other major customers.

* The revenue items shown in the Support Services segment are Telecommunications trailing commissions and claims relating to prior periods; and future trailing commission entitlements under the old Telstra dealer agreement that have been brought forward under the new Telstra dealer agreement signed 27 August 2009. In November 2009 we received an initial payment of $12 Million in respect of trailing commissions earned (and to be earned) under the previous agreement. The payment received included an advance payment of $9.4 Million reflecting a portion of trailing commissions that would have been earned by the company beyond 31 December 2009. These items are reported separately to the overall Telecommunications segment.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

3. SEGMENT REPORTING (continued)

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

	2009 $'000	2008 $'000
Adjusted EBITDA	13,462	8,838
Intersegment eliminations	-	-
Interest revenue	183	280
Finance costs	(476)	(1,000)
Depreciation and amortisation expense	(2,781)	(2,532)
Profit before income tax from continuing operations	10,388	5,586

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

4. REVENUE AND EXPENSES

Profit before income tax expense for the half-year includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

		2009 $'000	2008 $'000
(a) Finance revenue			
Breakdown of finance revenue:			
Bank interest		183	280
(b) Other income			
Cooperative marketing revenue		1,509	1,982
Bargain purchase on business combinations	7	289	-
Other miscellaneous income		127	299
		1,925	2,281
(c) Finance costs			
Bank loans		317	825
Finance charges under finance leases		127	147
Finance charges under hire purchase contracts		5	13
Other interest		27	15
		476	1,000
(d) Depreciation and amortisation included the income statement			
Depreciation of plant and equipment		1,947	1,580
Amortisation of plant and equipment		673	661
Amortisation of intangibles		161	291
		2,781	2,532
(e) Employment expense			
Salaries and other employment costs		28,299	32,386
Share-based payments expense		-	(1)
		28,299	32,385
(f) Other expenses			
(Gain)/Loss on disposal of plant and equipment		(24)	34
Impairment of plant and equipment (*)		802	(740)
Consulting		548	279
Communications		856	1,050
Travel		324	819
Bank fees		1,291	672
Other expenses		3,173	3,423
		6,970	5,537

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

4. REVENUE AND EXPENSES (continued)

(*) Impairment review of plant and equipment:
Prior to June 2008 Vita embarked on a store optimisation program within Fone Zone in order to drive an improved profitability in this segment. This program involved reviewing all stores within the Fone Zone portfolio and determining whether to retain each store in its current format, relocate it to a better location, convert the store to a Next Byte store, or close the store. At that time a number of stores expected to be affected by this process were identified and appropriate impairment provisions were raised in the June 2008 accounts.

This review continued during the half year to 31 December 2008. Certain stores previously earmarked for early closure or relocation were reassessed to continue to trade and accordingly surplus impairment provisions no longer required were released. Similarly, previous plans to update branding of existing stores were reassessed and a portion of the prior impairment provision released to reflect the revised plans.

During the current half-year to 31 December 2009, Fone Zone renewed its dealer agreement with Telstra. As part of this new agreement Vita Group was appointed the first Master Licensee for Telstra's T[life]™ stores. The T[life] Master License Agreement allows Vita Group to roll-out T[life] stores in a phased approach, subject to meeting both performance and expandability criteria. The location of the first 25 stores has been agreed and they are planned to open by November 2010. The impact of these updated plans on existing stores including appropriate impairment provisions has been included in the results for the current half-year to 31 December 2009.

5. DIVIDENDS PAID AND PROPOSED

	2009 $'000	2008 $'000
Ordinary shares		
Dividends provided for or paid during the half-year:		
Final dividend declared from retained profits at 30 June 2009: $Nil (2008: 1.0 cents per share)	-	1,412
Dividends on ordinary shares:		
No interim franked dividend for 2010 has been declared (2009: Nil cents)	-	-

6. CONTRIBUTED EQUITY

	31 December 2009 $'000	30 June 2009 $'000
Ordinary shares		
Issued and fully paid	12,844	12,844

	Number of shares	$'000
Movements in ordinary shares on issue		
At 1 July 2009	141,247,800	12,844
Ordinary shares issued for options exercised	-	-
Treasury shares bought from the market	-	-
At 31 December 2009	141,247,800	12,844

Terms and conditions of contributed equity

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.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

7. BUSINESS COMBINATIONS

On 4 August 2009, Fone Zone Pty Limited acquired the license and related net business assets to operate the Telstra Licensed store at Kippa Ring, Queensland.

Details of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration:	
Cash paid	76
Total purchase consideration	**76**
	Fair Value $'000
The assets and liabilities arising from the acquisition are as follows:	
Inventories	26
Plant and equipment	-
Receivables	314
Net deferred tax assets / (liabilities)	(94)
Net identifiable assets acquired	**246**
Add: Goodwill / (Bargain purchase)	**(170)**
	76
Net cash outflow on acquisition is as follows:	
Net cash acquired	-
Cash paid	(76)
	(76)

There is no goodwill recognised in this business combination. The bargain purpose position has resulted from the Group being able to benefit from some identified assets not considered accessible by the vendor.

Acquisition related costs
Acquisition-related costs of $24,227 are included in other expenses in the statement of comprehensive income.

Contingent consideration
There are no contingent consideration arrangements in relation to this combination.

Acquired receivables
The fair value of trade and other receivables is $313,903 and includes an interest in future trailing income related to pre-acquisition activity by this store with a fair value of $313,903. The gross contractual amount for the interest in future trailing income is estimated at $313,903, of which $Nil is expected to be uncollectible.

Notes to the Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

7. BUSINESS COMBINATIONS (continued)

On 30 October 2009, Fone Zone Pty Limited acquired the license and related net business assets to operate the Telstra Licensed store at North Lakes, Queensland.

Details of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration:	
Cash paid	175
Total purchase consideration	**175**
	Fair Value $'000
The assets and liabilities arising from the acquisition are as follows:	
Inventories	26
Plant and equipment	82
Receivables	230
Net deferred tax assets / (liabilities)	(44)
Net identifiable assets acquired	**294**
Add: Goodwill / (Bargain purchase)	**(119)**
	175
Net cash outflow on acquisition is as follows:	
Net cash acquired	-
Cash paid	(175)
	(175)

There is no goodwill recognised in this business combination. The bargain purpose position has resulted from the Group being able to benefit from some identified assets not considered accessible by the vendor.

Acquisition related costs
Acquisition-related costs of $16,282 are included in other expenses in the statement of comprehensive income.

Contingent consideration
There are no contingent consideration arrangements in relation to this combination.

Acquired receivables
The fair value of trade and other receivables is $230,118 and includes an interest in future trailing income related to pre-acquisition activity by this store with a fair value of $230,118. The gross contractual amount for the interest in future trailing income is estimated at $230,118, of which $Nil is expected to be uncollectible.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

7. BUSINESS COMBINATIONS (continued)

	2009 $'000	2008 $'000
Cash flow information		
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	251	-
Acquisition-related costs	41	-
	292	-
Less: Balances acquired		
Cash	-	-
Bank Overdraft	-	-
	292	-
	292	-

8. REVIEW OF GOODWILL IMPAIRMENT

An impairment review of the carrying value of the Group's goodwill and intangible assets undertaken in accordance with AASB 136 *Impairment of Assets* indicates that no additional impairment charge is required in relation to any of these assets.

The impairment review comprised a comparison of the carrying value of the Group's cash generating units (which are aligned to the reporting segments), with their respective values in use, calculated using a discounted cash flow methodology. The relevant cash flow projections, as approved by management, covered a period of five years and the assumptions used in the review are as follows:

	Telecommunication	Computing
Pre tax discount rate applied to the cash flow projection	17.5%	17.5%
Cash flows up to year 5 are extrapolated using a growth rate of:		
Revenue	5.0%	8.0%
Operating Costs	2.1%	2.1%

9. CONTINGENCIES

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

10. EVENTS OCCURRING AFTER BALANCE SHEET DATE

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

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 3 to 18 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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

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

D L McMahon
Director

M J Horne
Director

Brisbane,
Date: 25 February 2010

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Vita Group Limited, which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Vita Group Limited Group (the consolidated entity). The consolidated entity comprises both Vita Group Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vita Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

PRICEWATERHOUSECOOPERS

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

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Robert Baker

R A Baker
Partner

Brisbane
25 February 2010