FY13
ANNUAL REPORT

Ben Vinter, Team Member, Telstra Store Mittagong

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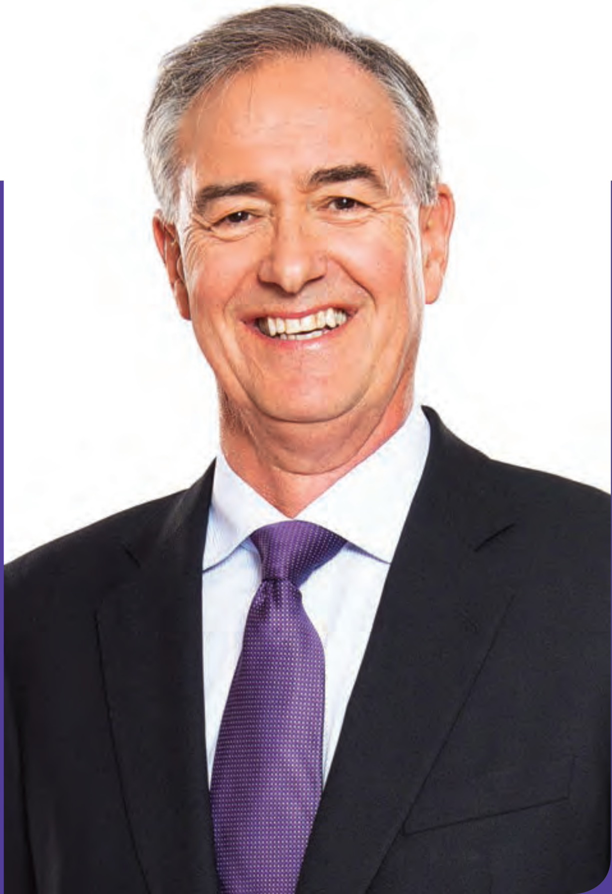
Chairman's Review



“Overall result for Vita Group in FY13 has been very pleasing.”

Dick Simpson
Chairman

The overall result for Vita Group in FY13 has been very pleasing. Importantly, we demonstrated that one of the central pillars of our strategy - investing in the Telstra branded store portfolio - is producing strong growth and improved profitability. With the rollout of this portfolio now well advanced, our focus turns to optimising this investment.

Group revenues increased 6% to $435 million and earnings before interest, tax, depreciation and amortisation (EBITDA) grew 32% to $22.1 million. Underpinning the Group result was the performance of the telecommunications division, which recorded 14% growth in revenue to $345 million and a 42% uplift in EBITDA to $23.9 million. This strong performance flowed through to a net profit after tax (NPAT) of $6.2 million, more than double the prior comparable period. Directors maintained a 65% dividend payout ratio, declaring a full-year dividend of 2.83 cents per share, which is up 89% on the previous year.

6%
growth in revenue to $435 million

32%
increase in EBITDA to $22.1 million

14%
growth in telecommunications revenue to $345 million

65%
dividend payout ratio maintained

There are clear signs that momentum in our Telstra portfolio, now numbering 96 points of presence, is building. As at 30 June, 45% of the stores were less than 24 months old. Based on previous experience, we can expect continued revenue and earnings growth as the newer stores become established. Pleasingly, we are seeing growth across a broad portfolio of products and services, with the contributions from fixed connections and media, NBN connections, bundled products and the SME/enterprise channels growing rapidly. As a result, we are less reliant on a 'mobiles only' market position.

The easing of capex requirements, coupled with strong free cash flows, allowed for accelerated repayment of debt during the second half of the year. Gross borrowings were reduced to $15.5 million as at year end, and net debt was reduced from $9.7 million to $2.8 million. This capital position leaves the company well placed to execute growth initiatives.

The performance of Next Byte was disappointing. However, under a different structure and new leadership, the focus on this business has been reinvigorated. Retail disciplines that draw on proven best practice in the telecommunications division have been introduced across the Next Byte network and we will continue to partner with Apple to deliver the best customer experience in-store.

Looking ahead, the management team is now focused on optimising future returns from these investments. Central to meeting this challenge is investing in Vita's people to create exceptional leaders, improve sales execution and make the customer experience even better. The company will also be exploring growth options in the business channel, particularly with regard to emerging categories such as unified communications and cloud services, which are closely aligned to Vita's core capabilities and for which our physical network is a natural lever.

On behalf of the Board, I wish to thank all Vita team members for their dedication and commitment in delivering such a strong performance in FY13. Collectively the team has hit on a successful formula that is delivering results for the company's stakeholders.

I would also like to thank our shareholders for their continued support. The Board believes shareholders have every reason to be confident that Vita Group will realise the potential ahead.

Dick Simpson

Dick Simpson
Chairman

CEO's Review

“Results reflected the Vita team's dedication, enthusiasm and customer focus.”

Maxine Horne
Chief Executive Officer

Investing in our people

I want to thank each and every one of our team members, my ‘Vita peeps’, for their personal contribution to the great results Vita has delivered in FY13. Ours is a wonderful business backed by a great group of people, and this is an exciting time in the company's evolution.

I like to think of us as being in the people business rather than the technology business. I know from experience that great people make the difference when it comes to delivering great customer experiences, which in turn delivers great results.

Investment in our people is key to our growth. Our ‘people’ program of work incorporates a range of initiatives aimed at getting, growing and keeping talented people. This has been pivotal in shaping the distinctive high-performance culture to which much of Vita's current success can be attributed.

A very positive result overall

I am thrilled to report on an outstanding FY13, a year in which our results reflected the Vita team's dedication, enthusiasm and customer focus. We set out on this financial year with determination, energy and clear targets to achieve, and I'm proud to say that we delivered on these.

Key to achieving our goals was our strategic relationship with Telstra. We have been agile in responding to the changes in the telecommunications industry, which has underpinned the delivery of very strong results in the telecommunications division. Results in our Next Byte division did not meet our own expectations, but clear plans are already underway to lift the performance of this business.

Strong momentum in telecommunications

The bedrock of the FY13 Group result was the performance of the telecommunications division. FY13 operating revenue grew 14% to $345 million with EBITDA up 42% to $23.9 million. On a like-for-like basis, revenues from Telstra stores were up 9% and EBITDA 25%. The average per store EBITDA contribution from Telstra stores increased significantly as we focused on opportunities in what is still a relatively immature portfolio and we expect to see continued profit gains in retail and in the business channel.

Fone Zone revenues were down due to a lower store count and investment being directed towards our Telstra portfolio. Notwithstanding, Fone Zone is a solid profit contributor and performs exceptionally well in terms of customer advocacy. It continues to have a place within Vita's portfolio but is unlikely, however, to be our immediate priority for ongoing investment.

The team focused keenly this year on revenue growth whilst ensuring cost containment. At a store level, we ask that our people focus on two financial imperatives: selling well and controlling costs. We achieved this challenging balance, evidenced in the expenses to revenue ratio, which was 28.7% in FY13, down from 32.6% in FY12.

From a product perspective, mobile sales were solid, though growth slowed as mobile penetration evolved. Telstra added 1.3 million mobile customers during the year, which benefited both Vita and Telstra alike. Pleasingly, the margin contribution from our fixed portfolio of products grew well ahead of the mobility category, up 60% on the prior year and this reflects our approach to providing our customers with complete technology solutions.

Harnessing the growth opportunity in telecommunications

We will continue to fine-tune our store portfolio by focusing on regional clusters, where we can leverage leadership and operational support. We strive to 'Live Local, Love Local' and become not only the local trusted advisor in our communities, but ensure our leaders play a key role in their local community.

In the business channel, the continued emergence of cloud solutions, data and unified communications has created new opportunities in the marketplace. Vita currently participates in these categories across our national footprint and business teams, albeit lacking in scale. In FY14 we intend to create a meaningful position in these segments, commencing with the recent acquisition of Camelon IT, who offer specialist services in cloud, data and unified communications.

The National Broadband Network is also an important opportunity for Vita Group. In areas where the NBN has been rolled out, Vita has delivered encouraging results in broadband connectivity. The new Coalition Government has expressed an in-principle commitment to the network and its fibre-to-the-node model will still see large numbers of households signing on to new, higher-speed broadband packages in coming years.

Executing the Next Byte opportunity

A priority in the coming year is to realise the potential of the Next Byte business. A recent restructure moved Next Byte, under new leadership, within operational oversight of our telecommunications management team. This move is designed to embed the sales competencies and management disciplines prevalent in that business. We have also been working hard to develop our partnership with Apple, and cement Next Byte's position as a complementary Apple channel partner.

All in all, it has been a very satisfying year with many milestones achieved. I look forward to reporting on the next installment in our journey as we continue to maximise the opportunities that our industry brings.

Maxine Horne
Chief Executive Officer

Who We Are

Vita Group is a dynamic company operating in the telecommunications and consumer electronics sectors, and has people at the heart of its success.

The Vita team works closely with its world-class strategic partners, Telstra and Apple, to deliver products and services to consumer and business customers across Australia.

Founded in 1995 as Fone Zone, Vita's story has been one of solid growth and transformation – underpinned always by providing the very best products, with exceptional customer service.

Today Vita Group is proud to be Telstra's only Master Licensee and Apple's largest Apple Premium Reseller (APR) worldwide.

The team at Fone Zone Tamworth

The team celebrating the first birthday of Sprout Accessories

Fone Zone Stores
Specialises in mobile communications, complemented by the full range of Telstra offerings.

Telstra Stores
Interactive stores operated under license, offering Telstra network solutions across fixed and mobile technologies.

Telstra Business Centres
A licensed network providing a full range of Telstra fixed and mobile technologies to business customers.

One Zero Stores
Independently operated dealer system offering Telstra services, with a specialist focus on small business.

Next Byte Stores
A national network of Apple Premium Reseller stores catering to the retail, corporate and education (schools) markets.

Sprout Accessories
A complete range of mobile accessory products sold through Vita's stores across all brands and wholesale through other channels.

The Board

Dick Simpson
Independent Non-Executive Chairman

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

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

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

Maxine Horne
Chief Executive Officer

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

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

She received the President's Award at the NSW ARA Awards for Excellence and was named QBR Business Woman of the Year, Retail in 2006. As a result of her successes she is often asked to speak at various events.

Robyn Watts
Independent Non-Executive Director

Robyn has been CEO of various businesses in the global media sector for over 25 years, most recently as CEO of ABC Enterprises at the Australian Broadcasting Corporation, where she was responsible for leading and managing ABC's Retail, Consumer Publishing and Content Sales, and Resource Hire business units.

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 industries including media, retail, telecommunications, entertainment, education, film, television and design.

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

Neil Osborne
Independent Non-Executive Director

Neil was formerly a partner with the world's largest consulting and technology services firm, Accenture. He has over 24 years experience in the retail industry and has held a variety of senior executive positions with Myer Grace Bros and Coles Myer Ltd in corporate and operating roles across finance, supply chain, strategic planning and merchandising.

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

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

Our Leadership

Andrew Leyden
Chief Financial Officer

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

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

Peter Connors
Chief Operating Officer

Peter leads the Vita Group's sales channels, which includes Telstra, Fone Zone, Next Byte, Telstra Business Centres, Key Accounts business teams, Call Centres and One Zero Dealers.

As COO, Peter is responsible for leading all of Vita's sales teams to deliver an exceptional customer experience.

Prior to joining Vita Group, Peter held various general management and marketing roles in global manufacturing organisations. His previous roles include General Manager (Industrial Products) at EGR, General Manager Assa Abloy Australia and General Manager Marketing at GWA Caroma.

Kendra Hammond
Chief People Officer

Kendra leads the People and Performance division, which includes human resources, recruitment, project management office, internal communications & public relations and organisational design & development. The People and Performance division partners with the business to drive and support the achievement of our People strategy across all divisions of Vita Group.

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 NAB.

Mark Anning
Group Company Secretary and Legal Counsel

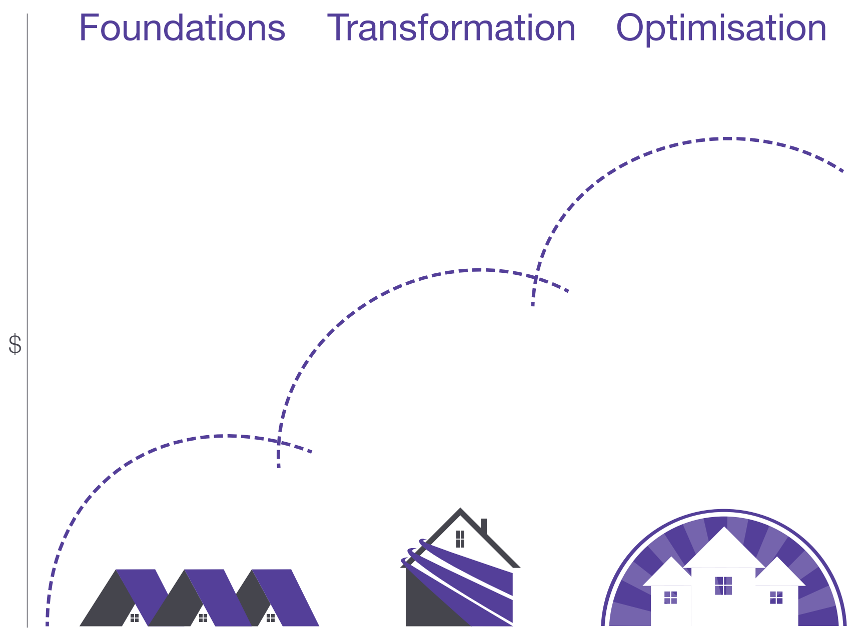
Mark is Secretary to the Board and its committees, and is responsible for Vita Group's corporate governance and administration, including liaising with the Australian Securities Exchange, ASIC, bankers and auditors. As Legal Counsel, Mark leads Vita Group's legal and risk function, managing the Group's 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 Chartered Secretaries Australia. Over the last 20 years he has specialised in corporate and commercial law, and corporate governance, gaining this experience with national law firms, including at Partner level, and in Executive roles at several ASX listed companies. Mark's prior role was as Group Company Secretary of Queensland Gas Company Limited (ASX: QGC).

12-Month Review

The team at Telstra Business Centre Morley

Vita Group's strategy is focused on horizons of growth*, to ensure continued growth and long-term sustainability.



* Horizons of Growth - McKinsey & Company

Building foundations

Vita's objective in the early years was to build a solid foundation as a platform for the future. The focus was on positioning points of presence on the national map, and bringing top class products and services to the market, delivered with excellent customer service.

Transformation

With solid foundations laid, Vita has recently been transforming the store portfolio so that outlets are located in the right areas, carrying the right brands. The telecommunications store footprint in particular has been shaped into a network of profitable points of presence. The majority of these stores carry the premium Telstra brand.

The transformation program of work is meticulously planned and executed. The mix of stores changes slightly over time, to ensure the highest possible profitability.

For the telecommunications division, particularly in retail, the final stage of transformation has been a key theme for FY13 with executional excellence now a key capability in Vita Group. New stores have been rolled out with precision and with a clear focus on achieving profitability early. Of equal importance is swift action on under-performing stores, some of which are closed when necessary to ensure overall profitability.

Next Byte and our business channel are underway in their transformation process, drawing on the capabilities from the retail channel. Our business channel has been enhanced over the year, with new Telstra Business Centres opened and a growing focus on capturing a greater share of the market. Next Byte has continued to deploy the Apple Premium Reseller (APR) model, a key enabler of Next Byte's growth.

Optimisation

Optimisation is the focus for the coming year, with the retail channel's plans already well underway, and Next Byte and our business channel following closely. Optimisation is about making the most out of our assets to ensure Vita is a great place to be for team members and customers, and as a result, continued profitability for our shareholders.

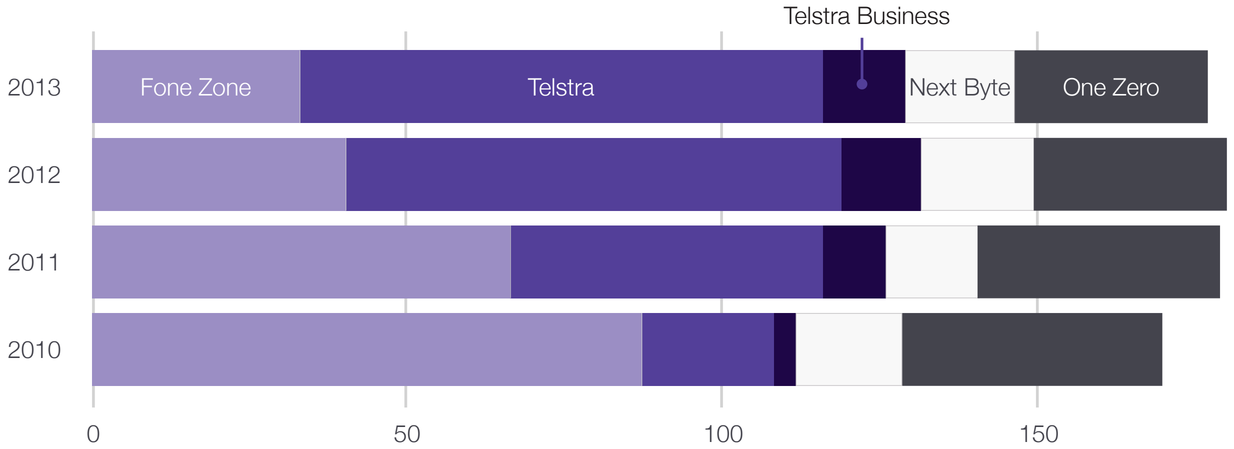
To make this optimisation happen, Vita Group will focus on:

- Creating great leaders through training and development programs and opportunities to learn and practice new skills.
- Driving a customer-centric model. This means making Vita people local, trusted advisors to their communities. We call this program 'Live Local, Love Local'.
- Providing an exceptional service to customers. This will be achieved through extensive training programs and a range of 'wow factors' – things that make the Vita experience unique. The focus is on creating advocates out of each and every customer.
- Simplifying tasks in store, to ensure a greater focus on the customer.

The Group will also focus on growing adjacent categories. Areas of expansion include: unified communications; cloud computing; and provision of data. Vita is well positioned to meet the needs of this growing market with their SME and Enterprise team and national points of presence.

In a recent move, Vita Group purchased Camelon IT, a specialist provider of information and communications technology (ICT) services. This acquisition has bolstered Vita's capabilities in this growing market, allowing the provision of a broader range of products and services. This new foothold in the ICT market will ensure Vita stays relevant as the shift to cloud-based computing grows.

Vita Group Points of Presence

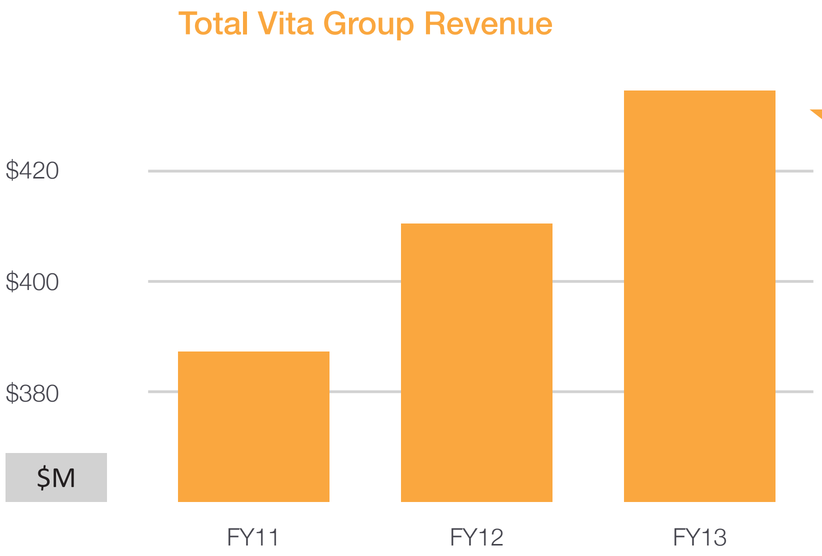


Expansion in the Telstra Licensed Store channel is a key driver of profit growth.

The Great Year We Had

Growth and Profit

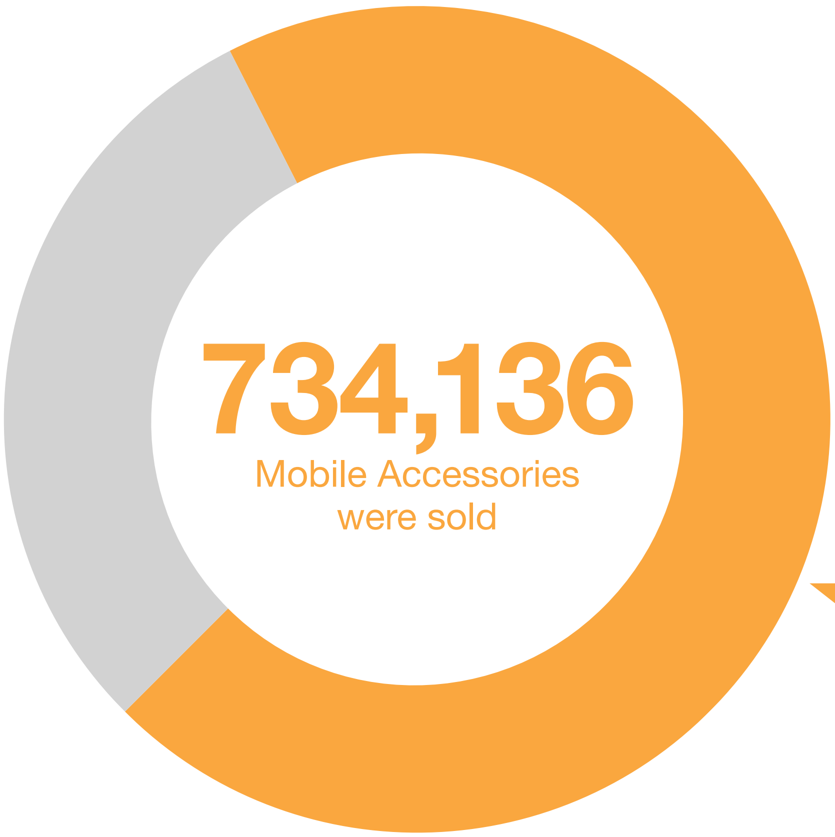
14%
Growth in telecommunications revenue



6%
Increase in total revenue

35%
Increase in enterprise revenue

22.1m
EBITDA, up by 32%



80%
were Vita's own accessory brand, Sprout

Growth and Profit

9,635,839
Customers Served

528,742
Mobile Connections

60%
Increase in fixed, broadband and media - contribution to gross profit

Cashflow and Capital

72%
Reduction in net debt

2.83c
Fully-franked full year dividend, up 89%

18%
Increase in operating cash flow

89%
Increase in dividend

All delivered with an unwavering focus on customer advocacy.

Strategy For The Future

The team at Telstra Store Batemans Bay

Vita Group Strategy House

Vita's strategic plan has been at the heart of the company's growth - from its solid foundations, through to its transformation over the last few years and its current focus on optimisation.

The strategy, articulated 'Vita style' in the strategy house, will drive the Group's upcoming journey towards the optimisation of its current assets.

You'll hear the vision – making Vita Group a great place to be – articulated in the support centre hallways and throughout our stores. The aim is to create and sustain a great place for team members, customers, and shareholders.

Vita's purpose, deliberately customer-centric, shows the importance of the customer experience as well as the importance of creating value, not only for Vita, but also for partners, such as Telstra and Apple. The purpose reflects the mutually beneficial relationship that Vita Group has with its partners.

The green 'pillars' of the strategy describe the key activities required to achieve the vision and purpose. They are intentionally simple, to maintain a clear focus on the key levers that will drive optimisation.

The blue 'platforms' of the strategy describe how the pillars will be achieved, again, purposely simple.

Summarised, the blue 'platforms' will allow us to:

- Maximise and broaden our range of products and services – this is easy to do with the premium products and services our partners Telstra and Apple provide. The recent announcement of our acquisition of Camelon IT and the continued growth of Sprout Accessories will provide Vita with scale and diversity.
- Drive business – the opportunities provided by Camelon IT will spearhead Vita's drive into the fast-growing ICT services market, catering for small to medium business and enterprise customers, and complementing its core mobile, fixed voice, broadband and data products. Together, Vita and Camelon IT have an exciting end-to-end proposition for the business market.
- Utilise talented people – we know that developing engaged team members into high-performers is the single biggest driver of earnings growth. Combined with simplifying our tools and processes, and enhancing our communication, we believe our people will deliver our future potential.

And of course the values, there to underpin every decision made.

Our Partners

Vita Group's strategic purpose

"To deliver an exceptional customer experience, creating value for us, and our strategic partners."

Shared goals and mutually beneficial relationships with our strategic partners are key to Vita Group's future success.

Of paramount importance is our strategic and collaborative relationship with Telstra, undoubtedly Australia's leader in the telecommunications industry. Since Vita's very early days (over 18 years ago) with the Fone Zone brand, it has been aligned with Telstra.

Telstra and Vita Group strive for the same goals – primarily to bring the very best products and services to the market, delivered with an unwavering focus on customers. Our shared focus on driving customer advocacy is at the heart of our partnership.

Operating under a master license arrangement, Vita Group's points of presence represent a significant proportion of Telstra's footprint, in both the consumer and business space.

David Thodey
Telstra Chief Executive Officer

David Thodey, Telstra's Chief Executive Officer, in his FY13 Results Announcement said that Telstra was committed to improving customer service as its number one strategic priority.

In September 2013, when talking with Vita Chief Maxine Horne, David further elaborated:

"The Telstra Country Wide (TCW) network is a key way to deliver Telstra's brand nationally, and the Vita Group points of presence are represented significantly in this network. Vita works closely with Telstra to be 'the local, trusted advisor' in communities across Australia.

"We share a passion for delivering exceptional customer service and we are committed to building our strong partnership with Vita as we improve our customer service and introduce new products and services."

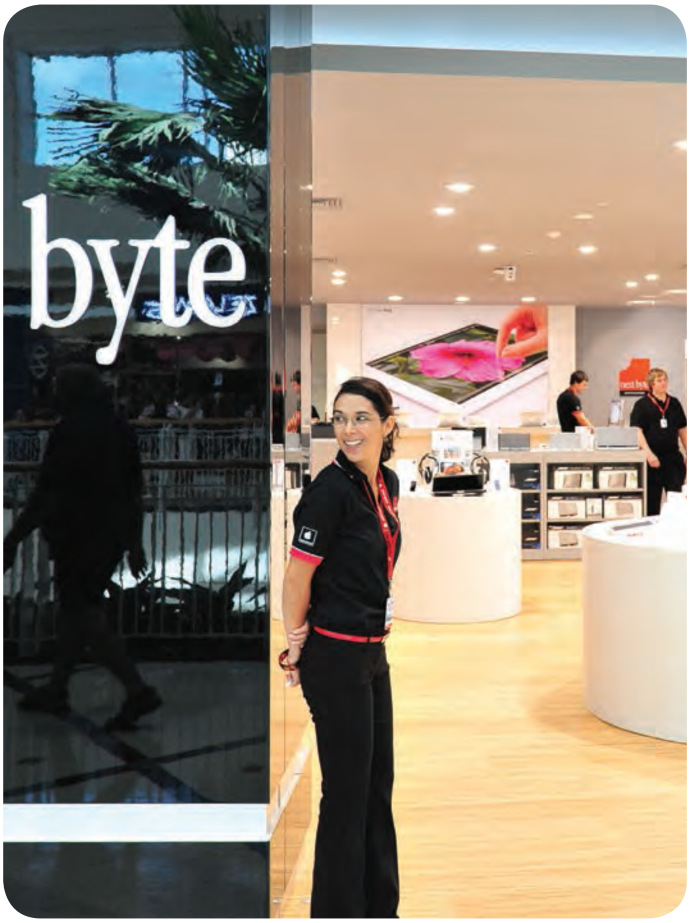
Opening day at Next Byte Cairns

Apple

From a computing perspective, Apple is a strategically important partner for both Vita Group and its Next Byte business.

Next Byte takes great pride in bringing Apple's world-class products to Australian customers: from the magical iPad and faultless Mac, through to the colourful iPhone, including the just released iPhone 5s and iPhone 5c. Our 'bytees' are as dedicated to these products as Apple!

The new look and feel of new-format APR stores mirror that of the unmistakably beautiful Apple stores, and has proven to be a winner with customers. These stores are spacious and accessible, and focus on allowing customers to experience Apple's wonderful products. Further expansion of new-format APR stores will be a focus for Vita Group in the coming year, and these stores will continue to play a complementary role to Apple's own stores.



Jenny Nieto, Team Member, Next Byte Cairns

Our People

The team at Telstra Store Nepean

Our core values underpin everything we do.

Vita Group knows the importance of investing in people, and what it means to the delivery of its future success.

There are three reasons for this: firstly, harnessing people power is the single biggest driver of earnings growth; secondly, engaged team members have a significant impact on retention, and therefore reduce costs; and finally, because it's the right thing to do by people.

The difference between an average and high-performing store leader can be as much as $400,000 to $500,000 in EBITDA in any particular store.

Outperform – a key project within Vita Group – serves to enhance team member capability and their surrounding environment in three ways: by simplifying tools and processes; enhancing internal communication; and developing our people.

Always do the right thing

Love what you do

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

Our people and customers are everything to us

We're proud to be profitable: profitability equals opportunity

You get what you work for

Dare to be different as creativity drives innovation

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

> "I like to think of us as being in the people business rather than the technology business. I know from experience that great people make the difference when it comes to delivering great customer experiences, which in turn delivers great results."

Maxine Horne
Chief Executive Officer

Simplify

Vita is simplifying the business to give leaders more time to coach and lead, and sales team members more time to sell well by:

- Identifying systems and processes that can be streamlined, and making them easy to access and follow.
- Making changes to point of sale systems to decrease the amount of steps required to complete a sale and minimise errors.
- Integrating Salesforce.com into the business channel, providing a simpler and consistent experience for business team members.
- Utilising technology and mobility that team members sell every day to our customers.

Communicate

Vita Group is improving how team members communicate with each other through the use of mobility, balanced scorecards, and social networking capabilities. These enhancements will increase team member buy-in, engagement, and encourage the sharing and embedding of identified best practice.

People

Vita Group's People and Performance team own and drive the 'Get, Grow, Keep' strategy as the key enabler for Vita Group achieving its goals.

It involves attracting and developing talented team members in the knowledge that happy team members contribute more and stay longer (ie. keep). Get, Grow, Keep offers personalised training and mentoring to individuals who are identified as high potential. A talent and succession framework that assesses long-term performance and potential for a role with greater capability has been developed to facilitate this.

There is a range of intensive development programs in place for team members and leaders, including comprehensive onboarding and structured leadership programs.

CARE is another key investment in the sales team. It involves bringing Vita's CARE (Customers Are Really Everything) to life. CARE was founded and embedded into the DNA of the Group many years ago in Fone Zone and has been a key differentiator for Vita and key to its success. It's about 'wowing' customers by putting them at the centre of everything we do.

The CARE program includes:

- A range of 'wow factor' items, for example, Kid's Activity Books to look after little customers, and our Customer Contact Program aimed at improving the post purchase experience.
- Tools to help sales team members and leaders do a great job, such as Coaching Journals: designed to enhance team member development.
- A comprehensive training program to lift group-wide sales and leadership competencies. The program covers the sales process and ensures our people are engaging customers with best practice techniques. The program also includes leadership development to enhance key skills.

With the objective of driving core KPI metrics, the CARE program is instilling proven sales and customer advocacy skills to all Vita team members.

By investing in people, and enhancing the environment in which they work, Vita Group will deliver exceptional customer experiences, outperform the competition, and drive sales growth.

Vita Group Limited

ABN 62 113 178 519

Financial Report

for the year ended 30 June 2013

Contents

Corporate Information
ABN 62 113 178 519

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

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

Directors
Dick Simpson (Independent Chairman)
David McMahon (Joint Chief Executive Officer) (resigned on 30 January 2013)
Maxine Horne (Chief Executive Officer)
Neil Osborne (Independent Non-Executive Director)
Robyn Watts (Independent Non-Executive Director)

Company Secretary
Mark Anning

Registered Office and Principal Place of Business
Vita Place, Level 3, 77 Hudson Road, Albion, Queensland, 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 Queensland 4101
Telephone: 1300 552 270
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 2013.

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

Dick Simpson (Independent Chairman)
David McMahon (Joint Chief Executive Officer) (resigned on 30 January 2013)
Maxine Horne (Chief Executive Officer)
Neil Osborne (Independent Non-Executive Director)
Robyn Watts (Independent Non-Executive Director)

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

DIRECTORS

Dick Simpson
Non-Executive Chairman

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

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

Maxine Horne
Chief Executive Officer

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

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

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

Neil Osborne
Non-Executive Director

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

Neil is the Deputy Chairman of Foodworks Ltd (independent Supermarkets) and is also a Non-Executive Director of Callista Software Services (owned by Deakin University).

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

Directors' Report (continued)

DIRECTORS (continued)

Robyn Watts
Non-Executive Director

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

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 industries including media, retail, telecommunications, entertainment, education, film, television and design.

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

Directors who resigned throughout the year

David McMahon
Joint Chief Executive Officer

David was co-founder and Joint Chief Executive Officer of Vita Group.

David's resignation as Director and Joint Chief Executive Officer was announced to the ASX on 30 January 2013 with effect from 30 January 2013.

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 2012	Ordinary shares purchased	Ordinary shares held at 30 June 2013
Dick Simpson	243,509	-	243,509
David McMahon and Maxine Horne (jointly)	66,269,403	-	66,269,403
David McMahon	1,000	-	1,000
Maxine Horne	1,000	-	1,000
Neil Osborne	271,342	-	271,342
Robyn Watts	-	-	-

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)	Dick Simpson (c)
Dick Simpson	Neil Osborne
Robyn Watts	Robyn Watts

Note (c) Designates the Chairman of the Committee

Directors' Report (continued)

DIRECTORS' MEETINGS (continued)

	Vita Group Board		Audit, Compliance & Risk Committee		Remuneration & Nomination Committee	
Number of meetings held:	15		3		1	
	Meetings eligible to attend	**Meetings attended**	**Meetings eligible to attend**	**Meetings attended**	**Meetings eligible to attend**	**Meetings attended**
Dick Simpson	15	15	3	3	1	1
David McMahon	9	8	-	-	-	-
Maxine Horne	14	13	-	-	-	-
Neil Osborne	13	13	3	3	1	1
Robyn Watts	13	13	3	3	1	1

COMPANY SECRETARY

Mark Anning FCIS
Group Company Secretary and Legal Counsel

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

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

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

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

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

DIVIDENDS

	Cents	**$'000**
Final dividend for the year ended 30 June 2012		
- *on ordinary shares*	0.75	1,069
Interim for the year		
- *on ordinary shares*	1.15	1,638
		2,707

Since the end of the financial year, the Directors have approved the payment of a final ordinary dividend of $2,393,997 (1.68 cents per fully paid share) to be paid in October 2013 (FY12: $1,068,833).

Directors' Report (continued)

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

In FY13, Vita Group continued to implement its strategy of driving returns from the investments already made in its Telstra branded portfolio of stores and business centres, and progressing its transformation plan to improve the performance of the Next Byte business. Group revenues grew 5.9% to $434.7 million, with strong growth in Telecommunications revenues, up 13.9%, offset by a 16.6% decline in Computing revenues. Underlying EBITDA, a measure used by the Group as a proxy for cash profitability, grew strongly, up 31.6% to $22.1 million in the year.

Growth in Telecommunications revenues and earnings was driven by higher returns from its Telstra branded footprint and strong growth in business volumes, offset by a lower contribution from Fone Zone, a brand which has seen its store numbers reduce, and which has not been prioritised for investment. Telecommunications underlying EBITDA grew strongly, up 42.5% to $23.9 million, not only benefiting from growth in revenues, but also from productivity improvements.

With the Telstra store rollout well advanced, the focus turns to optimising the performance of those points of presence, primarily through investment in people programs with the intention to drive a high performance leadership orientation, the development of more effective sales skills and an even greater focus on delivering outstanding customer experiences. In addition, the Group has successfully extended its product offering into adjacent categories such as fixed telecommunications solutions, broadband and media products.

The decline in Next Byte revenues reflected the continued transformation taking place in that business, the impact of significant portfolio change including a number of old format store closures, and softer like for like revenues as a consequence of a lack of new Apple product releases. Underlying EBITDA fell from a small profit in the prior year to a loss of $1.8 million in FY13.

During the year, the Next Byte team continued to evolve its new format footprint strategy, working closely with Apple to roll out new stores in complementary locations to Apple's company owned stores, and where the trading characteristics and capital requirements of those locations will support a profitable expansion of the store portfolio. Coupled with steps taken to drive improved sales execution, and the appointment of a new management team in early FY14, the Directors look forward to improved results from Next Byte moving forward.

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

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

	FY13 $M	FY12 $M
Profit before tax	8.7	(10.6)
Add: net finance costs	2.2	2.1
Add: depreciation and amortisation	11.2	9.9
Add: impairment of Next Byte	-	15.0
Add: loss from investment in a joint venture	-	0.4
Underlying EBITDA	22.1	16.8

The Group generated $20.1 million in operating cash flows after interest and tax in the year, which was used to fund capital investments of $10.4 million, debt and lease commitment reductions of $7.5 million and dividends of $2.7 million. Cash and cash equivalents at period end were $12.8 million, slightly lower than at the end of the prior fiscal year. The Group was successful in reducing borrowings during the period with gross debt falling by $7.5 million in the year to $15.5 million and notably, all of this occurred in the second half of the year. Net debt fell by $6.9 million in the year to only $2.8 million, with gearing comfortably within limits determined by the Board, at 6.4%. Cash balances were only marginally lower than at the end of FY12, despite the significant pay down of debt, reflecting tight working capital management in the period, particularly trade receivables.

Key Group priorities for FY14 and beyond are:

- Continuing to optimise the performance of the portfolio by investing in people, to improve leadership quality, sales capability and execution and to further drive customer advocacy,

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued)

- Driving growth across a broad range of product categories as well as mobility, specifically in fixed products, media and broadband including the National Broadband Network,
- Building a larger presence in the enterprise and small to medium business channels where Vita is relatively sub scale. This includes broadening the product focus into cloud, unified communications and data solutions.

Key risks to the Group achieving its objectives are:

- Greater business complexity as the Group embraces a broader set of products and channels than it has historically (mobility and retail),
- Failure to deliver returns from the Group's investment in people programs,
- Significant adverse changes in the retail environment,
- Material changes in the relationship between Vita group and its key strategic partners.

The Board have approved a total dividend for the year of 2.83 cents per share, an increase of 88.7% on the prior year, and representing a payout ratio of 65% of profits after tax. The interim dividend paid in the year was 1.15 cents (FY12: 0.75 cents).

Shareholder Returns

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

	FY13	FY12
Basic earnings per share (cents)	4.35	(8.44)
Net debt/(Net debt plus total equity)	6.4%	20.7%

The share price at 30 June 2013 was $0.62 (FY12: $0.25).

Review of Financial Condition

The consolidated cash flow statement shows an operating cash flow of $20.1 million, compared to the previous year of $17.1 million. Cash at 30 June 2013 was $12.8 million, compared to $13.3 million at the end of the previous year.

Profile of Debts

	FY13 $'000	FY12 $'000
Current		
Obligations under finance leases, hire purchase contracts and chattel mortgages	9,358	7,191
Short term debt	841	2,716
Non-current		
Obligations under finance leases, hire purchase contracts and chattel mortgages	5,331	10,833
Non-current term debt	-	2,256
	15,530	**22,996**

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 6.4% 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Operationally, the Group is focused on generating returns from its investment in Telstra and Next Byte stores and will continue to optimise its portfolio of stores and other channels. In addition, the Group intends to leverage its distribution channels to cross sell a broad range of complementary products and services, offering higher margins. Cost control will remain a priority for the coming year.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED)

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

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

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

(i) Directors

Dick Simpson	Chairman (Independent Non-executive)
David McMahon	Joint Chief Executive Officer – Resigned 30 January 2013
Maxine Horne	Chief Executive Officer
Neil Osborne	Director (Independent Non-Executive)
Robyn Watts	Director (Independent Non-Executive)

(ii) Executives

Andrew Leyden	Chief Financial Officer
Jim Collier	General Manager Next Byte – Retiring effective 6 September 2013
Kendra Hammond	Chief People Officer
Mark Anning	Group Company Secretary and Legal Counsel
Peter Connors	General Manager Telecoms

Remuneration Policy

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

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

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

Remuneration & Nomination Committee

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

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

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

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

Employee Share Plans

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

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

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Employee Share Plans (continued)

These Plans are currently suspended; 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 Director's or employee's 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 2012 Annual General Meeting

Vita Group Limited received more than 99% of "yes" votes on its remuneration report for the 2012 financial year. The company did not receive any other feedback at the AGM or throughout the year on its remuneration practices.

Group Performance

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

	FY13	FY12	FY11	FY10	FY09	FY08
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Revenue from operating activities	434.7	410.4	386.9	***292.0	297.8	**310.2
EBIT *	10.9	(8.5)	11.1	11.5	8.1	**11.0
Net Profit after Tax	6.2	(12.0)	6.8	7.7	5.4	**7.5
Total dividend for the year	**cents**	**cents**	**cents**	**cents**	**cents**	**cents**
(cents per share)	2.72	1.5	3.1	-	-	3.5
	$	**$**	**$**	**$**	**$**	**$**
Market Price per Share at 30 June	0.62	0.25	0.22	0.22	0.09	0.23

* EBIT has been calculated using "net interest" and income tax expense.
** The FY08 result reported above has been restated to incorporate a correction of error as detailed in Note 3 of the Annual Financial Report for the year ended 30 June 2009.
*** 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 2013 were trading at $0.62 (FY12: $0.25).

A final dividend has been declared for the year ended 30 June 2013 of 1.68 cents per share (FY12: 0.75 cents). The total dividend for the year was 2.83 cents per share (1.15 cents interim paid plus 1.57 cents final declared) (FY12: 1.50 cents).

Remuneration Structure

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

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Managers

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

KMPs receive:

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

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

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

   The amount of STIP payable is based upon the performance of the Group against pre-determined EBITDA target, set during the annual budgeting process. Payment of the STIP is made on the basis of achieving 90% or higher of the EBITDA hurdle, taking into account Division, Business Unit and/or Individual performance. If the 90% hurdle is not achieved, then the STIP pool is not available for allocation. Should more than 100% of the target be achieved, then a multiplier may be applied to the STIP pool. Payments are determined as part of the annual remuneration review and paid in September 2013.

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

   Under the FY13 STIP, KMP's are able to earn up to the following percentage of their fixed remuneration:

CEO:	40 %
Other KMP:	30 %

   FY13 is the first year of operation of the LTIP for KMPs. The purpose of this program is to align incentives with the achievement of financial goals over a longer period of time and to encourage KMP retention. The program is structured on a deferred cash basis, involving no options or equity rights.

   The LTIP has been capped at 20% of each applicable member's total fixed remuneration, to be paid on a 1/3, 1/3, 1/3 basis over three years conditional on the Group's attainment of predetermined targets for profit after tax. This target was set as part of the annual budgeting process and was achieved in FY13. Payment is aligned with the annual remuneration review cycle and is schedule to be paid in September 2013.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Managers (continued)

Name & Position	Year	Short Term Employee Benefits				Post Employment Benefits	Long Term Benefits	Share Based Payments		Total Package Value $
		Cash salary and fees $	Termination payments $	Non-monetary Benefits (a) $	Cash/Bonus (b) $	Superannuation $	Long Service Leave $	Employee Share Options $	Options as a % of Total Package %	
Maxine Horne	FY13	574,625	-	39,612	171,134	25,000	21,625	-	-	831,996
Chief Executive Officer	FY12	481,507	-	39,000	203,523	25,000	8,093	-	-	757,123
David McMahon (Resigned: 30 January 2013)	FY13	241,668	229,789	42,849	237,482	29,327	2,908	-	-	784,023
Joint Chief Executive Officer	FY12	472,188	-	54,011	145,263	25,000	8,093	-	-	704,555
Andrew Leyden	FY13	465,000	-	-	93,000	-	-	-	-	558,000
Chief Financial Officer	FY12	446,250	-	-	-	-	-	-	-	446,250
Peter Connors	FY13	278,930	-	9,910	164,000	25,000	4,596	-	-	482,436
General Manager Telecoms	FY12	288,716	-	8,419	80,000	27,525	-	-	-	404,660
Wayne Smith (Resigned: 11 September 2011)	FY13	-	-	-	-	-	-	-	-	-
Chief Organisational Development Officer	FY12	11,253	87,166	-	55,375	11,057	-	-	-	164,851
Kendra Hammond	FY13	182,444	-	-	38,532	21,093	1,838	-	-	243,907
Chief People Officer	FY12	210,504	-	4,209	24,570	18,865	-	-	-	258,148
Mark Anning	FY13	190,952	-	-	34,183	20,422	-	-	-	245,557
Group Company Secretary/Legal Counsel	FY12	186,834	-	-	38,400	20,262	-	-	-	245,496
Jim Collier (Retiring: 6 September 2013)	FY13	239,285	-	4,955	50,000	25,000	-	-	-	319,240
General Manager Next Byte	FY12	213,955	-	-	-	17,466	-	-	-	231,421
TOTAL	FY13	2,172,904	229,789	97,326	788,331	145,842	30,967	-	-	3,465,159
	FY12	2,311,207	87,166	105,639	547,131	145,175	16,186	-	-	3,212,504

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

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

(c) Annual bonuses for David McMahon and Maxine Horne are based upon a performance assessment against predetermined criteria. At the time of completion of this report, the Remuneration and Nomination Committee had not yet met to assess entitlements for FY13. The annual bonus for key management personnel (other than the CEO's), being Andrew Leyden, Peter Connors, Kendra Hammond, Jim Collier and Mark Anning, is based upon a performance assessment against predetermined criteria. At the time of completion of this report, FY13 entitlements had not been assessed. This report reflects bonus paid in FY13 relating to FY12 entitlements. The annual bonus in FY12 reflects bonus paid in FY12 relating to FY11 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, FY13 entitlements had not been assessed. Payments relating to FY13 will be paid in FY14 and reflected in FY14's remuneration report. In FY13 an amount of $419K has been provided.

(e) The remuneration and other terms of employment for Andrew Leyden (the Chief Financial Officer) are formalised in a service agreement commencing 1 October 2012 and is due for review on 3 October 2013. 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) The Chief People Officer role was formerly titled Chief Organisational Development Officer.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Managers (continued)

Name	Fixed Remuneration		At Risk – STI	
	FY13	FY12	FY13	FY12
Executive Directors				
Maxine Horne	79.4%	73.1%	20.6%	26.9%
David McMahon - Resigned 30 January 2013	69.7%	79.4%	30.3%	20.6%
Other Key Management Personnel				
Andrew Leyden	83.3%	100.0%	16.7%	-
Peter Connors	66.0%	80.2%	34.0%	19.8%
Wayne Smith[1]	-	66.4%	-	33.6%
Kendra Hammond	84.2%	90.5%	15.8%	9.5%
Mark Anning	86.1%	84.4%	13.9%	15.6%
Jim Collier - Retiring effective 6 September 2013	84.3%	100.0%	15.7%	-

[1] In FY12 Wayne Smith only received STI payments relating to FY11. Mr Smith resigned on 11 September 2011 and received no STI relating to FY12.

Employment Contracts

Chief Executive Officer

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

Under the terms of the Contracts:

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

Other Executives

KMP's are employed under a standard Contract of Employment, which was reviewed and updated with effect from 22 June 2009.

Under the terms of the Contracts:

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

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Non-Executive Directors

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

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

No equity incentives are offered to Non-Executive Directors. However, Non-Executive Directors may elect to take all or part of their remuneration as shares in Vita Group, in accordance with the Non-Executive Director Share Plan.

No retirement allowances are payable to Non-Executive Directors.

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

The remuneration of the Non-Executive Directors was reviewed during the FY12 year and a resolution to increase their fee was put forward and passed at the Annual General Meeting in October 2011. The base Director's fee per year, inclusive of superannuation, and including committee work for FY13 remained consistent at $76,300 (FY12: $76,300) with the Chairman's fee at $152,600 (FY12: $152,600) effective 1 October 2011. This sum covers Directors' fees and superannuation contributions.

Name		Directors' Fees $	Superannuation $	Total $
Dick Simpson	FY13	140,000	12,600	152,600
Chairman	FY12	127,677	10,389	138,066
Neil Osborne	FY13	69,999	6,300	76,299
Non-executive	FY12	63,332	5,700	69,032
Melinda Snowden (resigned 22 August 2011)	FY13	-	-	-
Non-executive	FY12	8,333	750	9,083
Diana Ryall (resigned 31 January 2011)	FY13	-	-	-
Non-executive	FY12	34,166	3,075	37,241
Robyn Watts (appointed 15 November 2011)	FY13	69,999	6,300	76,299
Non-executive	FY12	46,666	4,200	50,866
Total Non-Executive Directors	**FY13**	**279,998**	**25,200**	**305,198**
	FY12	**280,174**	**24,114**	**304,288**
David McMahon (resigned 30 January 2013)	FY13	Details are in the remuneration of		784,023
Joint Chief Executive Officer	FY12	key managers table above		704,555
Maxine Horne	FY13	Details are in the remuneration of		831,996
Chief Executive Officer	FY12	key managers table above		757,123
Total Directors	**FY13**			**1,921,217**
	FY12			**1,765,966**

Directors' Report (continued)

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

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

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

Insurance Premiums

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

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

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

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

ROUNDING

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

Directors' Report (continued)

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

Independence

The declaration of independence from the auditor of Vita Group Limited is appended to this Directors' Report.

Non-Audit Services

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

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

	FY13 $	FY12 $
PricewaterhouseCoopers		
Tax compliance and consulting services	37,760	59,502
Other assurance services	8,788	7,600
	46,548	**67,102**

Signed in accordance with a resolution of the Directors.

Dick Simpson
Chairman

Maxine Horne
Director and Chief Executive Officer

Brisbane
26 August 2013

Auditor's Independence Declaration

As lead auditor for the audit of Vita Group Limited for the year ended 30 June 2013, 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.

Steven Bosiljevac
PricewaterhouseCoopers

26 August 2013

Corporate Governance Statement

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

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

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

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

Principle 1: Lay solid foundations for management and oversight

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

The Board Charter is reviewed annually.

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

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

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

Corporate Governance Statement (continued)

Principle 1: Lay solid foundations for management and oversight (continued)

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

- the culture and values of the Group;
- meeting arrangements; and
- director interaction with each other, senior executives and other stakeholders

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

Each Manager is formally inducted on appointment, and has a position description, and a set of Key Performance Objectives (KPOs) with annual goals. Each Manager's performance against his/her KPOs and goals is formally evaluated twice a year. The evaluation is used in determining future remuneration. The most recent performance evaluation of all Senior Managers, in accordance with this process, commenced in July 2013.

Principle 2: Structure the Board to Add Value

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

The Board comprises three Non-Executive Directors (including the Chairperson) and one Executive Director (the Chief Executive Officer). The names, skills and experience of the Directors in office at the date of this statement, and the period of office of each Director, are set out on pages 4 – 6 in this Annual Report.

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

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

If at any time the Board is required to make a decision on any matter in which a Director has or Directors have an actual or potential conflict of interest or material personal interest, the Board's policies and procedures require that:

- the interest is fully disclosed and the disclosure is recorded in the Board minutes
- the relevant Director is excluded from all considerations of the matter by the Board
- where possible, the relevant Director does not receive any segment of the Board papers or other documents in which there is any reference to the matter.

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

The independence of each Director is assessed regularly, based on the interests disclosed by them. In assessing the independence of Non-Executive Directors, the Board will consider if the Director:

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

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

Corporate Governance Statement (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporate Governance Statement (continued)

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

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

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

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

Principle 3: Ethical and Responsible Decision Making

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

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

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

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

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

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

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

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

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

Vita Group was founded on the principals of diversity and has continued to ensure that merit and performance form the basis of promotion and recruitment decisions at all levels of the Group. The following table represents the portion of women employed by the group at June 30, 2013.

	Female	Male
Board Members	2	2
Senior Executives (GLT)	2	4
Total Team Members	640	634

Corporate Governance Statement (continued)

Principle 3: Ethical and Responsible Decision Making (continued)

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

Principle 4: Integrity in Financial Reporting

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

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

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

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

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

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

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

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

Principle 5: Timely and Balanced Disclosure

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

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

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

Corporate Governance Statement (continued)

Principle 6: Rights of Shareholders

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

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

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

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

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

Principle 7: Risk Management

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

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

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

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

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

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

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

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

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

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

Corporate Governance Statement (continued)

Principle 8: Remuneration

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

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

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

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

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

Further details of the remuneration of Non-Executive Directors, Executive Directors, and Senior Managers are contained in the Company's Remuneration Report on pages 9 to 14 of this Annual Report.

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

Contents

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

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

Vita Group Limited
77 Hudson Road
Albion QLD 4010

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

The financial statements were authorised for issue by the directors on 26 August 2013. The directors have the power to amend and reissue the financial statements.

Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 30 JUNE 2013

	Note	FY13 $'000	FY12 $'000
Continuing operations			
Sale of goods		349,530	339,706
Fee and commission revenue		85,194	70,656
Revenue	4(a)	**434,724**	**410,362**
Inventory consumed		(297,236)	(276,537)
Gross profit		**137,488**	**133,825**
Other income	4(b)	8,523	8,144
Employment expenses	4(f)	(80,990)	(83,229)
Marketing and advertising expenses		(8,063)	(8,839)
Operating lease rental expenses	4(g)	(19,406)	(18,239)
Administration expenses		(13,513)	(12,062)
Other expenses		(1,963)	(2,835)
		22,076	16,765
Depreciation and amortisation	4(d)	(11,180)	(9,846)
Impairment of Next Byte business	4(e)	-	(15,000)
		10,896	(8,081)
Finance income		301	204
Finance costs		(2,454)	(2,286)
Net finance costs	4(c)	(2,153)	(2,082)
Share of (loss)/profit from investment in discontinued joint venture	15	-	(402)
(Loss)/profit before income tax		**8,743**	**(10,565)**
Income tax (expense)	5	(2,539)	(1,455)
(Loss)/profit from operations		**6,204**	**(12,020)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive (loss)/income for the year, attributable to the ordinary equity holders of Vita Group Limited		**6,204**	**(12,020)**
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity holders of the company			
- basic (cents per share)	6	4.35	(8.44)
- diluted (cents per share)	6	4.35	(8.44)

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

Consolidated Balance Sheet
AS AT 30 JUNE 2013

	Note	FY13 $'000	FY12 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	12,777	13,310
Trade and other receivables	9	20,941	27,544
Inventories	10	13,620	13,611
Total Current Assets		**47,338**	**54,465**
Non-current Assets			
Term deposits	11	25	123
Plant and equipment	12	25,648	28,043
Intangible assets and goodwill	13	48,490	46,730
Investments in joint ventures	15	-	-
Deferred tax assets	16	13,310	10,034
Total Non-current Assets		**87,473**	**84,930**
TOTAL ASSETS		**134,811**	**139,395**
LIABILITIES			
Current Liabilities			
Trade and other payables	18	59,350	63,438
Interest bearing loans and borrowings	19	10,199	9,907
Income tax liability		1,657	903
Provisions	20	1,323	1,145
Total Current Liabilities		**72,529**	**75,393**
Non-current Liabilities			
Trade and other payables	18	12,962	10,578
Interest bearing loans and borrowings	19	5,332	13,089
Provisions	20	3,490	3,334
Total Non-current Liabilities		**21,784**	**27,001**
TOTAL LIABILITIES		**94,313**	**102,394**
NET ASSETS		**40,498**	**37,001**
EQUITY			
Contributed equity	21	13,079	13,079
Retained earnings	21	27,419	23,922
Reserves	21	-	-
TOTAL EQUITY		**40,498**	**37,001**

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

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to equity holders of the parent			
	Contributed equity	Retained earnings	Employee equity benefits reserve	Total equity
	$'000	$'000	$'000	$'000
At 1 July 2011	**13,079**	**35,828**	**2,750**	**51,657**
(Loss)/profit for the year	-	(12,020)	-	**(12,020)**
Total comprehensive income for the year	**-**	**(12,020)**	**-**	**(12,020)**
Transactions with owners in their capacity as owners:				
Dividends paid	-	(2,636)	-	**(2,636)**
Transfer from employee equity benefit reserve to retained earnings	-	2,750	(2,750)	**-**
At 30 June 2012	**13,079**	**23,922**	**-**	**37,001**
At 1 July 2012	**13,079**	**23,922**	**-**	**37,001**
(Loss)/profit for the year	-	6,204	-	**6,204**
Total comprehensive income for the year	**-**	**6,204**	**-**	**6,204**
Transactions with owners in their capacity as owners:				
Dividends paid	-	(2,707)	-	**(2,707)**
Transfer from employee equity benefit reserve to retained earnings	-	-	-	**-**
At 30 June 2013	**13,079**	**27,419**	**-**	**40,498**

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 2013

	Note	FY13 $'000	FY12 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		500,157	461,423
Payments to suppliers and employees (inclusive of GST)		(473,030)	(435,548)
Interest received		301	204
Finance costs		(2,314)	(2,248)
Income tax (paid)/received		(5,059)	(6,731)
Net cash flows from/(used in) operating activities	8	**20,055**	**17,099**
Cash flows from investing activities			
Purchase of plant and equipment		(7,467)	(12,651)
Purchase of software		(1,325)	(1,051)
Payments for store acquisitions	23	(1,624)	(3,227)
Net cash flows from/(used in) investing activities		**(10,416)**	**(16,929)**
Cash flows from financing activities			
Proceeds from borrowings		6,615	14,245
Repayment of borrowings		(12,270)	(4,710)
Repayment of finance lease principal		(1,810)	(1,657)
Dividends paid	7	(2,707)	(2,636)
Net cash flows from/(used in) financing activities		**(10,172)**	**5,242**
Net (decrease)/increase in cash and cash equivalents		(533)	5,412
Cash and cash equivalents at beginning of year		13,310	7,898
Cash and cash equivalents at end of the year	8	**12,777**	**13,310**

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

Contents of the notes to the financial statements

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2013

1. CORPORATE INFORMATION

The financial report of Vita Group Limited ("the Group") for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of directors on 26 August 2013. Vita Group Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Interpretations. The financial report has also been prepared on a historical cost basis.

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

Comparative information has been restated where applicable to enhance comparability.

(i) Compliance with IFRS

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

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

(ii) Accounting standards issued but not effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below:

Vita Group Limited have considered the impact of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in other entities, and the revised AASB 127 (Separate Financial Statements) and AASB 128 Investments in Associates and Joint Ventures (effective from periods commencing 1 July 2013) and have determine these changes will not have a material impact on its composition.

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 2015) AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 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 13 Fair value measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2015) AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

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.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

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 124 Related Party Disclosures, AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements arising from AASB 124 (July 2011) (effective for annual reporting periods beginning on or after 1 July 2013). The AASB have decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective 1 July 2013). On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Vita Group Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the entity.

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

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

(iv) Accounting estimates and significant items

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

Deferred Income

The Group defers income on cash received from customers for certain telecommunications and computing activities and releases amounts to income as the Group performs its contractual service obligations to the customer. In FY12 after a review of its service activities and contractual obligations, the Group revised its estimation methodology for the release of deferred customer receipts to income to better align the recognition of income with the services performed and obligations discharged. The resultant financial impact was a one-off increase in sales revenue of $0.9 million in the year to 30 June 2012. Application of the revised methodology remained consistent in FY13.

The Group offers 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). In FY12, to better align the recognition of income with the Group's obligations, a straight line method of income recognition was applied over the life of the product. This resulted in a one-of increase in sales revenue of $2.0 million in the year to 30 June 2012. Application of the revised methodology has remained consistent in FY13. At 30 June 2013, $27.7 million (FY12: $20.1 million) of unearned ESP revenue was recognised in current and non-current liabilities, which will benefit profits in future periods.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Accounting estimates and significant items (continued)

Replacement Handset Stock
Under the ESP product, the cost of the replacement handset was historically charged immediately against profit on acquisition. In FY12, to better align the cost of fulfilling obligations under the ESP product with corresponding revenues, the Group adopted a new policy to measure the value of replacement handsets by reference to the age and condition of the handset. Consequently, the Group recognised an increase in inventory of $0.8 million and an increase of $0.8 million in the consolidated statement of comprehensive income for the year ended 30 June 2012 to recognise the inventory previously expensed during the year. Handsets are amortised evenly over the life of the products (30 months) and this resulted in a charge to the income statement of $1.2 million for the year ended 30 June 2012. Application of the revised methodology remained consistent in FY13.

Restructuring Costs
The Group undertook some significant restructuring activities during the year. Costs of restructuring, primarily redundancy costs were $0.6 million in 2013 (FY12: $1.2 million).

(v) Going Concern

At 30 June 2013, the Group had a net profit of $6.2 million (FY12: ($12.0) million net loss) and the Group had current liabilities in excess of current assets at 30 June 2013 amounting to $25.4 million (FY12: $20.9 million). The net current liability position includes the current portion of unearned revenue of $17.6 million (FY12: $12.3 million) which represents deferred revenue rather than a payable to third parties.

The Group focuses on keeping working capital low, has appropriate funding arrangements in place, and monitors its cash flows and interest cover carefully. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group will be able to operate within its current financing arrangements. The directors believe the unused facilities of $10.5 million (FY12: $5.1 million) (as detailed in Note 19) and forecast net cash inflows from operating activities are sufficient to cover current liabilities of the Group (FY13 actual cash inflows from operating activities: $20.1 million). The directors believe the Group is a going concern.

(b) Basis of consolidation

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

(i) Subsidiaries

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity. Subsidiaries are fully consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

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

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

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

(ii) Investments in jointly controlled entities

The Group's investments in jointly controlled entities are accounted for using the equity method and are initially recognised at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation nor has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

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

(c) Segment reporting

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Critical accounting estimates and judgements

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

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

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

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

Impairment of intangible with finite life
The Group determines whether intangible with finite lives are impaired on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the intangible with finite life is allocated. Refer to Note 2(o) for further detail.

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

(e) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

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

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

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

Commissions
To November 2009, ongoing commission income was recognised monthly based on eligible monthly billings made by the telecommunications provider to the end customer over the life of the plan where the Group was the agent of the telecommunications provider in selling the plan to the customer. From November 2009, these ongoing commissions have been replaced by a higher upfront incentive paid on selling the plan to the customer (refer to *Fees* above).

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Cooperative Advertising
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.

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

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

(f) Finance costs

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

(g) Leases

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

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

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

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

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

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

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

(h) Cash and cash equivalents

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

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and other receivables

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

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

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

(j) Inventories

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

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

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

(k) Derecognition of financial instruments

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

(l) Current and deferred income tax and other taxes

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

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

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

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

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

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

- receivables and payables, which are stated with the amount of GST included.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Plant and equipment

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

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

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

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

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

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

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

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

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

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

(n) Goodwill

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Intangible assets

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

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

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

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

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of indefinite life intangibles annually, either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

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

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

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

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

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

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

(q) Trade and other payables

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Loans and borrowings

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

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

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

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

(s) Provisions

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

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

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

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

(t) Employee Benefits

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

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

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

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee Benefits (Continued)

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

(u) Share-based payment transactions

The Group provides benefits to employees of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. An external valuer using a binomial model determines the fair value.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Vita Group Limited ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects
(i) the extent to which the vesting period has expired and
(ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met, as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is forfeited, it is treated as if it had not vested on the date of forfeiture. However, if a new award is substituted for the forfeited award, and designated as a replacement award on the date that it is granted, the forfeited and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Vita Group Limited has reviewed the treatment of the share based payments reserve during the year ended 30 June 2012. The reserve represents the value of options granted to senior executives on 2 November 2005. Since that time the options issued to executives have vested and have been subsequently exercised. Accordingly, management's judgement is that the reserve has in effect been realised. Whilst AIFRS is silent on the reclassification of such reserves to retained earnings, reclassifications of this nature are permissible. As a result, the Group has transferred the share based payments reserve to retained earnings during the year ended 30 June 2012.

(v) Contributed Equity

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

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Dividends

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

(x) Earnings per share

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

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

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

(y) Parent entity financial information

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Parent entity financial information (continued)

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

(z) 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.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

3. SEGMENT REPORTING

(a) Description of segments

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

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

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

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

The segment information provided to the Chief Executive Officer and the Board for the reportable segments for the year ended 30 June 2013 is as follows:

	Telecommunications $'000	Computing $'000	Total operations $'000
FY13			
Revenue			
Sales of goods	261,250	88,280	349,530
Fee and commission revenue	83,259	1,935	85,194
Total segment revenue	344,509	90,215	434,724
Revenue from external customers	344,509	90,215	434,724
Underlying EBITDA	**23,846**	**(1,770)**	**22,076**
Depreciation and amortisation	10,448	732	11,180
Allocated income tax expense	2,735	(196)	2,539
FY12			
Revenue			
Sales of goods	233,630	106,076	339,706
Fee and commission revenue	69,557	1,099	70,656
Total segment revenue	303,187	107,175	410,362
Revenue from external customers	303,187	107,175	410,362
Underlying EBITDA (excluding Next Byte impairment)	**16,743**	**22**	**16,765**
Depreciation and amortisation	9,140	706	9,846
Impairment of Next Byte business	-	15,000	15,000
Share of loss from investment in Joint venture	402	-	402
Allocated income tax expense	1,267	188	1,455

Commencing in FY13 segment reporting allocates the Groups accessories channel (Sprout) between the Telecommunications and Computing segments based on their respective contribution to that channel. Prior year volumes were not material.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

3. SEGMENT REPORTING (continued)

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

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

(c) Other segment information

(i) Segment revenue

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

	FY13 $'000	FY12 $'000
Telecommunications products	344,509	303,187
Computing products	90,215	107,175
Total segment revenue	**434,724**	**410,362**

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

	FY13 $'000	FY12 $'000
Total segment revenue	434,724	410,362
Total revenue from continuing operations (Note 4 (a))	**434,724**	**410,362**

(ii) Underlying EBITDA

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

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

	FY13 $'000	FY12 $'000
Underlying EBITDA (excluding Next Byte impairment)	22,076	16,765
Interest revenue	301	204
Finance costs	(2,454)	(2,286)
Depreciation and amortisation	(11,180)	(9,846)
Impairment of Next Byte Business	-	(15,000)
Share of loss from investment in joint venture	-	(402)
Profit from continuing operations before income tax	**8,743**	**(10,565)**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

3. SEGMENT REPORTING (continued)

(c) Other segment information (continued)

(iii) Segment assets

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

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

	FY13 $'000	FY12 $'000
Telecommunications	97,033	103,794
Computing	37,778	35,601
Total assets as per the balance sheet	**134,811**	**139,395**

(iv) Segment liabilities

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

4. REVENUES AND EXPENSES

	Note	FY13 $'000	FY12 $'000
(a) Revenue			
Sale of goods		349,530	339,706
Fee and commission revenue		85,194	70,656
		434,724	410,362
(b) Other income			
Cooperative marketing revenue		7,237	7,414
Other miscellaneous income		1,286	730
		8,523	8,144
(c) Net finance costs			
Bank loans		6	16
Finance charges under finance leases		310	463
Finance charges under hire purchase contracts		1,018	811
Provisions: unwinding of discount		140	38
Line facility fee		718	572
Interest on term debt		214	189
Other interest expense		48	197
Total finance costs		2,454	2,286
Interest revenue on bank deposits		(301)	(204)
Finance income		(301)	(204)
Net finance costs		2,153	2,082
(d) Depreciation and amortisation			
Depreciation of plant and equipment	12	8,202	7,510
Amortisation of plant and equipment under lease	12	1,917	1,734
Amortisation of intangibles	13	1,061	602
		11,180	9,846
(e) Impairment			
Impairment of Next Byte goodwill	13, 14	-	14,414
Impairment of Next Byte plant and equipment	12	-	586
		-	15,000
(f) Employment expenses			
Wages and salaries		71,598	72,139
Defined contribution superannuation expense		5,682	5,691
Employee entitlements		3,710	5,399
		80,990	83,229
(g) Operating lease rental expenses			
Minimum lease payments – operating lease		19,406	18,239

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

5. INCOME TAX

	FY13 $'000	FY12 $'000
Income tax expense		
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	5,797	4,115
Adjustments for current tax of prior periods	18	(221)
Deferred income tax		
Relating to origination and reversal of temporary differences (note 16)	(3,276)	(2, 439)
Income tax expense reported in the income statement	2,539	1,455

A reconciliation between tax expense and the (loss)/profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	FY13 $'000	FY12 $'000
Profit/(loss) before income tax	8,743	(10,565)
At the Group's statutory income tax rate of 30% (FY12: 30%)	2,623	(3,170)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Accounting expenses not deductible for income tax purposes	31	4,465
	2,654	1,295
Adjustments for current tax of prior periods	18	(221)
Adjustment for deferred tax of prior periods	(133)	381
Aggregate income tax expense	2,539	1,455

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

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

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

6. EARNINGS PER SHARE

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

	FY13 $'000	FY12 $'000
Net (loss)/profit attributable to ordinary equity holders of the parent	6,204	(12,020)
	FY13 Thousands	**FY12 Thousands**
Weighted average number of ordinary shares for basic earnings per share	142,500	142,500
Effect of dilution: Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	142,500	142,500

7. DIVIDENDS PAID AND PROPOSED

	FY13 $'000	FY12 $'000
(a) Declared and paid during the year:		
Final dividend for FY12 of 1.1 cents per share paid on 12 October 2012 (FY11: 1.1)	1,069	1,567
Interim dividend for FY13 of 1.15 cents per share paid on 12 April 2013 (FY12: 0.75).	1,638	1,069
	2,707	2,636
(b) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year-end the directors have approved the payment of a final dividend 1.68 cents per share (FY12: 0.75), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid in October 2013 out of retained earnings at 30 June 2013, but not recognised as a liability at year end, is $2,393,997.	2,393	1,069
(c) Franked dividends		
The franked portions of the final dividends approved after 30 June 2013 will be franked out of existing franking credits or franking credits arising from the payment of income tax in the year ending 30 June 2014.		
Franking credits available for subsequent financial years based on a tax rate of 30% (FY12: 30%).	38,305	33,661

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

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

The impact on the franking account of the dividend approved by the Directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $1,025,999 (FY12: $458,035).

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

8. CASH AND CASH EQUIVALENTS

	FY13 $'000	FY12 $'000
Cash at bank and in hand	**12,777**	**13,310**
Reconciliation of net profit after tax to net cash flows from operations		
Net profit/(loss)	6,204	(12,020)
Adjustments for:		
Depreciation	8,202	7,510
Amortisation	2,978	2,336
Impairment adjustment of non-current assets	-	15,000
Net loss on disposal of plant and equipment	191	(23)
Make good provision: unwinding of discount	56	37
Onerous lease provision: unwinding of discount	84	1
Doubtful debt provision	1,524	1,287
Inventory obsolescence provision	504	246
Make good provision	(419)	(851)
Onerous lease provision	(132)	(184)
Share of losses of joint venture	-	402
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	4,479	(6,553)
(Increase)/decrease in inventory	(479)	(1,474)
(Increase)/decrease in prepayments	262	(404)
(Increase)/decrease in deferred tax assets	(3,276)	(2,439)
Increase/(decrease) in current tax liability	754	(2,838)
Increase/(decrease) in trade, other payables and accruals	(8,471)	10,053
Increase/(decrease) in unearned revenue	7,241	6,916
Increase in provisions	353	97
Net cash flow from operating activities	**20,055**	**17,099**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

9. TRADE AND OTHER RECEIVABLES

	FY13 $'000	FY12 $'000
Trade receivables	22,665	27,085
Allowance for doubtful debts	(4,571)	(3,203)
	18,094	23,882
Other receivables	1,727	2,280
Prepayments	1,120	1,382
	20,941	**27,544**

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

Allowance for doubtful debts
As at 30 June 2013, provisions were made against current trade receivables to the value of $4,570,583 (FY12: $3,203,178). 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	4,571	3,203
Balance at 30 June	**4,571**	**3,203**

Movements in provision for doubtful debts were as follows:

At 1 July	3,203	1,971
Charge/(release) for the year	1,520	1,290
Amounts written off	(152)	(58)
Balance at 30 June	**4,571**	**3,203**

As of 30 June 2013, trade receivables of $130,780 (FY12: $117,074) 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.

The ageing analysis of these receivables is as follows:

61-90 days	11	69
91+ days	120	48
Balance at 30 June	**131**	**117**

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

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

Interest rate risk
Detail regarding interest rate risk exposure is disclosed in Note 22.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

10. INVENTORIES

	FY13 $'000	FY12 $'000
Finished goods	14,538	14,025
Provision for diminution in value	(918)	(414)
Total inventories at the lower of cost or net realisable value	**13,620**	**13,611**

Inventories recognised as an expense for the year ended 30 June 2013 totalled $294,459,100 (FY12: $275,899,464). This expense has been included in the inventory consumed line item as a cost of inventories.

Inventory write-downs recognised as an expense totalled $968,667 (FY12: $534,666).

11. TERM DEPOSITS

	FY13 $'000	FY12 $'000
Term deposits	**25**	**123**

The term deposits are held as security over bank guarantees and are held for the duration of the guarantee to which they relate. The interest rate on term deposits is 2.25% (FY12: 3.22%).

12. PLANT AND EQUIPMENT

	FY13 $'000	FY12 $'000
Plant and equipment under lease	7,610	8,185
Accumulated amortisation and impairment	(5,293)	(3,951)
	2,317	4,234
Plant and equipment	50,439	49,594
Accumulated depreciation and impairment	(27,108)	(25,785)
	23,331	23,809
Total plant and equipment – at cost	58,049	57,779
Accumulated amortisation, depreciation and impairment	(32,401)	(29,736)
	25,648	**28,043**

	Plant and equipment under lease $'000	Plant and equipment $'000	Total Plant and equipment $'000
Cost:			
At 1 July 2012	8,185	49,594	57,779
Additions	-	7,781	7,781
Acquired on acquisition	-	134	134
Transfers	-	-	-
Disposals	(575)	(7,070)	(7,645)
At 30 June 2013	**7,610**	**50,439**	**58,049**
Accumulated Amortisation and Depreciation:			
At 1 July 2012	3,951	25,785	29,736
Charge for period	1,917	8,202	10,119
Transfers	-	-	-
Disposals	(575)	(6,879)	(7,454)
At 30 June 2013	**5,293**	**27,108**	**32,401**
Net Book Value:			
At 30 June 2013	**2,317**	**23,331**	**25,648**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

12. PLANT AND EQUIPMENT (continued)

	Plant and equipment under lease $'000	Plant and equipment $'000	Total Plant and equipment $'000
Cost:			
At 1 July 2011	8,204	40,710	48,914
Additions	-	13,329	13,329
Acquired on acquisition	-	266	266
Transfers	(19)	19	-
Disposals	-	(4,730)	(4,730)
At 30 June 2012	**8,185**	**49,594**	**57,779**
Accumulated Amortisation and Depreciation:			
At 1 July 2011	2,220	22,416	24,636
Charge for period	1,734	7,510	9,244
Transfers	(3)	3	-
Disposals	-	(4,730)	(4,730)
Impairment	-	586	586
At 30 June 2012	**3,951**	**25,785**	**29,736**
Net Book Value:			
At 30 June 2012	**4,234**	**23,809**	**28,043**

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

Additions during the year of nil (FY12: nil) of plant and equipment were financed under finance lease agreements.

Additions to the lease make good asset recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* during FY13 were $253,533 (FY12: $710,941). This amount is offset by the corresponding provision for make good in note 20 Provisions.

Impairment of plant and equipment
An assessment of the recoverable amount of plant and equipment, based on value in use and determined at the cash-generating unit level, resulted in certain items being reduced to this carrying value.

In FY12 this impairment arose from a reassessment of the recoverable amount of the Next Byte business. Further information is contained in note 14.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

13. INTANGIBLE ASSETS AND GOODWILL

	FY13 $'000	FY12 $'000
Customer database	720	720
Accumulated amortisation	(720)	(720)
	-	-
Software	6,353	5,084
Accumulated amortisation	(4,945)	(3,979)
	1,408	**1,105**
Goodwill	68,898	67,441
Accumulated amortisation	(21,816)	(21,816)
	47,082	**45,625**
Customer database, software and goodwill	75,971	73,245
Accumulated amortisation	(27,481)	(26,515)
	48,490	**46,730**

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

	Customer database $'000	Software $'000	Goodwill $'000	Total intangible assets and goodwill $'000
Cost:				
At 1 July 2011	720	4,023	64,585	69,328
Additions	-	1,101	-	1,101
Acquired on acquisition	-	-	2,856	2,856
Disposal	-	(40)	-	(40)
At 30 June 2012	**720**	**5,084**	**67,441**	**73,245**
Accumulated Amortisation:				
At 1 July 2011	720	3,417	7,402	11,539
Charge for period	-	602	-	602
Disposal	-	(40)	-	(40)
Impairment	-	-	14,414	14,414
At 30 June 2012	**720**	**3,979**	**21,816**	**26,515**
Net Book Value:				
At 30 June 2012	**-**	**1,105**	**45,625**	**46,730**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

13. INTANGIBLE ASSETS AND GOODWILL (continued)

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

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

14. IMPAIRMENT TESTING OF GOODWILL

a) Impairment tests for goodwill

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

	Telecommunications $'000	Computing $'000	Carrying amount of goodwill $'000
At 1 July 2011	23,372	33,811	57,183
Additions	2,856	-	2,856
Impairment charge*	-	(14,414)	(14,414)
At 30 June 2012	**26,228**	**19,397**	**45,625**
At 1 July 2012	26,228	19,397	45,625
Additions	1,457	-	1,457
At 30 June 2013	**27,685**	**19,397**	**47,082**

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

b) Key assumptions used for fair value less cost to sell calculations

The recoverable amount of the cash generating units has been determined using the value in use method for the Telecommunications segment and the fair value less cost to sell method for the Computing segment. The fair value less cost to sell method was applied to the Computing segment for the first time in 2012 to provide a more appropriate method to value a business where the portfolio of assets is undergoing material change, and where the use of the value in use method would undervalue the recoverable amount relating to the segment. The financial projections underpinning the calculations reflect management budgets for the first year and longer range projections for years 2 to 5. Cash flows beyond the five-year period are extrapolated using a 2% growth rate, which does not exceed the long-term average growth rate for the Telecommunications and Computing businesses. 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 higher than the previous period due to the rigour and detail that has been incorporated into the current assessments. In determining such assumptions, factors such as competitive dynamics, store expansion and the evolving maturity of stores were all contemplated.

	FY13 $'000	**FY12 $'000**	**FY13 $'000**	**FY12 $'000**
	Telecommunications		Computing	
Cash flow projections for the 5 year period use implied compound annual growth rates as follows:				
Revenue	9.7%	9.3%	7.5%	9.1%
Cost of goods sold	9.1%	9.3%	6.4%	8.7%
Operating expenses	7.2%	9.3%	4.6%	7.6%
Pre tax discount rate	13.5%	15.4%	13.5%	15.4%

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

14. IMPAIRMENT TESTING OF GOODWILL (continued)

c) Impairment charge

In FY12 an impairment charge of $14.4 million was made against goodwill in the year to reflect a reduction in the recoverable amount relating to the Group's investment in Next Byte, a business acquired by the Group in 2007. Whilst the performance of Next Byte is expected to improve in the future, the net present value of expected discounted future cash flows was below the carrying value of the assets as at 30 June 2012 and an impairment charge was deemed necessary by the Board.

d) Sensitivity to changes in assumptions

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

In relation to the Telecommunications division, the recoverable amount is well in excess of the carrying amount associated with the segment and management believe that any reasonably possible changes in assumptions would not result in the recoverable amount falling below the carrying value.

In relation to the Computing segment, the recoverable amount calculation reflects assumptions about trading performance, the opening and closure of retail stores and the impact of structural changes made in the business. Whilst a number of potentially adverse trading impacts have already been reflected in the recoverable amount calculation and the subsequent impairment charge taken in the year, the recoverable amount could be further impacted by material deviations in actual performance or to key operating assumptions in the future.

The calculation of the recoverable amount is sensitive to key assumptions as follows:

Sensitivity – Computing segment	Impact on cash flows $'000	Impairment charge
2% reduction in projected revenues in all years, total business	(3,851)	No
5% reduction in projected revenues in all years, total business	(9,626)	Yes
2% reduction in projected revenues in all years, old format stores only	(343)	No
5% reduction in projected revenues in all years, old format stores only	(855)	No
1% increase in pre tax discount rate	(2,229)	No
2% increase in pre tax discount rate	(4,124)	No

15. INVESTMENTS IN JOINT VENTURES

In FY12 Vita Group Limited disposed of its interest in the joint venture to Square Group for nominal consideration.
The Group's share of losses from its equity-accounted investments for the FY13 year was nil (FY12: ($402,000)).

Square [i] Solutions International Limited (ownership interest 50%)	FY13 $'000	FY12 $'000
Share of joint venture's assets and liabilities		
Current assets	-	-
Non-current assets	-	-
Total assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	-	-
Net assets	-	-

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

15. INVESTMENTS IN JOINT VENTURES (continued)

	FY13 $'000	FY12 $'000
Share of joint venture's revenue, expenses and results		
Income	-	-
Expenses	-	-
(Loss)/profit	-	-
Interest in joint venture		
Investment in joint venture	-	-
Share of (loss) from investment in joint venture	-	-
Balance 30 June	**-**	**-**
Receivables from joint venture		
Balance 1 July	**344**	**-**
Loans advanced to investments in joint venture	-	746
Repayment of loans advanced to investments in joint venture	(174)	-
Share of (loss) from investment in joint venture (includes cash advances to and payments made on behalf of joint ventures)	-	(402)
Balance 30 June	**170**	**344**
Share of joint venture's capital commitments	**-**	**-**

The balance receivable at 30 June 2013 is included in Note 9.

16. DEFERRED TAX ASSETS

	FY13 $'000	FY12 $'000
The balance comprises temporary differences attributable to:		
Trade and other receivables	945	741
Inventory	351	195
Trade and other payables	1,214	1,003
Finance lease liability	793	1,337
Provision employee benefits	1,536	1,430
Lease provision	993	1,009
Unearned revenue	8,390	6,046
Total deferred tax assets	14,222	11,761
Set-off of deferred tax liabilities pursuant to set-off provisions:		
Property, plant and equipment	(912)	(1,727)
Net deferred tax assets	**13,310**	**10,034**
Deferred tax assets expected to be recovered within 12 months	10,227	7,859
Deferred tax assets expected to be recovered after more than 12 months	3,995	4,078
Deferred tax liabilities expected to be recovered after more than 12 months	(912)	(1,903)
	13,310	**10,034**
Movement in deferred tax assets		
At 1 July	10,034	7,595
Credited to profit or loss (note 5)	3,276	2,439
Acquisition of Telstra Licensed stores (note 23)	-	-
At 30 June	**13,310**	**10,034**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

17. SHARE BASED PAYMENT PLAN

Employee Share Option Plan

On 2 November 2005 share options were granted to senior executives under the Employee Share Option Plan and the exercise price is $0.1876 per option. The vesting conditions for the options granted relate to the employment status of the grantee as well as the discretion of the directors to accelerate the vesting timelines.

The contractual life of each option granted is five years.

No expense was recognised in the income statement in relation to share-based payments for the current year.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	FY13 No.	FY13 WAEP (cents)	FY12 No.	FY12 WAEP (cents)
Outstanding at the beginning of the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-

Employee Bonus Share Plan

The Remuneration and Nomination Committee is responsible for reviewing the operation of the Group's Employee Bonus Share Plan which was approved by the board on 4 April 2005.

This share plan has been established by the company to enable employees to acquire shares in the company up to the value of $1,000, depending on length of service.

The Remuneration and Nomination Committee of the company administer the plan. The committee may from time to time issue offers on behalf of the company to employees. These employees may apply to acquire the number of shares specified in the invitation. The initial value of the shares to Australian tax residents is intended to be free of income tax (under current tax laws) provided the requisite tax election is made.

The company may acquire shares for participants by way of an issue of shares, by acquiring shares in the ordinary course of trading, or by off-market purchases. The company may issue shares for no consideration. The board may also decide that an offer will involve a salary sacrifice.

Participants are prevented from disposing of shares acquired under the plan until the earlier of:

- three years after the date of acquisition of the shares; or
- the day after the date on which the participant ceased, or first ceased, to be employed by the company because of death or other special circumstances.

The number of shares acquired during the previous five years from new issues by the company under the plan and all other employee share schemes established by the company must not exceed 5% of the total number of issued shares.

Shares will rank equally with all existing shares on and from the date of issue.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

17. SHARE BASED PAYMENT PLAN (continued)

Employee Bonus Share Plan (continued)

The Remuneration and Nomination Committee has power to terminate or suspend the operation of the plan at any time, provided that the termination or suspension does not adversely affect or prejudice the rights of participants holding shares at that time.

Directors are eligible to participate in the plan, but, under Listing Rule 10.14, Shareholders must approve any allocations to directors.

During the financial year the company did not issue ordinary shares under this plan (FY12: nil).

18. TRADE AND OTHER PAYABLES

	FY13 $'000	FY12 $'000
Current		
Trade payables (i)	23,241	32,605
Other payables and accruals	14,893	14,915
Unearned Revenue	17,597	12,267
Annual leave accrual	3,619	3,651
	59,350	**63,438**
Non-current		
Other payables and accruals	2,592	2,119
Unearned Revenue	10,370	8,459
	12,962	**10,578**

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

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

Interest rate and liquidity risk
Information regarding interest rate and liquidity risk exposure is set out in Note 22.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

19. INTEREST BEARING LOANS AND BORROWINGS

	Maturity	FY13 $'000	FY12 $'000
Current			
Obligations under finance leases	2014	2,057	1,818
Obligations under hire purchase contracts	2014	5,665	5,373
Obligations under chattel mortgage	2014	1,636	-
Short term debt	2014	841	2,716
		10,199	**9,907**
Non-current			
Non-current term debt		-	2,256
Obligations under finance leases	2015	588	2,638
Obligations under hire purchase contracts	2015	2,520	8,195
Obligations under chattel mortgage	2015-2016	2,224	-
		5,332	**13,089**
		15,531	**22,996**

(i) Finance leases and hire purchase contracts
The finance leases and hire purchase contracts are secured by a charge over the specific assets being financed. The assets under finance lease are disclosed in note 12. The value of assets under hire purchase contracts are $9,610,548 (FY12: $13,377,428). The value of assets under chattel mortgage arrangements are $3,867,459 (FY12:Nil)

(ii) Short term debt and non-current term debt
The interest rate and facility fee charged on the term debt at 30 June 2013 was 5.32% (FY12: 6.08%).

The Group's loan and lease facilities are secured under the Group's Deed of Cross Guarantee, which is detailed in Note 25(ii).

Fair values
Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates varying from 5.32% to 5.86% (FY12: 6.08% to 6.78%), depending on the type of borrowing.

	Carrying amount		Fair value	
	FY13 $'000	FY12 $'000	FY13 $'000	FY12 $'000
Obligations under finance leases and hire purchase contracts	10,830	18,024	10,063	16,054
Obligations under chattel mortgage	3,860		3,507	
Term debt	841	4,972	798	4,535
	15,531	**22,996**	**14,368**	**20,589**

Interest rate and liquidity risk
Details regarding interest rate and liquidity risk are disclosed in note 22.

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

At balance date, the Group has available approximately $10.5 million (FY12: $5.1 million) of unused master asset finance facilities available for its immediate use.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

20. PROVISIONS

	FY13 $'000	FY12 $'000
Provision for employee benefits	1,502	1,117
Make good provision (a)	2,867	2,976
Onerous lease provision (b)	444	386
	4,813	**4,479**
Current		
Employee entitlements	540	410
Make good provision	587	613
Onerous lease provision	196	122
	1,323	**1,145**
Non-Current		
Employee entitlements	962	707
Make good provision	2,280	2,363
Onerous lease provision	248	264
	3,490	**3,334**
Make good provision		
Opening balance	2,976	3,079
Additional provisions	254	711
Unused amounts reversed	-	
Unwinding of discount	56	37
Utilised during the year	(419)	(851)
Closing balance	**2,867**	**2,976**
Onerous lease provision		
Opening balance	386	176
Additional provisions	304	394
Unused amounts reversed	(198)	-
Unwinding of discount	84	-
Utilised during the year	(132)	(184)
Closing balance	**444**	**386**

(a) Make good provision

Vita Group Limited is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets. Assumptions used to calculate the provision were based on current assessments of the timing of the restoration liability crystallising and on current restoration costs being accreted at rate of 2.8% (FY12: 2.8% to 5.2%).

(b) Onerous lease provision

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

21. CONTRIBUTED EQUITY, RETAINED EARNINGS AND RESERVES

	FY13 $'000	FY12 $'000
Contributed equity		
Ordinary shares		
Issued and fully paid	**13,079**	**13,079**

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

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

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

	Number of shares	$'000
At 1 July 2011	**142,499,800**	**13,079**
Treasury shares bought from the market	-	-
Ordinary shares issued for options exercised	-	-
At 30 June 2012	**142,499,800**	**13,079**
Treasury shares bought from the market	-	-
Ordinary shares issued for options exercised	-	-
At 30 June 2013	**142,499,800**	**13,079**

Share options
The Group has a share based payment option scheme under which the options to subscribe for the company's shares have been granted to certain executives (refer Note 17).

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

AASB 3 Business Combinations requires an acquirer in a business combination to be identified. With respect to the acquisition of Fone Zone Pty Ltd by Fone Zone Group Limited, Fone Zone Pty Ltd was identified as the acquirer given the following factors:
- The economic substance of the transaction;
- Fone Zone Group Limited was established solely for the purposes of acquiring Fone Zone Pty Ltd;
- Fone Zone Group Limited has no business activity;
- The transaction was driven by Fone Zone Pty Ltd, not Fone Zone Group Limited; and
- The existing management of Fone Zone Pty Ltd will manage Fone Zone Group Limited.

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

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

Retained earnings Movements in retained earnings were as follows:	**FY13** **$'000**	**FY12** **$'000**
Balance 1 July	23,922	35,828
Net profit for the year	6,204	(12,020)
Transfer from equity benefits reserve	-	2,750
Dividends	(2,707)	(2,636)
Balance 30 June	**27,419**	**23,922**
Employee equity benefits reserve Movements in employee equity benefits reserve were as follows:		
Balance 1 July	-	2,750
Transfer to retained earnings	-	(2,750)
Balance 30 June	**-**	**-**

Nature and purpose of reserve

Employee equity benefits reserve

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

Capital management

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

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

During FY13, dividends of $2,707,497 were paid to shareholders (FY12: $2,636,247).

The Group has no current plans to issue further shares on the market, or to reduce the capital structure.

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 2013 and 2012 were as follows:

	FY13 **$'000**	**FY12** **$'000**
Total borrowings *	15,531	22,996
Less cash and cash equivalents	(12,777)	(13,310)
Net debt	2,754	9,686
Total equity	40,498	37,001
Net debt plus equity	**43,252**	**46,687**
Net debt / (Net debt plus equity) ratio	6.37%	20.70%

* Comprises interest bearing loans and borrowings

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2013

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate and the Group's policy is to manage its interest cost using a mix of the financial instruments described above. The level of debt is disclosed in note 19.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges:

	FY13 $'000	FY12 $'000
Financial Assets		
Cash	12,777	13,310
Term deposits	25	123
	12,802	13,433
Financial Liabilities		
Term Debt	(841)	(4,972)
Obligations under hire purchase	(4,576)	(7,318)
Obligations under chattel mortgage	(3,861)	
	(9,278)	(12,290)
Net Asset / Exposure	**3,524**	**1,143**

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 2013, 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)	25	8
- 1 % (100 basis points)	(25)	(8)

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

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

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

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

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitize 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 2013. 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 2013.

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

	FY13 $'000	FY12 $'000
1 year or less	34,179	44,423
1-5 years	5,540	13,846
Over 5 years		-
	39,719	58,269

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

23. BUSINESS COMBINATIONS

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

1 November 2012 Noosa Telstra Licensed Store

Details of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration:	
Cash paid	1,624
Total purchase consideration	**1,624**

	Fair Value $'000
The assets and liabilities arising from the acquisition are as follows:	
Inventories	33
Plant and equipment	134
Net identifiable assets acquired	167
Add: Goodwill	1,457
	1,624
Net cash outflow on acquisition is as follows:	
Net cash acquired	-
Cash paid	1,624
	1,624

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

23. BUSINESS COMBINATIONS (continued)

Acquisition related costs
Nil acquisition-related costs are included in administration expenses in the statement of comprehensive income.

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

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

*Revenue and profit contribution**
The acquired businesses contributed revenues of $4,110,900 and EBITDA of $585,020 to the Group for the period from acquisition date to 30 June 2013.

On the basis of trading results from the date of acquisition to end of financial year, had the businesses been acquired on 1 July 2012 contributions to the Group for revenue and EBITDA is estimated at $6,208,995 and $883,599 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.

	FY13 $'000	FY12 $'000
Cash flow information		
Outflow of cash to acquire business, net of cash acquired		
Cash consideration	1,624	3,227
Acquisition-related costs	-	-
	1,624	**3,227**
Less: Balances acquired		
Cash	-	-
Bank Overdraft	-	-
	1,624	3,227
	1,624	**3,227**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

24. COMMITMENTS AND CONTINGENCIES

a) Operating lease commitments – Group as lessee

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

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

	FY13 $'000	FY12 $'000
Within one year	14,521	14,765
After one year but not more than five years	32,283	37,765
More than five years	54	487
	46,858	**53,017**
Sub-lease payments		
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases	**619**	**155**

b) Finance lease commitments

The Group has finance leases for various items of plant and equipment with a carrying amount of $2,317,413 (FY12: $4,234,297). These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

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

Within one year	2,200	2,139
After one year but not more than five years	594	2,782
Total minimum payments	2,794	4,921
Less amounts representing finance charges	(150)	(465)
Present value of minimum payments	**2,644**	**4,456**

c) Other loan commitments

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

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

Within one year	7,898	6,235
After one year but not more than five years	4,946	8,723
Total minimum lease payments	12,844	14,958
Less amounts representing finance charges	(798)	(1,390)
Present value of minimum lease payments	**12,046**	**13,568**

d) Capital commitments

There was $716,208 of capital commitments as at reporting date (FY12: $1,175,224).

e) Contingencies

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

Guarantees held for:		
Leasing commitments	9,438	8,659
Other supplier arrangements	14,000	14,000
	23,438	**22,659**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

25. RELATED PARTY DISCLOSURES

(i) Controlled Entities

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

Name	Country of Incorporation	Percentage of Equity Interest Held		Investment	
		FY13	FY12	FY13	FY12
		%	%	$'000	$'000
Fone Zone Pty Ltd	Australia	100	100	13,938	13,938
Communique Holdings Pty Ltd	Australia	100	100	5,355	5,355
Next Byte Holdings Pty Ltd	Australia	100	100	16,972	16,972
Vita People Pty Ltd	Australia	100	100	-	-
The Learning Academy Pty Ltd	Australia	100	100	-	-
Total investments in controlled entities – at cost				**36,265**	**36,265**
Subsidiaries of Fone Zone Pty Ltd:					
Fone Zone Queensland Pty Ltd	Australia	100	100		
Fone Zone NSW South Wales Pty Ltd	Australia	100	100		
Fone Zone Victoria Pty Ltd	Australia	100	100		
The Mobile Phone Shop Pty Ltd	Australia	100	100		
Gould Holdings Pty Ltd	Australia	100	100		
Let's Talk Communications Pty Ltd	Australia	100	100		
In Touch Communications (Aust) Pty Ltd	Australia	100	100		
Call Direct Telecommunications Pty Ltd	Australia	100	100		
One Zero Communications Pty Ltd	Australia	100	100		
One Xerro TLS (Bundaberg) Pty Ltd	Australia	100	100		
Geek Squad Pty Ltd (Formerly known as One Xerro TLS (Gladstone) Pty Ltd)	Australia	100	100		
Geek Squad Australia Pty Ltd (Formerly known as One Xerro TLS (Morayfield) Pty Ltd)	Australia	100	100		
Computer Geek Squad Pty Ltd (Formerly known as One Xerro TLS (Werribee) 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		
Subsidiaries of Communique Holdings Pty Ltd:					
Sprout Accessories Pty Ltd (Formerly known as Sansertel Pty Ltd)	Australia	100	100		
iConcierge Technology Solutions Pty Ltd (Formerly known as Quo Vadis (Aust) Pty Ltd)	Australia	100	100		
Qibbus (Aust) Pty Ltd	Australia	100	100		
Controlled entities of Next Byte Holdings Pty Ltd:					
Next Byte Pty Ltd (As trustee for Next Byte Unit Trust)	Australia	100	100		
Next Byte International Pty Ltd	Australia	100	100		
Next Byte Unit Trust	Australia	100	100		

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

25. RELATED PARTY DISCLOSURES (continued)

(ii) Deed of Cross Guarantee

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

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

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

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

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

(iii) Transactions with directors and director related entities
During the year there were no transactions with directors or director related entities.

(iv) Other related party transactions
During the year Vita Group Limited has received from and provided to its wholly owned subsidiaries, interest free loans.

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

Financial Guarantees held by the parent on behalf of other Group entities are detailed in Note 29.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

26. AUDITORS' REMUNERATION

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

(a) PwC Australia

	FY13 $	FY12 $
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	297,111	284,000
• other services in relation to the entity and any other entity in the consolidated Group:		
a. tax compliance and consulting services	37,760	59,502
b. other assurance services	8,788	7,600
Total remuneration of PwC Australia	**343,659**	**351,102**

27. EVENTS AFTER THE BALANCE SHEET DATE

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

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

28. DIRECTOR AND EXECUTIVE DISCLOSURES

a) Details of Key Management Personnel

(i) Directors	
Dick Simpson	Chairman (Independent Non-Executive)
David McMahon	Joint Chief Executive Officer (resigned – 30 January 2013)
Maxine Horne	Chief Executive Officer
Neil Osborne	Director (Independent Non-Executive)
Robyn Watts	Director (Independent Non-Executive)
(ii) Executives	
Peter Connors	General Manager Telecoms
Andrew Leyden	Chief Financial Officer
Mark Anning	Group Company Secretary and Legal Counsel
Kendra Hammond	Chief People Officer
Jim Collier	General Manager Next Byte (retiring effective – 6 September 2013)

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

b) Compensation of Key Management Personnel

Compensation by Category: Key Management Personnel

	FY13 $	FY12 $
Short-term	3,058,560	2,963,977
Post employment	145,842	145,175
Long-term benefits	30,967	16,186
Termination benefits	229,789	87,166
	3,465,158	**3,212,504**

Detailed remuneration disclosures are provided in sections *Remuneration of Key Managers* and *Remuneration of Non-Executive Directors* of the remuneration report on pages 9 to 14.

c) Compensation options: Granted during the year

During the financial year no share options were granted as equity compensation benefits (FY12: nil).

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

28. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

d) Options holdings of Key Management Personnel

At 30 June 2013 (FY12: nil) no share options had vested of which nil (FY12: nil) were exercisable. There were no un-exercisable vested options at 30 June 2013 (FY12: nil).

e) Shareholdings of Management Personnel

Shares held in Vita Group Limited

	Balance at 30 June 2012	Purchased	Balance at 30 June 2013
Directors			
Dick Simpson	243,509	-	243,509
David McMahon and Maxine Horne (jointly)	66,269,403	-	66,269,403
David McMahon - resigned 30 Januray 2013	1,000	-	1,000
Maxine Horne	1,000	-	1,000
Neil Osborne	271,342	-	271,342
Robyn Watts	-	-	-
Executives			
Peter Connors	209,919	-	209,919
Andrew Leyden	98,300	-	98,300
Kendra Hammond	40,000	-	40,000
Jim Collier - retiring effective 6 September 2013	-	-	-
Mark Anning	-	-	-

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

28. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

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

f) Loans to Key Management Personnel

There were no loans provided to Key Management Personnel during the financial year (FY12: nil).

g) Other transactions and balances with Key Management Personnel

Details of other transactions with Key Management Personnel are in Note 25 Related party disclosure.

h) Disclosure statement

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

29. PARENT ENTITY DISCLOSURES

As, and throughout, the financial year ended 30 June 2013, the parent entity of the Group was Vita Group Limited.

	FY13 $'000	FY12 $'000
Result of parent entity		
(Loss)/profit for the year	39,429	(14,446)
Other comprehensive income	-	-
Total comprehensive income for the year	**39,429**	**(14,856)**
Financial position of parent entity at year-end		
Current assets	19,960	226
Non-current assets	36,675	36,749
Total assets	**56,635**	**36,975**
Current liabilities	1,659	18,718
Total liabilities	**1,659**	**18,718**
Total equity of the parent comprising of:		
Share capital	22,889	22,889
Retained earnings	32,087	(4,632)
Employee equity benefits reserve	-	-
	54,976	**18,257**

During the financial year ended 30 June 2013, Vita Group Limited declared and paid fully franked dividends of $2,707,497. The Directors also approved and paid intercompany fully franked dividends of $39,500,000 to Vita Group Limited from wholly owned subsidiaries.

FY12 parent numbers have been restated to correctly allocate the fixed asset impairment recorded in the FY12 accounts against the relevant subsidiary that holds the assets.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2013

29. PARENT ENTITY DISCLOSURES (continued)

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.

	FY13 $'000	FY12 $'000
Guarantees held for:		
Leasing commitments	317	536
Other supplier arrangements	13,000	10,000
	13,317	**10,536**

There were no other contingencies as at reporting date (FY12: 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 25 (ii) to the accounts.

Capital Commitments

The parent entity had not committed to any capital commitments at reporting date (FY12: nil).

Directors' Declaration

In the opinion of the directors:

(a) the financial statements and notes set out on pages 26 to 76 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 2013 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 25 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 25.

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

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

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

Dick Simpson
Chairman

Maxine Horne
Director and Chief Executive Officer

Brisbane
26 August 2013

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

Report on the financial report

We have audited the accompanying financial report of Vita Group Limited (the company), which comprises the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Vita Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 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;* and

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 14 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Vita Group Limited (the company) for the year ended 30 June 2013 included on Vita Group's web site. The company's directors are responsible for the integrity of the Vita Group web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Steven Bosiljevac

Steven Bosiljevac

26 August 2013

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 22 August 2012.

(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	424	224,052	0.16
1,001 – 5,000	347	1,096,449	0.77
5,001 – 10,000	265	2,157,372	1.51
10,001 – 100,000	579	19,104,502	13.41
100,001 and over	81	119,917,425	84.15
	1,696	142,499,800	100.00
Shareholdings of less than a marketable parcel			
Holdings of less than 642 shares	275	82,302	0.06

(b) Twenty largest holders of quoted equity securities

	Fully paid	
Ordinary Shareholders	**Number**	**Percentage**
FZIC PTY LTD	56,342,124	39.54
AUST EXECUTOR TRUSTEES SA LTD <TEA CUSTODIANS LIMITED>	16,228,519	11.39
FZIC PTY LTD <MCMAHON SUPER FUND A/C>	9,817,807	6.89
NATIONAL NOMINEES LIMITED	6,852,517	4.81
BNP PARIBAS NOMINEES PTY LTD ACF PENGANA <DRP A/C>	5,159,089	3.62
KAVEL PTY LTD	4,100,000	2.88
MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	1,247,678	0.88
ROBERT FERGUSON + JENNIFER FERGUSON + RACHEL FERGUSON <TORRYBURN S/F A/C>	1,224,490	0.86
G CHAN PENSION PTY LTD <CHAN SUPERANNUATION FUND A/C>	1,057,760	0.74
MRS GOOLESTAN DINSHAW KATRAK	1,050,000	0.74
J P MORGAN NOMINEES AUSTRALIA LIMITED	849,094	0.60
NBPC PTY LTD	751,334	0.53
MR DAVID LYNAS + MR SHANE OSWIN <D LYNAS & S OSWIN FAMILY A/C>	654,951	0.46
MR DAVID FREDERICK OAKLEY	560,000	0.39
GERNIS HOLDINGS PTY LIMITED	550,000	0.39
MR IVAN TANNER + MRS FELICITY TANNER <THE SUPERNATURAL S/F A/C>	500,000	0.35
DALESAM PTY LTD <JON BRETT SUPER FUND A/C>	490,000	0.34
DARREN GAUNT	418,000	0.29
MAST FINANCIAL PTY LTD <A TO Z INVESTMENT A/C>	362,500	0.25
MR MARTIN GREEN	360,000	0.25
Top 20 holders of ORDINARY FULLY PAID SHARES	**108,575,863**	**76.19**

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 2013 were:

	Fully paid	
Ordinary Shareholders	**Number**	**Percentage**
FZIC Pty Ltd	66,271,403	46.51
Pie Funds Management Limited	15,750,719	11.05
TOTAL	82,022,122	57.56

Vita Group Limited ABN 62 113 178 519