



24 September 2020

Market Announcements Office  
Australian Securities Exchange  
4<sup>th</sup> Floor, 20 Bridge Street  
SYDNEY NSW 2000

**ELECTRONIC LODGEMENT**

Dear Sir or Madam

**Vita Group Limited – 2020 Annual Report**

In accordance with the Listing Rules, please find attached a copy of Vita Group's 2020 Annual Report for release to the market.

Authorised for lodgement by Vita Group's Board of Directors.

Yours sincerely

**George Southgate**  
GM Legal Services and Group Company Secretary  
Vita Group Limited



# **ANNUAL REPORT FY20**

We strive to deliver the Vita Group Annual Report  
in a sustainable manner.  
Access the online version at [vitagroup.com.au](http://vitagroup.com.au)

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## Vita Group: Well-positioned for the future

Vita Group has been delivering exceptional customer experiences for 25 years.

Our success lies in our understanding of people: from our team members and customers through to our suppliers, partners, investors, and the communities that we're part of. Our point of difference is our passionate, dedicated and hardworking team of Vita peeps who go above and beyond to create value for our customers, in turn creating value for all.

At Vita, we don't sell – we consult. We take the time to get to know our customers – including their needs, their challenges and their aspirations – so we can provide personalised and holistic solutions that will enhance their ways of life.

It's through this 'people first' approach that Vita has stood the test of time over the past 25 years, successfully growing from one Fone Zone store on the Gold Coast in 1995 into a truly national organisation, operating across two core industries with more than 120 points of presence, 1,600 team members, and revenues of \$773.1 million in FY20.

## Our Industries

### Information and communication technology (ICT)



We own and operate more than 100 Telstra retail stores and Telstra Business Technology Centres.



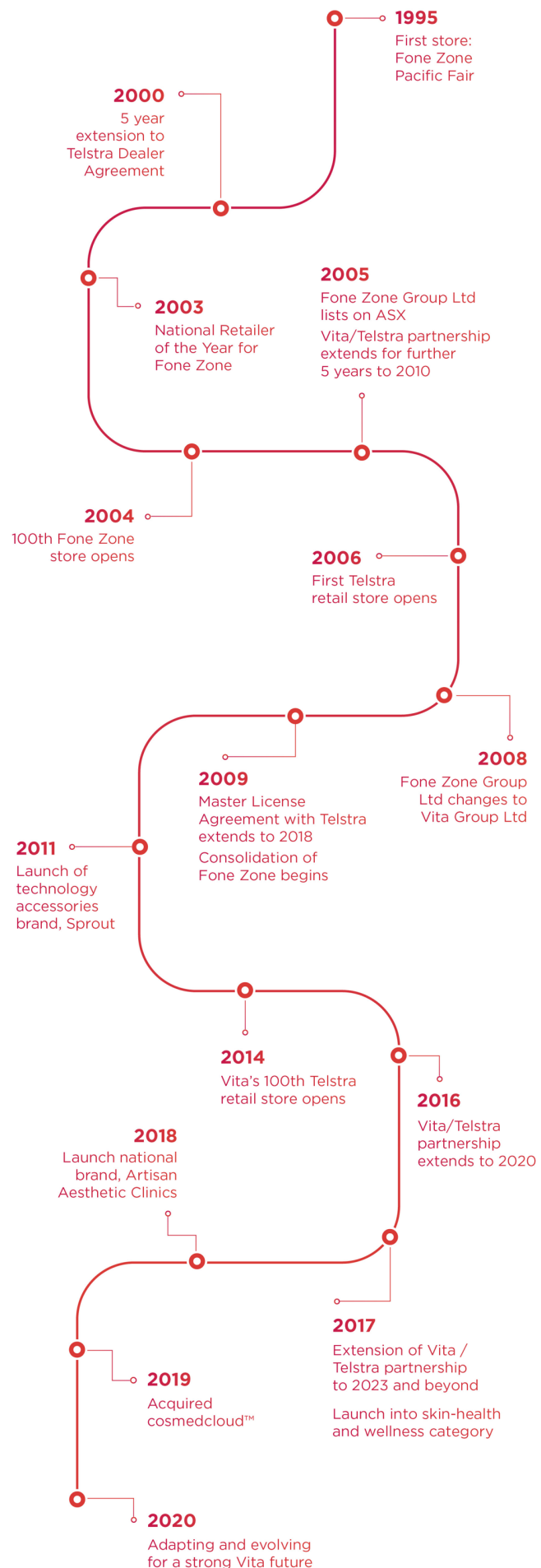
Our own Sprout accessories brand is stocked in more than 300 retail locations Australia-wide.

### Skin health and wellness (SHAW)



We own and operate a network of premium aesthetic clinics through our own medical aesthetics brand, Artisan Aesthetic Clinics.

Our timeline:  
enhancing  
customers'  
ways of life for 25  
years



## FY20 Highlights

### RECORD REVENUES

**\$773.1M** **UP 3%**  
ON FY19

RETAIL ICT  
**UP 5%**

SPROUT  
**UP 14%**

SHAW  
**UP 47%**

### GROWTH IN EARNINGS

EBITDA<sup>1</sup>

**\$49.9M** **UP 9%**

EBIT<sup>2</sup>

**\$37.2M** **UP 7%**

**STRONG, FLEXIBLE BALANCE SHEET**  
**NO NET DEBT<sup>3</sup> (NET CASH \$24.1M)**

<sup>1</sup> Earnings before interest, tax, depreciation, and amortisation excluding the impact of AASB16 (implemented during the period)

<sup>2</sup> Earnings before interest and tax

<sup>3</sup> Net debt excludes lease liabilities

## Chairman & CEO Review

Vita Group has always been a business that rises to a challenge. This was never more evident than this year where the team overcame significant change and disruption to deliver record revenues and solid profit performance, positioning the business strongly for the future.

Despite the Telstra remuneration changes that came into effect at the start of the period in our information and communication technology (ICT) channel combined with the group-wide impact of COVID-19 from March 2020, our team delivered a three per cent increase in revenues to \$773.1 million, with growth achieved in all core channels.

EBITDA<sup>1</sup> increased nine per cent to \$49.9 million and EBIT<sup>2</sup> grew seven per cent to \$37.2 million. NPAT<sup>3</sup> was \$22.4 million. As a result, the board were able to resume dividend payments, declaring a fully franked 2.4 cent dividend for the full year.

There was an impressive performance in Vita's ICT channel which achieved revenues of \$752.0 million. In the retail ICT division, the team increased revenues by five per cent, in a very tough period, by continuing to deliver results through consulting and creating value for customers, whilst driving efficiencies. This focus was instrumental in successfully offsetting the reduction in remuneration changes as well as falls in foot traffic as a result of COVID-19.

In the business ICT division, the team continued to play an important role in complementing our retail ICT division by providing value-adding solutions to small-to-medium and large business customers.

Vita's Sprout accessories business continued its meaningful contribution to the group result, delivering a 14 per cent increase in revenues following further product innovation across growing categories, as well expansion in business-to-business sales.

Our skin-health and wellness (SHAW) channel also gained momentum during the year, proving its significant potential by delivering a 47 per cent increase in revenues to \$20.1 million, which was achieved despite a six-week closure due to COVID-19 restrictions. Whilst this achievement was partly due to the continued expansion of the clinic portfolio, it was largely thanks to Vita's embedded operating rhythms and disciplines which increased the team's consulting capability and improved productivity.

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<sup>1</sup> Earnings before interest, tax, depreciation and amortisation, excluding the impact of AASB16 (implemented during the period)

<sup>2</sup> Earnings before interest and tax

<sup>3</sup> Net profit after tax

Vita Group's agility in the face of change was more important than ever in FY20 as the COVID-19 pandemic unfolded in Australia. The team worked rapidly and proactively to protect the business against the unfolding health and economic impacts, quickly implementing its business continuity plan in March 2020 to mitigate key areas of risk. This involved taking some difficult but necessary measures to strengthen the balance sheet and protect Vita Group for the mid to long-term.

COVID-19 will continue to impact the national and global economy as we move into FY21, presenting further challenges in the markets in which Vita competes. Key to our success in overcoming these hurdles will be our continued focus on consulting with our customers.

In the ICT channel, we will continue to improve the productivity of the store portfolio through organic performance improvements and by continuing to make selective acquisitions and divestments. Our strategic partnership with Telstra will be an important focus as the role of retail evolves within a broader omni-channel ecosystem.

There is significant opportunity in our Sprout accessories business to drive growth in the ICT channel as well as through other retail partners, with the team focused on further innovation in profitable categories including multi-purpose audio, wireless charging, and outdoor accessories.

In the SHAW channel, organic growth will be the focus in FY21. This will include further improvement in the productivity and utilisation of our clinicians and clinics by enhancing our consulting capabilities and embedding our operating disciplines. We will invest further in the development and refinement of our proprietary software solution, cosmedcloud™, a cloud-based, functionally rich system delivering point of sale capability, customer relationship management, medical records, and commercial reporting. This is a unique solution in our industry and has the potential to deliver value across several health and wellness industries.

We sincerely thank everyone in the Vita family – our team, our shareholders, partners and of course our customers and communities – for standing by us in FY20. Your flexibility and support have played a key role in driving a positive result in what was a difficult year.

Whilst FY21 will continue to be challenging, our 25-year history shows that we have what it takes to overcome any obstacles that come our way. We have a strong business, a clear strategy and a proven ability to execute. Together, with our dedicated and vibrant team of Vita peeps who always out-perform, out-execute and out-deliver, we are well-positioned for the future.

A handwritten signature in black ink that reads "Dick Simpson". The signature is written in a cursive, flowing style. The first name "Dick" is written in a larger, more prominent script, and "Simpson" follows in a similar but slightly smaller script. The final letter of "Simpson" is a large, stylized flourish that extends downwards.

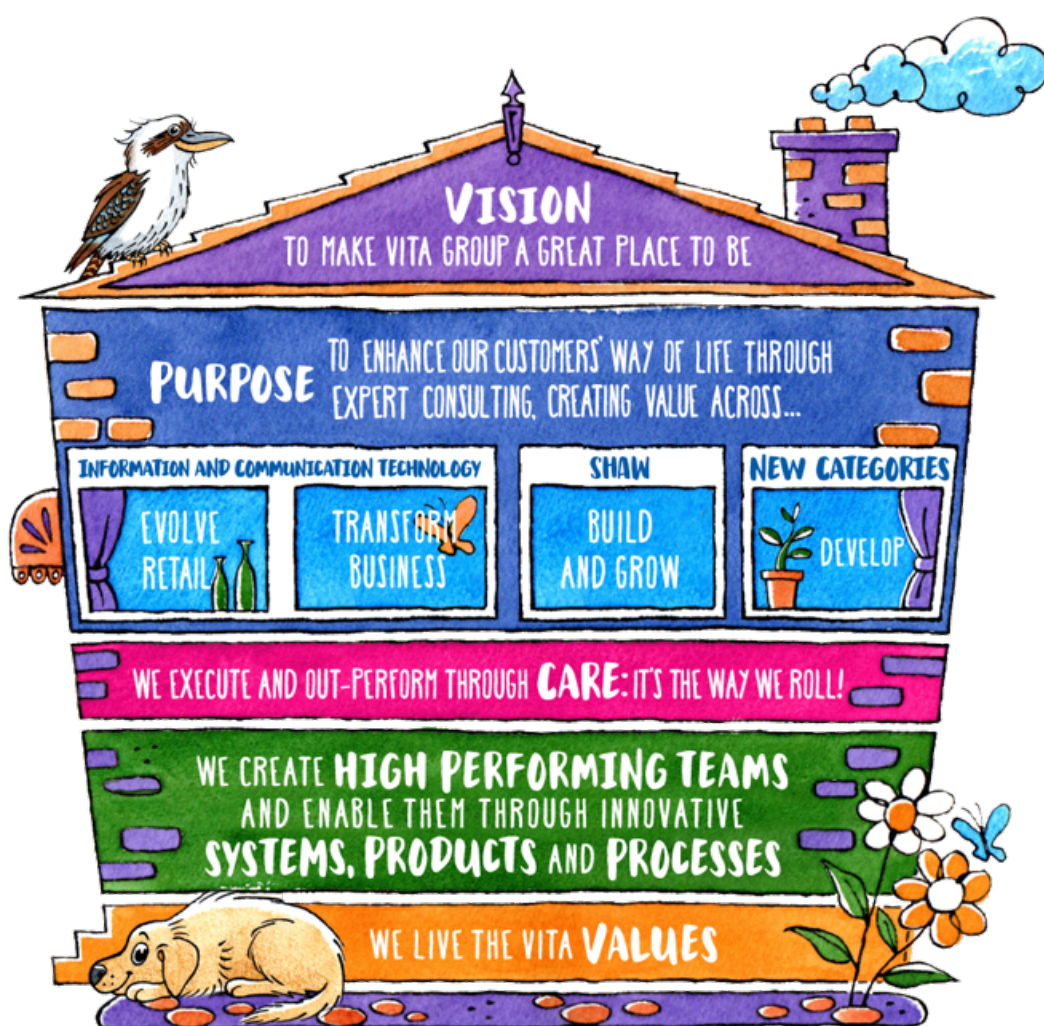


## Our Strategy

### Built for success

At Vita, our strategy guides everything we do.

Underpinned by our Vita Values, our CARE framework, and our systems, products and processes, our strategy provides a clear pathway to execute our purpose and achieve our vision to make Vita a 'great place to be' for all.



## Our Values

Our values aren't just words on a wall; they define what and how we do things at Vita. We live and breathe our values with every decision made through them, and every team member and leader measured on how they act in line with our values.



## Our CARE Factor

We execute our strategy through our CARE framework where 'Customers Are Really Everything.' CARE focuses on three key areas:

1. **Planning and Coaching** – meticulously planning every detail of the way we manage our business: from strategic planning through to extensive business planning and budgeting for every team.

Once our plans are in place, we enable our team members to become masters of their craft by equipping them with the best systems, tools, and processes, and supporting them through training and regular one-on-one coaching.

2. **Personalised Service** – our focus on consulting with our customers to understand their individual needs and goals, and then deliver a truly exceptional experience that adds real value to their lives.
3. **Community Engagement** – building lasting relationships with all of our stakeholders, from our team members and customers, through to our investors and our communities, including our dedication to non-profit organisations through our philanthropy.

## Our People

### The secret to our success

Our 1,600 strong team of Vita peeps is key to our success.

We provide an environment where each team member can enjoy purpose, mastery, and autonomy in what they do. We're proud to have a culture of high-performance at Vita, where we work hard and focus on succeeding, and we also have fun and look after one another.

We're proud of the way our team delivers exceptional experiences that keep our customers coming back time and time again.

### Learning programs: Information and Communication Technology

To help our team members continually learn, grow and develop into 'grand masters,' our learning programs are designed to support every team member's development, whether a sales consultant or a leader, and are focused on the skills they need to master to help them to be awesome in their current role or to enable them to get ready for their next role.

### Clinical education and training: Skin-health and Wellness

From maintaining our clinicians' best-in-class medical and treating skills, through to supporting our team to consult and deliver an exceptional customer service, our Education and Training division is building the pathways to support the team in adding value to our team and customers. Training includes new treatment types, enhanced clinical techniques, industry knowledge, and more.

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*"Working at Vita Group has allowed me to grow as a professional and individual. I've been lucky enough to have the opportunity to work in multiple roles, collaborate with various stakeholders and learn through experience."*

*Glenn Mann, Capability Consultant, Retail ICT*

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## Flourish

Flourish is our exclusive, in-house growth and development portal for Vita peeps. Accessible online and through a mobile friendly app, Flourish is a go-to resource for team members looking to upskill, take on a new challenge, move into a new role, or simply learn more about themselves and what Vita has to offer.

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*"This business has given me amazing opportunities at a young age, and I never forget where I am or how I got here – it keeps me grounded and continuously learning."*

*Abby Connolly – Regional General Manager Vic/Tas Retail ICT*

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## Reward and Recognition

We're big on supporting one another at Vita and on regularly celebrating our successes. One way we do this is through our Shining Star program, where team members receive formal recognition and rewards from their peers and leaders for their hard work in the form of trophies, gift vouchers, pins and more.

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*"I love being a part of building something from the ground up. Knowing I am contributing to the decisions that build and grow the SHAW business is very rewarding."*

*Jodie Cevallos, National Operations Manager,  
Skin-health and Wellness*

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## Information and Communication Technology

### Our core channel continues to adapt and evolve

Vita's ICT channel continued to be at the core of the group's success in FY20, with the team overcoming some significant challenges to deliver record revenues of \$752 million.

In retail ICT, the team adapted to the new remuneration construct with Telstra which came into effect in July 2019, as well as the impacts of COVID-19 from March 2020 – delivering a five per cent increase in revenues.

This result was due in large part to Vita's continued focus on enhancing the Telstra branded experience through expert consulting with customers. We know our ICT customers are looking for more than products and services, they are looking for a solution that enhances and adds value to their ways of life, from staying connected to loved ones, to working remotely, to online shopping and banking.

In FY20, we continued to enact our disciplined business planning process, which includes a tailored training and coaching plan for each team member to enhance their consulting and customer service skills – all with the aim of delivering a great Telstra experience and adding value for customers.

We're proud of the way our frontline team provided ongoing support to our customers through the challenges of COVID-19, which included assisting Telstra to keep customers connected amidst the various global impacts that it faced.

In business ICT, the team also focused on expert consulting, providing a range of solutions – including managed services – to keep small-to-medium and large business customers connected. Demand remained steady during COVID-19 as business customers enabled their employees to work remotely, which supported the significant productivity improvements made in the channel.

#### Delivering value to our communities

6,685,499 customers through our doors

977,798 transactions made

57 community groups supported

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*“Under the pressure from COVID-19 and restrictions, the service we received was still exactly the same level of professionalism and kindness.”*

Customer, Telstra Store Macarthur.

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## FY21 Outlook for Information and Communication Technology

Looking ahead to the coming financial year, our ICT channel remains core to the success of Vita Group, and as we have shown for 25 years, there is always room for continued evolution.

Our role as strategic partner to Telstra stays at the forefront of our strategy, as we play an integral role in the delivery of the Telstra branded experience. This includes building a connected future for our customers as the industry shifts towards an omni-channel ecosystem and the role of retail further evolves.

We will continue our focus on delivering exceptional, value-adding experiences to our customers through the ongoing delivery of personalised training and coaching to our team; in doing so, we will maximise the performance and productivity of our stores.

Channel performance will also be enhanced through selected acquisitions and divestments within our store portfolio.

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*“Wonderful customer service. Obviously, things are a little bit different with COVID-19 but the guys at Clifford Gardens were fantastic. Very happy with the service and time spent teaching me how to use my new phone.”*

Customer, Telstra Store Toowoomba.

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## Sprout

### Driving innovation

Sprout continued to go from strength to strength in FY20, with further product innovation and development as well as significant expansion in its business-to-business distribution.

More than one million Sprout accessories were sold during the year, with the brand offering a large, high quality range of technology accessories through retailers across Australia.

Key to Sprout's success is its focus on driving innovation, with the team constantly reviewing and researching the marketplace and consulting with stakeholders to understand current trends and anticipate future needs, enabling them to develop high quality, market-leading products.

Product quality is vital to Sprout's success, and the team has worked to define and implement systems, processes and practices that enhance quality assurance.

### Sprout in FY21

Sprout is poised to deliver continued success in the new financial year, with further innovation via product development in profitable categories such as multi-purpose audio, wireless charging, and outdoor accessories.

Further expansion is a key part of Sprout's strategy, with a particular emphasis on assisting our existing customers to grow their businesses, as well as developing new relationships in existing and new distribution channels.

The continuous improvement plan for FY21 includes delivering quality and sustainability across the entire product suite. The team will continue to work with its manufacturing partners and independent consultants to ensure products are ethically sourced, including working conditions, health and safety practices, environmental impacts, and business ethics of the supply chain. As we continue to enhance standards, every Sprout product will undergo even further rigorous testing before it is released to the market.

#### Continued growth

300+ retailers across Australia selling Sprout accessories

More than 1 million units sold

Ranging 120+ products



## Skin-health and Wellness

### Building a national presence

Vita Group's skin-health and wellness (SHAW) channel successfully built on the foundations laid in FY19 to deliver a 47 per cent increase in revenues in FY20 to \$20.1 million.

We made significant progress in growing our clinic portfolio, ending the financial year with 21 clinics across Queensland, New South Wales, Victoria and the Australian Capital Territory, 13 of which were Artisan Aesthetic Clinics branded and eight of which were non-branded clinics.

By leveraging Vita's significant consulting capabilities to deliver maximum value for our clients, the team achieved strong organic growth, despite a six-week closure from March 2020 due to COVID-19 restrictions. This performance was due to a significant upskilling of the team in consulting, supported by productivity improvements, and embedding of operating rhythms and disciplines.

We continued to invest in the Artisan Aesthetic Clinics brand through awareness and marketing campaigns throughout the year, including national media coverage in publications such as *Vogue*, *Marie Claire* and *Harper's Bazaar*, acquiring more than 21,000 followers on social media, and attracting several well-known media personalities as new clients.

Technology played an important role in driving growth, with further enhancements to the group's proprietary software solution, cosmedcloud™, as well as the launch of the Artisan branded app, assisting in driving client visits and supporting retention.

#### A growing business

54,744 clients  
visited our clinics

6,759  
appointments  
booked online

Top 3 treatments:

- Anti-wrinkle injections
- Dermal filler injections
- HydraFacial treatment

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*"Today was my first day back at the Balmain clinic post COVID, and it's like I never left! For someone who has been loyal to the clinic and the brand for over a year and a half, I can honestly say that I come back for two reasons... (1) The execution of your treatments and the knowledge behind your amazing dermal therapists; and (2) The people. The team's knowledge is second to none and I refuse to let anyone else touch my skin. They are so friendly, welcoming and accommodating."*

Customer, Artisan Balmain

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## Skin-health and wellness in FY21

There is significant further organic growth to be gained in the coming financial year, through improvement in clinic productivity and profitability. This will be delivered through the embedding of strong operational disciplines that maximise performance, which will position the Artisan brand to emerge from COVID-19 with a robust and profitable business. We will do this through:

- Focusing on consulting and providing holistic solutions that achieve clients' long-term skin health goals;
- Driving retention of our existing client base through continuing to add value and provide an exceptional client experience to them; and
- Acquiring and nurturing new clients through brand awareness, marketing and referrals.

Education and training will continue to be a core activity for the team, with clinical expertise and safety a key focus, complemented by consulting and customer service skills.

Channel performance will be supported through further evolution of cosmedcloud™, which supports the team to deliver an exceptional experience to customers, whilst driving back-of-house productivity through integrated point of sale, customer relationship management, medical records and commercial reporting functions. This enhancement of our proprietary product, cosmedcloud™, will continue, with the intention to distribute this unique software offering to businesses across the medical and health service industry.

## COVID-19

### Proactively managing the impact

Vita Group took swift and decisive action in response to COVID-19, enacting its business continuity plan at the outset of the pandemic in March 2020, in order to proactively mitigate key areas of risk and protect the business for the short and long-term.

Measures implemented included:

- Deferral of non-essential capital projects
- Cost reduction initiatives
- Temporary rent arrangements agreed with landlords
- Cancellation of the FY20 interim dividend
- Vita's board and leadership team took temporary remuneration reductions, and CEO, Maxine Horne, voluntarily suspended her base salary
- Exiting the SQDAthletica men's athleisure business

Our team showed great flexibility as we moved to adapt our business to the rapidly changing landscape. Our ICT team embraced heightened health and safety measures to keep everyone safe in store, whilst also leveraging its capacity and capability to support Telstra in keeping customers connected to mobile and fixed networks. Our SHAW team took the six-week forced closure (due to federal government restrictions) in its stride, working hard to ensure we came back strong when we reopened. Several support team members volunteered temporary remuneration reductions, agreed to work reduced hours, or utilised annual leave.

We welcomed assistance from the federal government in the form of the JobKeeper wage subsidy, which provided a net \$10.2 million benefit and was instrumental in protecting jobs.

While COVID-19 will continue to affect the economy nationally in FY21, Vita is well prepared to manage potential future impacts.

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*"We went into COVID-19 with an amazing culture and team, an established business continuity plan, a strong balance sheet, and a clear strategy - all of which have equipped us to deal with COVID-19 and will allow us to emerge with strength from the crisis."*

*Maxine Horne, Vita Group CEO*

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## Philanthropy

### Giving back to our community

Vita Group has proudly supported our community since 2016 through the Vita Foundation, facilitating almost \$2 million in donations to charities, helping to enable them to create meaningful change.

We stand by our commitment to contribute one per cent of Vita's net profit after tax every year in support of profit-for-purpose organisations. In addition, our team members support our communities through our 'Five Ways to Give' program.

In FY20, we were proud to donate a total of \$317,000 to more than 180 community groups and causes close to our hearts. This included \$150,000 directly donated to our hero charity, Act for Kids and \$100,000 to bushfire relief following the devastating bushfires over the Christmas and New Year period, with a further \$67,000 donated to causes through our 'Five Ways to Give'.

#### Proudly giving back

\$1.9 million donated to profit-for-purpose groups since 2016

\$317,000 donated in FY20

180 charities supported in FY20

### Act for Kids

We are very proud to support Act for Kids, as our hero charity and in particular, their school-based education program *Learn to be Safe with Emmy and Friends*, which teaches young school children to identify when they don't feel safe and know safe adults they can turn to for help.

The program has been instrumental in equipping kids with the knowledge they need to stay safe, as well as identifying and supporting kids who are at risk. With the financial assistance of the Vita Foundation, Act for Kids has expanded this program nationally and doubled the number of grade one children to go through the program – meaning more children are safer.

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*"We're proud to partner with the team at Vita and are very grateful to have had their support since 2016. The Vita Foundation's significant contribution to our Emmy and Friends program has been instrumental in expanding our reach nationally, so we're able to help more kids across Australia. Thanks Vita peeps!"*

Dr Katrina Lines, CEO Act for Kids.

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## Our Five Ways to Give

### Payroll Giving

We make it easy for our team members to give to their charity of choice through donations via their regular pay. More than 10 per cent of our Vita peeps opt in to make regular or one-off payroll giving donations, with \$66,000 donated to 174 charities last year – making a difference to many lives.

### Peer Fundraising

The Vita team love to be part of something bigger, from competing with one another in events such as Steptember and True Grit, through to competing with themselves in events like Dry July. The aim of all of the team's friendly competition is to raise funds from our networks of friends and families, supporting those that need it most.

### Vita Grants Program

We run three grants programs each year, in which our team members nominate charities to receive a one-off \$10,000 grant to help them fund new initiatives. Last year we gave to charities and community groups such as Tenterfield Men's Shed and Karuna Hospice Services, helping them to implement programs and purchase vital supplies that would enable them to continue their important work.

### Community Prize Pool

We make the most out of the industries we're in by creating a 'prize pool' of items like video game machines, phones, and vouchers. We support community organisations from soccer clubs to jazz groups to schools with prizes from the pool to be donated to fundraising events, raffles, and auctions.

### Volunteer Day Off

Each Vita team member can access a paid day off each year to lend a hand to those in need. Last year we supported 35 team members who took Volunteer Days Off to support charities such as the Australian Red Cross, WIRES Wildlife Rescue and RUOK? Limited.

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*Giving back is something close to our hearts at Vita.  
We're 'people people' so it makes sense to connect with the  
communities we're part of. The Vita Foundation is one of the many  
things that make me proud to be part of the Vita team.*

Rebecca McLeod, General Manager Group Services  
(Vita Foundation Committee Chair)

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# Leadership

## Group Leadership Team

### Maxine Horne

#### Chief Executive Officer

Since founding Vita Group in 1995 with one mobile phone store, Fone Zone, Maxine has guided the growth and evolution of the group. She leads the group leadership team and is responsible for the strategic direction of the business, including operational leadership of the group's skin-health and wellness channel.

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

Maxine was named QBR Business Woman of the Year, Retail in 2006; received the 2014 Entrepreneur of the Year award for the industry category, Northern region; was inducted into the Businesswoman's Hall of Fame; released her biography Think Smart, Run Hard; and in 2019 was honoured to receive The Courier-Mail Award for Business Person of the Year.

### Pete Connors

#### Chief Operating Officer

Pete leads Vita Group's information and communication technology (ICT) channel, which includes Telstra points of presence, Vita Enterprise Solutions and Sprout. Pete is responsible for leading these teams to deliver the very best customer experience.

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

## **Kendra Hammond**

### **Chief People Officer**

Kendra leads the People and Performance (P&P) division, which includes human resources (HR), talent acquisition, learning and development, and organisational development. P&P is integral in driving the group's strategy to create and enable high-performing teams, which underpins the group's strategy for the future.

Kendra joined Vita Group in 2007 and has undertaken roles including human resources management, organisational development, and project management for the group. She was appointed to the role of Chief People Officer in 2011.

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

## **Andrew Leyden**

### **Chief Financial Officer\***

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

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

*\*Note: Andrew resigned effective 31 October, 2020 – refer to ASX announcement dated 18 September 2020*

Please refer to the Financial Report for biographies of board members.



**Vita Group Limited**

**ABN 62 113 178 519**

**Financial Report**

**for the year ended 30 June 2020**





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## CORPORATE GOVERNANCE AND INFORMATION

ABN 62 113 178 519

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The annual report for Vita Group Limited and its controlled entities (referred to hereafter as the Group) is presented in Australian dollars, being the Group's functional and presentation currency.

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

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Report on page 5 to 7.

### Directors

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

### Company Secretary

George Southgate

### Registered Office and Principal Place of Business

Vita Place  
Ground Floor, 77 Hudson Road  
Albion QLD 4010  
Australia  
Telephone: +61 7 3624 6666  
Facsimile: +61 7 3624 6999  
Website: [www.vitagroup.com.au](http://www.vitagroup.com.au)

### Share Registry

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

### Australian Securities Exchange (ASX) Listing

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

### Solicitors

Minter Ellison Lawyers  
Brisbane, Australia

### Bankers

ANZ Bank Limited  
Brisbane, Australia

### Auditors

Grant Thornton Audit Pty Ltd  
Brisbane, Australia

## DIRECTORS' REPORT

30 JUNE 2020

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Your Directors submit their report for the year ended 30 June 2020.

### DIRECTORS

The following persons held office as Directors of Vita Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Dick Simpson, Independent Non-Executive Chairman  
Maxine Horne, Chief Executive Officer  
Neil Osborne, Independent Non-Executive Director  
Robyn Watts, Independent Non-Executive Director (resigned 24 October 2019)  
Paul Wilson, Independent Non-Executive Director  
Paul Mirabelle, Independent Non-Executive Director

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

#### **Dick Simpson** **Independent Non-Executive Chairman**

Dick brings considerable experience to the board and has held Chief Executive Officer roles 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 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 and Nomination Committee, and the Audit, Compliance and Risk Committee. He is an advisor to the board of Tibra Capital (a private company), is a Director of Chevalier College in Bowral, NSW, Chairman of the Chevalier Foundation and an advisor to several private and public companies.

#### **Maxine Horne** **Chief Executive Officer**

Maxine has more than 35 years' experience in business, including strategy development and execution, leadership, operations, sales, customer service, marketing, and product development.

Since founding Vita Group in 1995, Maxine has guided the growth and evolution of the Group, expanding the business from a single store to a national publicly listed company. As founder and CEO, she leads the leadership team and is responsible for the strategic direction of the Group, including operational leadership of the company's skin-health and wellness channel. Her focus is on achieving results through the development of Vita's people and culture.

Maxine has received several awards and honours throughout her career, including the Courier Mail Business Person of the Year in 2019, induction into the Businesswoman's Hall of Fame in 2016, the EY Entrepreneur of the Year Award (Northern Region) in 2014, QBR Business Woman of the Year in 2006 and the President's Award at the NSW Australian Retail Association Awards for Excellence in 2005.

#### **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 35 years' experience in the retail industry and has held a variety of senior executive positions with Myer and Coles Myer Ltd (CML) in corporate and operating roles across finance, supply chain, strategic planning and merchandising, including the positions of Myer Chief Operating Executive (Chief Financial Officer and Supply Chain) and CML Group General Manager, Retail Services (Marketing, Strategy and Property).

Neil is Chairman of Australian United Retailers (trading as Foodworks) and a Non-Executive Director of Beacon Lighting Group Limited (ASX:BLX).

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

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

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

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### DIRECTORS (CONTINUED)

#### **Paul Wilson**

##### **Non-Executive Director**

Paul is a co-founder and Director of ASX listed Bailador Technology Investments Ltd (ASX:BTI), which focuses on expansion capital opportunities in the information technology sector. This role provides Paul with exposure to the most up to date approaches and business models to take advantage of the rapidly changing technology landscape.

Paul's business background includes senior positions with leading private equity house, CHAMP, the media focused investment house, Illyria, and MetLife Investments in London.

Paul's other current board positions are: Director of SiteMinder (cloud based hotel inventory distribution); Chairman of Stackla (user generated content platform); Director of Straker Translations (ASX: STG) (machine and crowd sourced language translation) and Director of the Rajasthan Royals Indian Premier League cricket franchise.

Paul is a fellow of the Financial Services Institute of Australia, a qualified Chartered Accountant, and a member of the Australian Institute of Company Directors. Paul became a Director of the Group in May 2014, and is a member of the Audit, Compliance and Risk Committee, and the Remuneration and Nomination Committee.

#### **Paul Mirabelle**

##### **Non-Executive Director**

Paul brings more than 30 years' experience as an advisor, company director and CEO to the Vita Board, with a proven track record in leading complex businesses, particularly within the medical sector, within Australia and internationally.

Previously, Paul was a barrister and solicitor in Canada, and partner at the Boston Consulting Group (BCG) in Sydney. Since leaving BCG in 2000, Paul has held various executive roles at Telus Corporation in Canada, and was CEO of (then) listed diagnostic imaging group MIA Group Pty Ltd (ASX:MIA) and audiology group National Hearing Care Pty Ltd. He has served on several boards including acting as Executive Chairman of the National Home Doctor Service.

In addition to his role with the Group, Paul will continue his roles as Chairman of Greencross Limited, Non-Executive Director of Healthshare Pty Ltd and Non-Executive Director of Revasum Pty Ltd (ASX: RVS).

Paul became a Director of the Group in January 2019, is a member of the Audit, Compliance and Risk Committee, and is Chairman of the Remuneration and Nomination Committee.

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### DIRECTORS' MEETINGS

As at the date of this report, the Company has two committees of the Board, an Audit Compliance and Risk Committee, and a Remuneration and Nomination Committee.

The members of each committee during the year were:

Audit, Compliance & Risk Committee	Remuneration & Nomination Committee
Neil Osborne (c)	Paul Mirabelle (c)*
Dick Simpson	Robyn Watts (c)**
Robyn Watts**	Dick Simpson
Paul Wilson	Neil Osborne
Paul Mirabelle	Paul Wilson

(c) = Designates Chairperson of the Committee

\* = Paul Mirabelle appointed Chairman on 21 November 2019

\*\* = Robyn Watts resigned as director on 24 October 2019

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:

Name	Vita Group Board		Audit, Compliance & Risk Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B
Dick Simpson	18	18	4	4	3	3
Maxine Horne	18	18	*	*	*	*
Neil Osborne	18	17	4	4	3	3
Robyn Watts**	4	4	1	1	1	1
Paul Wilson	18	18	4	4	3	3
Paul Mirabelle	18	18	4	4	3	3

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

B = Number of meetings attended

\* = Not a member of the relevant committee

\*\* = Robyn Watts resigned as director on 24 October 2019

### COMPANY SECRETARY

**George Southgate AGIA**  
Group Company Secretary

Mark Anning resigned from the position of Group Company Secretary and General Counsel on 19 July 2019.

George joined Vita on 10 September 2018 as General Manager Legal Counsel and was appointed to Company Secretary of Vita Group Limited and its subsidiaries on 19 July 2019.

George was admitted to practice as a Solicitor of the Supreme Court of Queensland in 2011, and the High Court of Australia in 2012. Prior to joining Vita, George worked in private practice acting for various clients in the government and private sector.

George holds a Bachelor of Laws (Hons), a Master of Laws (Health), a Graduate Diploma in Legal Practice, a Bachelor of Nursing and a Graduate Diploma in Applied Corporate Governance. George is an Associate Member of the Australian Governance Institute of Australia.

### DIVIDENDS

	Cents	\$'000
Final dividend for the year ended 30 June 2019		
- on ordinary shares	4.0	6,485
Interim dividend for the year ended 30 June 2020		
- on ordinary shares	-	-
		<b>6,485</b>

Since the end of the financial year, the Directors approved the payment of a final fully franked ordinary dividend of \$3,930,157 (2.4 cents per fully paid share) to be paid in September 2020 (FY19: \$6,484,589). Record date for the final dividend will be 11 September 2020 with payment date being 25 September 2020.

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the selling and marketing of products and services through its networks and brands. Its businesses include the Telstra ICT retail store network, Telstra Business ICT channel, and its Skin-Health and Wellness business comprising a number of brands, including Artisan Aesthetics Clinics.

### OPERATING AND FINANCIAL REVIEW

#### Group results

The Group reported a robust result for the year to 30 June 2020, despite significant change and disruption, including Telstra remuneration changes in its information and communications technology (ICT) channel from 1 July 2019 and the Group-wide impact of COVID-19 from March 2020.

The Group delivered record revenues of \$773.1 million, a three per cent increase on prior year. Earnings before interest, tax, depreciation and amortisation (EBITDA), excluding the impact of AASB 16 *Leases* (implemented during the period) for comparative purposes, increased nine per cent to \$49.9 million. Earnings before interest and tax (EBIT) grew seven per cent to \$37.2 million. The result was underpinned by strong performance in the ICT channel (particularly up to March 2020), growth and improved productivity in the Skin-Health and Wellness (SHAW) channel, and a proactive response to COVID-19.

There were several non-recurring items in the result, including the net benefit of the Federal government's JobKeeper subsidy, after top-up payments to team members, and revisions to the carrying values of some tangible and intangible assets, liabilities and provisions.

Underlying EBIT (excluding the impact of non-recurring items) increased four per cent to \$36.1 million. Net profit after tax (NPAT) decreased eight per cent to \$22.4 million as a result of AASB 16 (\$1.6 million adverse impact) as well as a higher effective tax rate following the inclusion of non-deductible, non-recurring charges.

Whilst the trading environment continues to be uncertain, the Board resolved to resume dividend payments in line with the easing of COVID-19 restrictions in many parts of the country, following cancellation of the FY20 interim dividend in March 2020. It determined to pay a fully-franked final dividend of \$3.9 million, equating to 2.4 cents per share, representing a H2 payout ratio of 50 per cent of profits after tax. The final dividend is payable on 25 September 2020 to shareholders on record as at 11 September 2020.

The Board also determined to reinstate the remuneration of each of the Non-Executive Directors and the Chief Executive Officer, effective 22 June 2020. The remuneration of other members of the leadership team has also been reinstated with effect from that date.

A reconciliation of EBITDA pre-AASB 16 to the reported profit before tax in the consolidated statement of comprehensive income is tabled below:

	FY20 \$M	FY19 \$M
<b>Profit before tax from operations</b>	<b>33.8</b>	<b>34.1</b>
Add: net finance costs	3.4	0.7
Less: AASB 16 lease interest	(2.2)	-
Add: depreciation and amortisation	28.6	11.0
Less: AASB 16 lease depreciation	(13.7)	-
<b>EBITDA pre-AASB 16</b>	<b>49.9</b>	<b>45.8</b>

#### Year in review

The Group proactively managed the impacts of COVID-19 to protect the business for the short and long-term. Its Business Continuity Plan ensured strict adherence to government legislation and focused on mitigating risk in areas including health and safety, inventory supply, continuity of service and responsible value creation for customers.

Measures were taken to protect Vita's financial position, including the previously announced cancellation of the FY20 interim dividend, deferral of non-essential capital projects, cost reduction initiatives and temporary rent arrangements agreed with landlords. Vita's Board and leadership team (except for the CEO) took temporary remuneration reductions and CEO, Maxine Horne, voluntarily suspended her base salary, effective from 1 April 2020. Several support team members volunteered temporary remuneration reductions, agreed to work reduced hours, or utilised annual leave. The Group welcomed assistance from the Federal government in the form of the JobKeeper wage subsidy, which provided a net \$10.2 million benefit, after top-up payments to team members, and was instrumental in protecting jobs. It also appreciated the support it received from landlords in the form of rent assistance.

During the period, Vita Group made the decision to exit its SQDAtletica men's athleisure business in order to focus on its strategic priorities in the ICT and SHAW channels.

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

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### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Year in review (continued)

ICT revenues increased two per cent to \$752.0 million and EBITDA, excluding the impact of AASB 16, was \$84.9 million, up seven per cent on the prior year.

The retail ICT division delivered a five per cent increase in revenues due to a continued focus on consulting and delivering products and services which create value for customers. Device revenue was strong, particularly from the start of the period up to March 2020 and the impact of COVID-19. The retail team leveraged its capacity and capability during COVID-19 to support Telstra to keep customers connected to mobile and fixed networks, which is critical during lockdown periods.

Vita's accessories brand, Sprout, continued its positive contribution to growth and profitability through ongoing innovation across a range of product categories and progressed its strategy to expand in its business-to-business segment outside of the Vita network.

The business ICT division continued to complement the retail ICT store network by providing solutions to small-to-medium and large business customers. The Telstra Business Technology Centres and the enterprise business achieved significant productivity improvements, whilst supporting steady demand during COVID-19 as business customers enabled their employees to work remotely.

Revenues in the SHAW channel increased to \$20.1 million, a 47 per cent uplift despite a six-week closure from March 2020 due to COVID-19 restrictions, and EBITDA improved to a \$1.9 million loss, compared with a \$3.7 million loss in the prior year. Continued expansion of the clinic network through acquisitions and greenfield additions contributed to the result, with the Group ending the period with 21 clinics, 13 of which were Artisan branded. Organic growth was achieved during the period, which accelerated after the clinics re-opened in May 2020, following further team member upskilling in consulting and delivering value to clients, as well as significant productivity improvements as a result of further embedding of Vita's operating rhythms and disciplines.

The channel continued to invest in the Artisan Aesthetic Clinics brand through awareness and marketing campaigns and the launch of the Artisan branded app, all of which assisted to drive client visits and support retention. Further enhancements to the Group's proprietary software solution cosmedcloud™ were made, which will support the Group's intention to distribute this unique client management software offering to the broader medical category.

Vita ended the period with net cash of \$24.1 million as a result of solid operating cash flows, disciplined capital management and a focus on liquidity during COVID-19. Operating cash flows after tax were \$41.1 million, with \$19.1 million of capital expenditure directed towards additional clinics in the SHAW channel, retail ICT store refits, and further IT investments. Net financing cash flows were \$11.9 million, reflecting lease payments (\$11.5 million), debt repayments (\$8.8 million), dividends paid (\$6.5 million), all offset by proceeds from borrowings (\$12.8 million) and the Group's dividend reinvestment plan (\$2.0 million).

#### Dividends

The Board determined to pay a total ordinary dividend for the year of 2.4cps, fully franked (FY19: 9.2cps). The interim dividend paid in the year was nil (FY19: 5.2cps).

#### Outlook

The environment in which Vita competes will remain challenging with the impacts of COVID-19 continuing to affect the economy nationally. Vita will continue to focus on its core ICT and SHAW businesses, consulting with customers to create value and delivering exceptional outcomes for them.

In ICT, key areas of focus will be further improvements in the productivity of the store portfolio, both organically and through selective acquisitions and divestments. The Group's strategic partnership with Telstra will continue to be of key importance as the industry shifts towards an omni-channel ecosystem and the role of retail continues to change.

The Sprout accessories business will deliver further innovation through product development in profitable categories such as multi-purpose audio, wireless charging and outdoor accessories, whilst continuing to expand its distribution channels.

In SHAW, the focus includes driving further organic growth and productivity improvements from the clinic portfolio, building on the gains already made through leveraging Vita's consulting capabilities and strong operating disciplines. Performance improvement will be supported by the continued evolution of cosmedcloud™. The Group will look to add additional clinics to the network FY22 and beyond.

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### OPERATING AND FINANCIAL REVIEW (CONTINUED)

#### Shareholder Returns

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

	FY20	FY19
Basic earnings per share (cents)	13.71	15.04
Net debt / (net debt plus equity)*	(23.6%)	(19.8%)

\* Net debt comprises interest bearing loans and borrowings less cash and cash equivalents, and excludes lease liabilities

The share price at 30 June 2020 was \$0.97 (FY19: \$1.31)

#### Review of Financial Condition

The consolidated statement of cash flows shows an operating cash flow of \$41.1 million, compared to the previous year of \$38.7 million. Cash and cash equivalents at 30 June 2020 were \$36.8 million, compared to \$26.7 million at the end of the previous year.

#### Profile of debts

	FY20 \$'000	FY19 \$'000
<b>Current</b>		
Obligations under chattel mortgage	4,509	406
Term debt	4,651	5,290
<b>Total current debt</b>	<b>9,160</b>	<b>5,696</b>
<b>Non-current</b>		
Obligations under chattel mortgage	2,358	191
Term debt	1,204	2,761
<b>Total non-current debt</b>	<b>3,562</b>	<b>2,952</b>
<b>Total debt</b>	<b>12,722</b>	<b>8,648</b>

\* Net debt comprises interest bearing loans and borrowings and excludes lease liabilities

The Group sources the majority of its funds from operations, facilities provided by ANZ Bank and the equity market. The Board considers the current level of net debt/(net debt plus equity) in the Group of (23.6%) 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

The impact of the coronavirus (COVID-19) pandemic is ongoing and it is not practical to estimate the potential impact positive or negative after the reporting date.

A contract has been entered to acquire the business assets of Telstra Licensed Stores, refer to Note 22 to the financial statements for further details.

There have been no other significant matters or circumstances not otherwise dealt with in this report between the reporting date and the date the financial statements were approved for issue affecting the operation of the Group or its results.

#### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

#### ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/ Directors Report) Instrument 2016/191, issued by ASIC, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with this Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.



## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### REMUNERATION REPORT (AUDITED)

#### Introduction

This Remuneration Report outlines the Board's approach to executive remuneration in general, and specifically the link between the performance of the company and remuneration outcomes for the Group's Key Management Personnel (KMP) for the year ended 30 June 2020.

#### Key Management Personnel

For the purposes of this report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group. In this report "Executives" refers to the KMP excluding the Non-Executive Directors.

The information provided in this remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

The KMP of the Group for the year ended 30 June 2020 were:

Key Management Personnel	Position
<b>Directors</b>	
Dick Simpson	Chairman (Independent Non-Executive Chairman)
Maxine Horne	Chief Executive Officer and Executive Director
Neil Osborne	Director (Independent Non-Executive)
Paul Wilson	Director (Independent Non-Executive)
Robyn Watts (resigned 24 October 2019)	Director (Independent Non-Executive)
Paul Mirabelle	Director (Independent Non-Executive)
<b>Executives</b>	
Andrew Leyden	Chief Financial Officer
Kendra Hammond	Chief People Officer
Mark Anning (resigned 19 July 2019)	Group Company Secretary and General Counsel
Peter Connors	Chief Operating Officer

George Southgate was appointed as Group Company Secretary on 19 July 2019. Mr Southgate will not form part of KMP going forward.

#### Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for ensuring the Group has remuneration strategies and frameworks in place that enhance corporate and individual performance, whilst having regard for legal compliance and corporate governance requirements.

Further detail on the Committee's responsibilities is set out in the charter available at:

<https://www.vitagroup.com.au/script/cus/corporate-governance.asp>

The Remuneration and Nomination Committee comprises four Non-Executive Directors including the Committee Chairman. The Chairman of the Board 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. Attendance at meetings of the committee are by invitation. Standing invitations are in place for the Chief Executive Officer and the Chief People Officer, while other Executives have attended as appropriate from time to time.

#### Protection Arrangements

The Group's Share Trading Policy provides that the entering into 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.

Further details on the Group's share trading policy are available at:

<https://www.vitagroup.com.au/script/cus/corporate-governance.asp>

#### Remuneration Consultants

The Committee has protocols in place to ensure that any advice is provided in an appropriate manner and is free from undue influence of management.

During the year the Committee did not engage any external consultants in regard to remuneration recommendations for purposes of the Corporations Act.

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### AGM Results

The Group received 95.97% of “yes” votes on its FY19 Remuneration Report. The Group did not receive any other feedback at the AGM or throughout the year on its remuneration practices.

#### Group Performance

Revenue and profit and loss figures for the current year, and the four prior years are as follows:

	FY20 \$M	FY19 \$M	FY18 \$M	FY17 \$M	FY16 \$M
Revenue	773.1	753.7	684.5	667.3	670.3
Profit for the year attributable to owners	22.4	24.3	22.0	39.4	35.4
Dividends					
Ordinary (cps)	cents 2.4	cents 9.2	cents 9.1	cents 16.6	cents 13.9
<b>Total dividends</b>	<b>2.4</b>	<b>9.2</b>	<b>9.1</b>	<b>16.6</b>	<b>13.9</b>
	\$	\$	\$	\$	\$
Basic earnings per share (cents)	13.71	15.04	14.13	25.91	23.37
Underlying earnings per share from continuing operations*	13.75	15.04	14.13	25.62	23.29
<b>Total shareholder return</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Share price beginning of year	1.31	0.98	1.11	4.11	1.70
Share price end of year	0.97	1.31	0.98	1.11	4.11
Dividends paid per share	0.02	0.09	0.09	0.17	0.12
Total shareholder return %	(24%)	43%	(4%)	(69%)	149%

The discontinued operation (Next Byte) is included in the above table (FY16-FY17).

\* Underlying earnings per share excludes amortisation of proprietary products (FY16) and COVID-19 JobKeeper subsidies and non-recurring expenses (FY20).

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

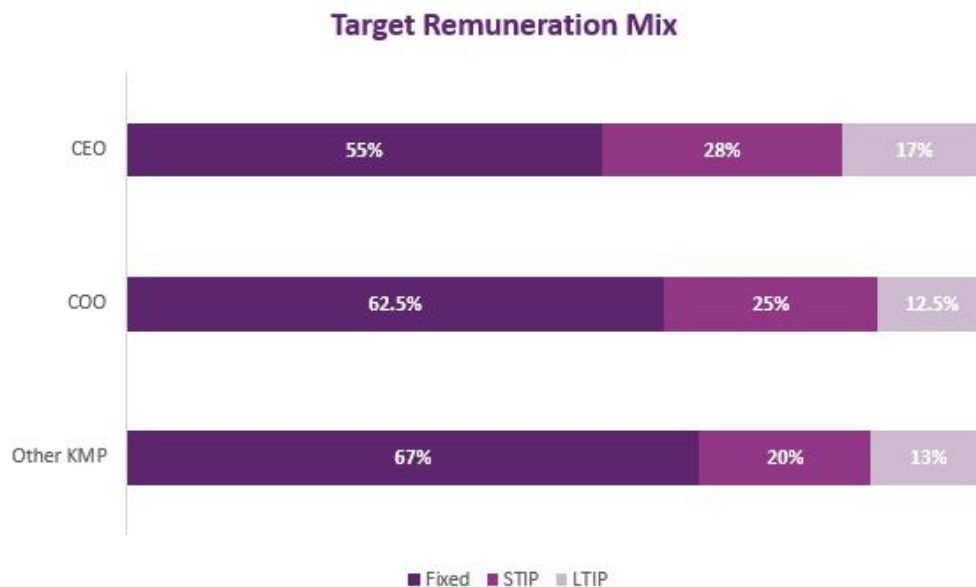
#### Remuneration Framework

Integral to delivering on strategic priorities is the attraction and retention of key talent, and Vita's remuneration practices are central to this strategy. The purpose of the Remuneration Framework is to ensure remuneration outcomes are linked to the Group's performance and aligned with shareholder interests. The Executive remuneration framework is set out below:

REMUNERATION FRAMEWORK	
COMPONENT	LINK TO STRATEGIC OBJECTIVES
Fixed Pay	<p>Remuneration is set competitively to attract, motivate and retain the right people to deliver optimal performance outcomes for the Group across its businesses and support services. Consideration is given to the employee's experience and skills in determining fixed pay.</p> <p>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.</p>
Short Term Incentive Plan (STIP)	<p>The STIP is designed to align remuneration with the achievement of the Group's business objectives over the short term. KMP and a number of select team members are eligible to participate in the STIP.</p> <p>Both financial and non-financial KPIs determine the STIP outcomes:</p> <ul style="list-style-type: none"> <li>NPAT is the chosen financial measure to ensure participants are focused on increasing revenue and cash profits through both organic growth and acquisitions, thus driving increased shareholder value. To encourage outperformance, stretch STI payments are available for the achievement of exceptional financial results, up to 120% of budgeted NPAT.</li> <li>Individual KPIs are appropriately chosen for the individual's role responsibilities based on specific performance goals. The individual performance measures ensure our team are rewarded for demonstrating behaviours consistent with our Group's values to achieve short and long-term strategic objectives.</li> </ul> <p>Further details are presented on page 12 of this report.</p>
Long Term Incentive Plan (LTIP)	<p>The LTIP ensures a strong link with increasing shareholder value over the long-term.</p> <p><b>FY18 Plan:</b> In FY18 shareholders voted on the opportunity to grant LTIP performance rights based on EPS and TSR measures. There was an incorrect table in the Notice of Meeting associated with the CEO grant. In light of this, the Board resolved not to offer the grant associated with the previously outlined LTIP and instead, in FY19, the Board resolved that offers will be made to KMP and CEO shown below;</p> <p><b>FY19 Plan:</b></p> <p>Plan A (vesting 2020) - An offer with a measurement and performance period of 2 years from 1 July 2018 based 100% on total shareholder return (TSR) measure, replacing the cancelled FY18 plan. The FY19 Plan A LTIP outcome has been presented on page 13 of this report;</p> <p>Plan B (vesting 2021) - An offer with a measurement and performance period of 3 years from 1 July 2018 based 100% on TSR measure.</p> <p><b>FY20 Plan:</b> An offer with a measurement and performance period of 3 years from 1 July 2019 based on 100% on TSR measure.</p> <p><b>FY21 Plan:</b> An offer with a measurement and performance period of 3 years from 1 July 2020 based on 100% on TSR measure.</p> <p>The Board considers TSR as the most common measure used for such plans and one which investors and shareholders would understand correlates with the creation and maintenance of long-term shareholder value. Further details are presented on page 13 of this report.</p>
Total Remuneration	<p>The remuneration mix is structured to reward executives, both for Group performance and for individual personal performance. The stretch element of the STI is designed to encourage executives to strive for exceptional financial performance and ensure emphasis on 'at-risk' reward.</p>

**REMUNERATION REPORT (AUDITED) (CONTINUED)****Remuneration Mix**

The Group's target mix of fixed and "at risk" components for Executives, expressed as a percentage of total reward, is as follows:

**Fixed Remuneration**

Total Fixed remuneration ("TFR") is comprised of cash salary, salary sacrifice items, superannuation and non-cash benefits where provided. In order to attract, motivate and retain high-calibre employees, fixed pay is targeted at the 50th to 75th percentile of a peer group deemed comparable by the Remuneration and Nomination Committee and upon which it seeks independent advice.

Each KMP's TFR is reviewed annually by the Remuneration & Nomination Committee, taking into account Group and individual performances as well as external remuneration market data. In FY17 the Committee engaged KPMG to undertake an independent benchmarking exercise relating to KMP fixed and variable remuneration the results of which continue to be utilised going forward.

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Short Term Incentive Plan (STIP)

The STI component of remuneration consists of a cash bonus. The amount of bonus paid is determined based on a balanced scorecard of financial and non-financial measures to ensure delivery of the Group's critical business objectives.

STI COMPONENT - FY20	
Objective	Support the Group's strategic objectives by rewarding executives for driving and exceeding Vita's annual financial performance plan.
Eligibility	Executives and selected senior leaders
Instrument	Cash
Opportunity	CEO: 50% of FAR*
	COO: 40% of FAR*
	Other KMP: 30% of FAR*
Performance Period	1 July 2019 - 30 June 2020
Performance Measures	Group NPAT and individual performance rating for the period determine the amount, if any, of STI that is paid to each participant.
Gateway	Threshold Group NPAT is 95% of the target.
	The Board retains discretion to permit some or all the STI to vest where threshold performance has not been achieved. This discretion is only exercised in exceptional circumstances as the Board deems appropriate.

\* Fixed Annual Reward ("FAR") includes base salary and superannuation only.

#### 2020 STIP Outcomes

For the 2020 financial year, the Board set both Group and individual performance measures for the CEO, which were substantially cascaded by the CEO to senior executives. STI payments relating to FY20 performance will be paid in FY21.

In FY20, the Board has reviewed both Group and individual performance for FY19 and is satisfied that STI payments made in FY20 reflect the Group's FY19 results and appropriately rewards executives for their performance. Above target amounts relating to FY19 performance, paid in FY20, and were a direct result of the achievement of stretch NPAT targets set by the Board for FY19.

The table below outlines the 2020 STI payments for each KMP relating to FY19 performance.

KMP Name	Target STIP Opportunity \$	Actual Achievement \$	STIP Forfeited %
Maxine Horne	425,000	748,000	0%
Andrew Leyden	177,626	390,776	0%
Kendra Hammond	108,019	237,641	0%
Mark Anning (resigned 19 July 2019)	100,724	80,580	20%
Peter Connors	236,685	591,711	0%

## 30 JUNE 2020 (CONTINUED)

## Long Term Incentive Plan (LTIP)

LTIP Component - FY20 Plan															
Eligibility	KMP only														
Instrument	Performance rights to acquire ordinary Vita Group shares														
Quantum	<p>The number of performance rights granted to each executive is determined by dividing a fixed dollar amount by the face value of a VTG share.</p> <p>The fixed dollar amount is determined as a percentage of FAR, as follows:</p> <ul style="list-style-type: none"> <li>• CEO: 30% of FAR</li> <li>• Other KMP: 20% of FAR</li> </ul>														
Frequency	Performance rights granted annually														
Performance Period	1 July 2019 - 30 June 2022														
Performance Conditions	<p>The Board has selected the following measure being:</p> <ul style="list-style-type: none"> <li>• 100% weighting on Relative TSR compared to the S&amp;P ASX 300 Index</li> </ul> <p>This performance measure was selected to ensure executive remuneration is aligned with the creation of shareholder value.</p>														
Vesting Schedule	<p>Performance is assessed according to a scale of performance. The vesting schedule is designed to ensure no LTI is paid for performance outcomes below threshold, which has been set at a challenging level.</p> <p>To encourage outperformance, stretch LTI is available where exceptional results are achieved.</p> <table border="1"> <thead> <tr> <th></th> <th>Relative TSR</th> </tr> </thead> <tbody> <tr> <td><b>Vesting %</b></td> <td>TSR percentile rank against S&amp;P ASX 300 Index</td> </tr> <tr> <td><b>Nil</b></td> <td>&lt;50th percentile</td> </tr> <tr> <td><b>50%</b></td> <td>50th percentile</td> </tr> <tr> <td><b>50-100% on a straight line</b></td> <td>50th-75th percentile</td> </tr> <tr> <td><b>100-125%</b></td> <td>75th-100th percentile</td> </tr> <tr> <td><b>125%</b></td> <td>100th percentile</td> </tr> </tbody> </table> <p>The LTIP will vest following completion of the performance period, evaluation against performance targets and release of annual results.</p>		Relative TSR	<b>Vesting %</b>	TSR percentile rank against S&P ASX 300 Index	<b>Nil</b>	<50th percentile	<b>50%</b>	50th percentile	<b>50-100% on a straight line</b>	50th-75th percentile	<b>100-125%</b>	75th-100th percentile	<b>125%</b>	100th percentile
	Relative TSR														
<b>Vesting %</b>	TSR percentile rank against S&P ASX 300 Index														
<b>Nil</b>	<50th percentile														
<b>50%</b>	50th percentile														
<b>50-100% on a straight line</b>	50th-75th percentile														
<b>100-125%</b>	75th-100th percentile														
<b>125%</b>	100th percentile														
Dividends	No dividends or dividend equivalents are paid or accrued on unvested performance rights.														
Clawbacks	The Board retains discretion to clawback or adjust any LTIP which has vested or remains unvested because of a material misstatement in, or omission from, the financial statements or otherwise as a result of fraud, dishonesty or breach of obligations.														

No performance rights were exercisable at 30 June 2020. However following the completion of the FY19 Plan A performance period on 30 June 2020, the Board has assessed the degree of satisfaction of the conditions of the plan and has approved the exercising of 441,210 performance rights in August 2020.

No performance rights have vested under the FY19 Plan B or FY20 share-based payment plans, as the performance period is not yet complete.

# DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Statutory Disclosures

Name	Short-Term Employee Benefits			Post Employment Benefits	Long Term Benefits			Share Based Payments (e)	
	Cash Salary and Fees	Non-monetary Benefits (a)	Cash Bonus (b)	Superannuation	Cash Bonus (c)	Long Service Leave	Termination Payments	Performance Rights	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive Director</b>									
<b>Maxine Horne</b>									
<b>FY20</b>	490,575	-	748,000	19,231	-	(17,667)	-	228,068	1,468,207
<b>FY19</b>	859,544	-	212,500	25,000	52,461	11,414	-	213,689	1,374,608
<b>Other Group KMP</b>									
<b>Andrew Leyden (d)</b>									
<b>FY20</b>	564,778	-	390,776	-	-	-	-	113,754	1,069,308
<b>FY19</b>	592,086	-	95,700	-	38,000	-	-	100,264	826,050
<b>Kendra Hammond</b>									
<b>FY20</b>	317,844	-	237,641	24,977	-	4,944	-	68,636	654,042
<b>FY19</b>	333,390	-	57,306	25,303	22,000	7,621	-	60,064	505,684
<b>Mark Anning (f)</b>									
<b>FY20</b>	(158)	-	80,580	1,579	-	-	220,509	46,846	349,356
<b>FY19</b>	321,021	-	39,578	20,531	20,756	6,326	-	56,645	464,857
<b>Peter Connors</b>									
<b>FY20</b>	534,455	-	591,711	25,000	-	4,896	-	113,754	1,269,816
<b>FY19</b>	580,196	-	127,600	25,000	34,701	12,229	-	98,708	878,434
<b>Total Compensation</b>									
<b>FY20</b>	1,907,494	-	2,048,708	70,787	-	(7,827)	220,509	571,058	4,810,729
<b>FY19</b>	2,686,237	-	532,684	95,834	167,918	37,590	-	529,370	4,049,633

- (a) Non-monetary benefits include motor vehicles, private and spouse travel, and corporate hospitality.
- (b) This report reflects STI bonuses paid in FY20 relating to FY19 entitlements. The annual bonus in FY19 reflects bonus paid in FY19 relating to FY18 entitlements.
- (c) This reflects bonuses paid in FY19 relating to FY16 entitlements. This is the last cash LTIP bonus to be paid.
- (d) The remuneration and other terms of employment for Andrew Leyden (Chief Financial Officer) are formalised in a service agreement commencing 1 June 2018 and was due for renewal on 1 June 2020. The contract is currently rolling forward on a month to month basis. Mr Leyden is responsible for his own superannuation arrangements. Leave provisions have been made for Mr Leyden on a non-accruing entitlement basis.
- (e) Share based payments represent estimated entitlements accrued but not yet vested. These are all equity settled.
- (f) Mark Anning resigned from the position of Group Company Secretary and General Counsel on 19 July 2019.

In response to the COVID-19 pandemic, effective 1 April 2020, the CEO elected to temporarily suspend her base salary and all other KMP agreed to reduce their base salary by 20 per cent for an indefinite period of time. The Board resolved to reinstate Executive remuneration on 20 August 2020 with effect from 22 June 2020.

### Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration above:

	Fixed remuneration		At risk	
	2020 %	2019 %	2020 %	2019 %
<b>Executive Director</b>				
Maxine Horne	34%	65%	66%	35%
<b>Other Key Management Personnel</b>				
Andrew Leyden	53%	72%	47%	28%
Kendra Hammond	53%	72%	47%	28%
Mark Anning (resigned 19 July 2019)	64%	75%	36%	25%
Peter Connors	44%	70%	56%	30%

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Key Management Personnel Transactions

##### Ordinary shares

The movement during the reporting period in the number of ordinary shares in Vita Group Limited, held directly, indirectly or beneficially, by each KMP including their related parties, is as follows:

Name	At 30 June 2019	Granted as remuneration	Net purchased/ (sold)	Dividends reinvested	At 30 June 2020
Maxine Horne	29,497,716	-	-	-	29,497,716
Andrew Leyden	120,413	-	(25,967)	-	94,446
Kendra Hammond	-	-	-	-	-
Mark Anning (a)	-	-	-	-	-
Peter Connors	109,919	-	-	-	109,919

(a) Mark Anning resigned on 19 July 2019.

##### Executive performance rights

The movement during the reporting period in the number of performance rights over ordinary shares, held directly, indirectly or beneficially, by each KMP including their related parties, is as per the table below. These rights were granted on 1 July 2019 at nil exercise price.

Name	At 30 June 2019	Granted as remuneration	Vested and exercised	Forfeited (a)	At 30 June 2020
Maxine Horne	697,067	191,929	-	(72,327)	816,669
Andrew Leyden	324,926	117,076	-	(34,926)	407,076
Kendra Hammond	195,221	70,620	-	(20,221)	245,620
Mark Anning (b)	184,088	-	-	(19,088)	165,000
Peter Connors	321,895	117,076	-	(31,895)	407,076
<b>Total</b>	<b>1,723,197</b>	<b>496,701</b>	<b>-</b>	<b>(178,457)</b>	<b>2,041,441</b>

(a) The number of performance rights forfeited represents those rights which were forfeited due to performance hurdles not being met for the FY17 Plan and/or upon cessation of employment.

(b) Mark Anning resigned on 19 July 2019. In accordance with the LTI Plan rules, performance rights remain available for vesting on the pre-existing vesting dates subject to the achievement of performance hurdles.



## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Key Management Personnel Transactions (continued)

##### *Vested and outstanding performance rights*

Details of vested and outstanding performance rights over ordinary shares in the Company that were granted as remuneration to each KMP under the LTI Plan are presented in the table below:

Name	Grant date	Number of rights granted	Fair value per right at grant date	Share price at grant date	Vesting date	Expiry date	Number of rights vested & exercised	Number of rights lapsed	% of rights lapsed
Maxine Horne	01-Jul-16	72,327	\$3.08	\$4.08	30-Jun-19	31-Aug-19	-	72,327	100%
	01-Jul-18	305,990	\$0.69	\$1.04	30-Jun-20	31-Aug-20	-	-	-
	01-Jul-18	318,750	\$0.66	\$1.00	30-Jun-21	31-Aug-21	-	-	-
	01-Jul-19	191,929	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	-	-
Andrew Leyden	01-Jul-16	34,926	\$3.08	\$4.08	30-Jun-19	31-Aug-19	-	34,926	100%
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-20	31-Aug-20	-	-	-
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-21	31-Aug-21	-	-	-
	01-Jul-19	117,076	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	-	-
Kendra Hammond	01-Jul-16	20,221	\$3.08	\$4.08	30-Jun-19	31-Aug-19	-	20,221	100%
	01-Jul-18	87,500	\$0.69	\$1.00	30-Jun-20	31-Aug-20	-	-	-
	01-Jul-18	87,500	\$0.69	\$1.00	30-Jun-21	31-Aug-21	-	-	-
	01-Jul-19	70,620	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	-	-
Mark Anning	01-Jul-16	19,088	\$3.08	\$4.08	30-Jun-19	31-Aug-19	-	19,088	100%
	01-Jul-18	82,500	\$0.69	\$1.00	30-Jun-20	31-Aug-20	-	-	-
	01-Jul-18	82,500	\$0.69	\$1.00	30-Jun-21	31-Aug-21	-	-	-
Peter Connors	01-Jul-16	31,895	\$3.08	\$4.08	30-Jun-19	31-Aug-19	-	31,895	100%
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-20	31-Aug-20	-	-	-
	01-Jul-18	145,000	\$0.69	\$1.00	30-Jun-21	31-Aug-21	-	-	-
	01-Jul-19	117,076	\$0.81	\$1.27	30-Jun-22	31-Aug-22	-	-	-

#### Executive Contractual Terms

Name	Agreement Commence	Agreement Expiry	Notice of Termination by Company	Employee Notice	Other
Maxine Horne	1 November 2015	No expiry, continuous agreement	6 months (or payment in lieu of notice)	6 months	The Group may terminate the Contract any time without notice if serious misconduct has occurred.
Andrew Leyden*	1 June 2018	Agreement terminated 31 May 2020 (currently rolling forward on a month to month basis)	16 weeks	16 weeks	The Group may terminate the Contract any time without notice if serious misconduct has occurred.
Other KMP	Standard Contract updated June 2009	No expiry, continuous agreement	13 weeks' (or 14 weeks') 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.	13 weeks	The Group may terminate the Contract any time without notice if serious misconduct has occurred.

\* Andrew Leyden is engaged via AJL Consulting (AUST) Pty Ltd, a company of which he is a Director, to provide his services as CFO of Vita Group.

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Non-Executive Director Remuneration

The Board sets Non-Executive Director remuneration at a level which enables the Group to compete, attract and retain directors of the highest calibre. Their remuneration is determined by the Board on recommendation from the Remuneration and Nomination Committee within a maximum fee pool.

Non-Executive Directors receive a base fee and statutory superannuation contributions. They do not receive any performance-based pay.

In determining the appropriate level of fees, the Board has regard for market practice and survey data. There was been a 10 per cent reduction in Board fees from the prior year, effective from 1 September 2019.

	Chair Fee \$	Member Fee \$
Board	189,000	94,500
Audit & Risk Committee	Nil	Nil
Remuneration & Nomination Committee	Nil	Nil

In light of the COVID-19 pandemic, the Board agreed to further reduce their fees by 10 per cent effective from 1 April 2020, resulting in revised fees of \$170,100 and \$85,050 for Chair and Members respectively. The Board resolved to reinstate Non-Executive Director remuneration on 20 August 2020 with effect from 22 June 2020.

#### Non-Executive Director - Statutory Remuneration Disclosures

Name	Short-Term Employee Benefits			Post Employment Benefits	Long Term Benefits		Total
	Cash Salary and Fees	Non- monetary Benefits	Cash Bonus	Superannuation	Cash Bonus	Long Service Leave	
	\$	\$	\$	\$	\$	\$	\$

#### Dick Simpson

FY20	171,106	-	-	18,219	-	-	189,325
FY19	191,781	-	-	18,219	-	-	210,000

#### Neil Osborne

FY20	85,742	-	-	8,146	-	-	93,888
FY19	95,890	-	-	9,110	-	-	105,000

#### Paul Wilson (a)

FY20	93,888	-	-	-	-	-	93,888
FY19	105,000	-	-	-	-	-	105,000

#### Robyn Watts (c)

FY20	30,365	-	-	2,885	-	-	33,250
FY19	95,890	-	-	9,110	-	-	105,000

#### Paul Mirabelle (b)

FY20	93,888	-	-	-	-	-	93,888
FY19	52,500	-	-	-	-	-	52,500

#### Total Compensation

FY20	474,989	-	-	29,250	-	-	504,239
FY19	541,061	-	-	36,439	-	-	577,500

- (a) Paul Wilson's services as a Director is provided by Peandel Pty Ltd, which invoices Vita Group for his Director fees. As such, Mr Wilson is responsible for his own superannuation arrangements.
- (b) Paul Mirabelle is responsible for his own superannuation arrangements.
- (c) Robyn Watts resigned as director on 24 October 2019.

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Non-Executive Director Remuneration (continued)

##### Interests in the shares and options of the Company

As at the reporting date, the relevant interests of the Directors in the shares and performance rights of Vita Group Limited were as set out in the tables below.

##### Ordinary shares

Name	At 30 June 2019	Granted as remuneration	Net purchased/(sold)	Dividends reinvested	At 30 June 2020
Dick Simpson	120,543	-	-	-	120,543
Neil Osborne	267,039	-	-	-	267,039
Robyn Watts (a)	41,459	-	-	-	41,459
Paul Wilson	73,375	-	-	-	73,375
Paul Mirabelle	-	-	25,000	-	25,000

(a) Robyn Watts resigned as non-executive director on 24 October 2019

##### Non-executive performance rights

Name	At 30 June 2019	Granted as remuneration	Vested and exercised	Lapsed (a)	Number held at 30 June 2020
Dick Simpson	-	-	-	-	-
Neil Osborne	-	-	-	-	-
Robyn Watts (b)	-	-	-	-	-
Paul Wilson	-	-	-	-	-
Paul Mirabelle	-	-	-	-	-

(a) The number of performance rights lapsed represents those rights which lapsed due to performance hurdles not being met and/or upon cessation of employment.

(b) Robyn Watts resigned as non-executive director on 24 October 2019

(End of Audited Remuneration Report)

### ENVIRONMENTAL REGULATION

### 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).

## DIRECTORS' REPORT

30 JUNE 2020 (CONTINUED)

### INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS (CONTINUED)

#### 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.

### AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

#### Independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

#### Non-Audit Services

The following non-audit services were provided by the company's auditor, Grant Thornton Audit Pty Ltd and its related entities. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Grant Thornton Audit Pty Ltd and its related entities received or are due to receive the following amounts for the provision of non-audit services:

	FY20 \$	FY19 \$
Grant Thornton Audit Pty Ltd and its related entities:		
Tax compliance and consulting services	106,000	55,850
<b>Total non-audit services</b>	<b>106,000</b>	<b>55,850</b>

Signed in accordance with a resolution of Directors.



Dick Simpson  
Chairman



Maxine Horne  
Director and Chief Executive Officer


Brisbane  
21 August 2020

## Auditor's Independence Declaration

### To the Directors of Vita Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Vita Group Limited for the year ended 30 June 2020, 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.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



CDJ Smith  
Partner – Audit & Assurance

Brisbane, 21 August 2020

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Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	FY20 \$'000	FY19 \$'000
Revenue	2	773,098	753,675
Changes in inventories		(560,601)	(524,003)
<b>Gross profit</b>		<b>212,497</b>	<b>229,672</b>
Other income	2	6,794	8,251
Employee benefits expense	3	(113,412)	(137,336)
Marketing expense		(6,922)	(10,168)
Other expenses		(33,119)	(44,665)
Depreciation, amortisation and impairment expense	3	(28,615)	(11,012)
		<b>37,223</b>	<b>34,742</b>
Finance income		238	470
Finance expenses		(3,682)	(1,129)
<b>Net finance costs</b>	<b>3</b>	<b>(3,444)</b>	<b>(659)</b>
<b>Profit before income tax</b>		<b>33,779</b>	<b>34,083</b>
Income tax expense	26	(11,372)	(9,801)
<b>Profit for the year</b>		<b>22,407</b>	<b>24,282</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year, attributable to the ordinary equity holders of Vita Group Limited</b>		<b>22,407</b>	<b>24,282</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company</b>	<b>23</b>		
- basic (cents per share)		13.71	15.04
- diluted (cents per share)		13.54	14.88

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

**CONSOLIDATED BALANCE SHEET**

AS AT 30 JUNE 2020

	Notes	FY20 \$'000	FY19 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	36,813	26,672
Trade and other receivables	4	31,853	25,720
Inventories	5	24,642	24,162
Current tax receivables		350	-
Contract assets		277	453
<b>Total current assets</b>		<b>93,935</b>	<b>77,007</b>
<b>Non-current assets</b>			
Plant and equipment	6	26,787	24,085
Right of use assets	7	39,243	-
Intangible assets and goodwill	8	110,454	106,682
Deferred tax assets	13	8,818	8,757
<b>Total non-current assets</b>		<b>185,302</b>	<b>139,524</b>
<b>TOTAL ASSETS</b>		<b>279,237</b>	<b>216,531</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	78,889	83,353
Interest bearing loans and borrowings	15	9,160	5,696
Lease liabilities	7	16,410	-
Current tax liabilities		-	1,318
Provisions	11	4,740	4,216
Contract and other liabilities	12	2,195	1,800
<b>Total current liabilities</b>		<b>111,394</b>	<b>96,383</b>
<b>Non-current liabilities</b>			
Trade and other payables	10	-	2,407
Interest bearing loans and borrowings	15	3,562	2,952
Lease liabilities	7	30,245	-
Provisions	11	5,195	4,397
Contract and other liabilities	12	2,571	1,166
<b>Total non-current liabilities</b>		<b>41,573</b>	<b>10,922</b>
<b>TOTAL LIABILITIES</b>		<b>152,967</b>	<b>107,305</b>
<b>NET ASSETS</b>		<b>126,270</b>	<b>109,226</b>
<b>EQUITY</b>			
Contributed equity	24	43,017	41,056
Reserve	24	1,284	713
Retained earnings	24	81,969	67,457
<b>TOTAL EQUITY</b>		<b>126,270</b>	<b>109,226</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Attributable to owners of the parent			
		Contributed equity \$'000	Reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>As at 1 July 2018</b>		<b>38,925</b>	<b>183</b>	<b>58,629</b>	<b>97,737</b>
Profit for the year		-	-	24,282	24,282
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>24,282</b>	<b>24,282</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	16	-	-	(15,454)	(15,454)
Dividend reinvestment plan net of costs	24	2,131	-	-	2,131
Employee share schemes - value of employee services	24	-	530	-	530
<b>Total transactions with owners in their capacity as owners</b>		<b>2,131</b>	<b>530</b>	<b>(15,454)</b>	<b>(12,793)</b>
<b>As at 30 June 2019</b>		<b>41,056</b>	<b>713</b>	<b>67,457</b>	<b>109,226</b>
<b>As at 1 July 2019</b>		<b>41,056</b>	<b>713</b>	<b>67,457</b>	<b>109,226</b>
Adjustment on adoption of AASB 16 (net of tax)	29	-	-	(1,410)	(1,410)
<b>Restated balance as at 1 July 2019</b>		<b>41,056</b>	<b>713</b>	<b>66,047</b>	<b>107,816</b>
Profit for the year		-	-	22,407	22,407
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>22,407</b>	<b>22,407</b>
<b>Transactions with owners in their capacity as owners:</b>					
Dividends paid	16	-	-	(6,485)	(6,485)
Dividend reinvestment plan net of costs	24	1,961	-	-	1,961
Employee share schemes - value of employee services	24	-	571	-	571
<b>Total transactions with owners in their capacity as owners</b>		<b>1,961</b>	<b>571</b>	<b>(6,485)</b>	<b>(3,953)</b>
<b>As at 30 June 2020</b>		<b>43,017</b>	<b>1,284</b>	<b>81,969</b>	<b>126,270</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED ENDED 30 JUNE 2020

	Notes	FY20 \$'000	FY19 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		860,071	831,691
Payments to suppliers and employees (inclusive of GST)		(811,618)	(779,318)
Receipts from government grants		8,094	-
Interest received		238	470
Finance expenses		(3,237)	(1,126)
Income taxes paid		(12,401)	(13,056)
<b>Net cash inflow from operating activities</b>	<b>14</b>	<b>41,147</b>	<b>38,661</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(13,494)	(16,363)
Proceeds from sale of plant and equipment		77	-
Purchase of intangible assets		-	(599)
Acquisition of businesses and subsidiaries, net of cash acquired	9	(7,546)	(7,324)
Proceeds from sale of stores		1,900	550
<b>Net cash (outflow) from investing activities</b>		<b>(19,063)</b>	<b>(23,736)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities	24	1,961	2,131
Proceeds from borrowings		12,842	2,146
Repayment of borrowings		(8,768)	(8,688)
Lease payments		(11,493)	-
Dividends paid	16	(6,485)	(15,454)
<b>Net cash (outflow) from financing activities</b>		<b>(11,943)</b>	<b>(19,865)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>10,141</b>	<b>(4,940)</b>
Cash and cash equivalents at the beginning of the year		26,672	31,612
<b>Cash and cash equivalents at end of year</b>	<b>14</b>	<b>36,813</b>	<b>26,672</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

## 1 SEGMENT REPORTING

### Description of segments and principal activities

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Team 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 Information and Communication Technology (ICT) and Skin-Health and Wellness (SHAW). The Group operates solely in Australia. The operating segments sell different products and services and as a result have different risk profiles.

#### ICT

Revenue comprises sale of mobile phones and connections to plans, accessories and other technology products.

#### SHAW

Revenue comprises sale of skincare products and treatments.

### Segment information provided to the Executive Team and the Board

The segment information for the year ended 30 June 2020 is as follows:

	FY20 \$'000	FY19 \$'000
<b>ICT</b>		
<b>Revenue from external customers</b>		
Sale of goods	624,553	578,056
Contract revenue	5,191	4,853
Commission revenue	122,235	156,411
<b>Segment revenue</b>	<b>751,979</b>	<b>739,320</b>
<b>SHAW</b>		
<b>Revenue from external customers</b>		
Sale of goods	19,109	13,139
Commission revenue	955	477
<b>Segment revenue</b>	<b>20,064</b>	<b>13,616</b>
<b>Total segment revenue</b>	<b>772,043</b>	<b>752,936</b>
Other revenue not allocated	1,055	739
<b>Group revenue</b>	<b>773,098</b>	<b>753,675</b>

Revenues from external customers are derived from the sale of ICT and SHAW products and services as defined above. The revenue from external parties is measured in a manner consistent with that in the statement of comprehensive income.

Revenues of approximately \$122,234,841 (FY19: \$156,463,347) were derived from a single external customer, attributable to the ICT segment.

No reporting is currently provided with respect to segment assets and liabilities as these items are managed at a consolidated Group level only. As such, no disclosure has been provided on segment assets and liabilities.

## 1 SEGMENT REPORTING (CONTINUED)

### Other segment information

A reconciliation of EBITDA pre-AASB 16 to Group operating profit before income tax is provided as follows:

	FY20 \$'000	FY19 \$'000
ICT segment EBITDA pre-AASB 16	84,930	79,281
SHAW segment EBITDA pre-AASB 16	(1,877)	(3,736)
<b>Total reportable segment EBITDA pre-AASB 16</b>	<b>83,053</b>	<b>75,545</b>
ICT depreciation, amortisation and impairment	(7,505)	(4,278)
SHAW depreciation and amortisation	(5,487)	(2,931)
ICT AASB 16 lease interest	1,457	-
SHAW AASB 16 lease interest	380	-
Other revenue not allocated	1,055	739
Other expenses not allocated	(31,834)	(30,530)
Depreciation and amortisation not allocated	(3,896)	(3,803)
<b>Group EBIT</b>	<b>37,223</b>	<b>34,742</b>
Interest revenue	238	470
Finance costs	(3,682)	(1,129)
<b>Group profit before income tax</b>	<b>33,779</b>	<b>34,083</b>

## 2 REVENUE AND OTHER INCOME

The Group derives revenue from the transfer of goods and services in the following major categories:

	FY20 \$'000	FY19 \$'000
<b>Revenue</b>		
Sale of goods <sup>a</sup>	644,718	591,934
Contract revenue <sup>b</sup>	5,191	4,853
Commission revenue <sup>a</sup>	123,189	156,888
<b>Total revenue</b>	<b>773,098</b>	<b>753,675</b>
<b>Other income</b>		
Cooperative advertising income <sup>a</sup>	5,571	7,068
Other miscellaneous income <sup>a</sup>	1,223	1,183
<b>Total other income</b>	<b>6,794</b>	<b>8,251</b>

<sup>a</sup> Recognised by goods transferred at a point in time

<sup>b</sup> Recognised by services transferred over time

### Recognition and measurement

Revenue arises primarily from the sale of technology hardware and accessories, contracting customers to data plans when acting as an agent for the telecommunications provider, provision of other technology products and solutions, and the sale of skin care products and treatments.

Revenue is recognised by reference to the following framework:

- identifying customer contracts
- identifying contractual performance obligations
- determining the transaction price
- allocation of the transaction price to the contractual performance obligations
- recognising revenue as the Group satisfies a performance obligation

Revenue is measured at the fair value of the consideration received or receivable net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Group recognises revenue when the amount can be reliably measured, and it is probable that future economic benefits will flow to the Group and is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

## **2 REVENUE AND OTHER INCOME (CONTINUED)**

### *ICT products and services*

The Group has a Master Licence Agreement with Telstra Corporation Limited, the telecommunications provider, which authorises the Group to sell agreed products and services on its behalf. The agreement outlines the nature and amount of remuneration Vita receives, based on the type of product and/or service sold.

Revenue from the sale of technology hardware and accessories is recognised at the point in time the Group transfers control of the assets to the customer.

Revenue from contracting customers to Telstra plans is recognised in the form of commission received, when the Group has satisfied its performance obligation to connect the customer to the telecommunication provider.

The Group provides professional services including set-up and installation and/or deployment of other technology products and solutions. The Group recognises contract revenue on completion of the service.

The Group also enters into managed service contracts with customers relating to mobile device management, data storage, application services, IT services, security and protection. Contract revenue is recognised in the accounting period in which the service is provided.

Where products and services are sold as part of multiple-component transactions, the consideration received, or receivable is allocated to the separately identifiable performance obligations on a relative stand-alone selling price basis.

The Group recognises a contract liability where amounts are received in advance of the Group satisfying its performance obligation and may be refundable where performance obligations are not satisfied. These amounts are reported as part of contract and other liabilities in the consolidated balance sheet (see Note 12). If the Group satisfies a performance obligation before it receives the associated consideration, the Group recognises a contract asset in the consolidated balance sheet.

### *Skincare products and treatments*

The Group operates several skin-health and wellness clinics selling skincare products and treatments.

Revenue from the sale of skincare products is recognised at the point in time the Group transfers control of the products to the customer. Where acting as principal, the Group records the full amount of sales proceeds as revenue, however where acting as an agent, revenue is recorded on a net basis and reported as commission revenue.

Revenue from the sale of skincare treatments is recognised once the treatment has been performed. Skincare treatments comprise services that can be performed with a single clinic visit or ones that require multiple visits. For single visit treatments, revenue is recognised at the point in time that the service has been provided. For treatments requiring multiple visits, each visit is determined to be a distinct performance obligation under the contract and revenue is recognised over time as these performance obligations are satisfied.

For transactions that comprise multiple performance obligations, such as a bundled sale of goods and treatments, the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

Where consideration has been received in advance of the treatment, the Group recognises a contract liability to the extent of unsatisfied performance obligations. These amounts are reported in contract and other liabilities in the consolidated balance sheet (see Note 12). Revenue is recognised when the Group satisfies these performance obligations.

The Group operates a loyalty program where customers accumulate points for purchases made which they can redeem as discounts on future purchases. Loyalty points are considered to be a separate performance obligation as they provide customers with a material right they would not otherwise have received. The transaction price is allocated between the skincare products, treatments and points on a relative stand-alone selling price basis. A contract liability is recorded for points earned at the time of sale, revenue is recognised when the points are redeemed.

### *Cooperative advertising income*

The Group has contractual arrangements with suppliers whereby the Group is reimbursed for qualifying advertising expenditure. Income is recognised on completion of the advertising activity. The transaction price is determined as a set percentage of qualifying advertising expenditure in accordance with contracted trading terms or as negotiated for specific advertising activity, adjusted for the assessed likelihood of a successful claim.

### *Dividend income*

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

### 3 EXPENSES

	FY20 \$'000	FY19 \$'000
<b>Net finance expenses</b>		
Finance charges under chattel mortgages	97	40
Interest on term debt	162	284
Provisions: unwinding of discount	445	3
Line facility fee	721	731
Interest on lease liabilities	2,254	-
Other interest expense	3	71
<b>Total finance expenses</b>	<b>3,682</b>	<b>1,129</b>
Interest revenue on bank deposits	(238)	(470)
<b>Net finance expenses</b>	<b>3,444</b>	<b>659</b>

#### Depreciation, amortisation and impairment

Plant and equipment	10,203	8,413
Right of use asset	15,059	-
Brands	223	678
Customer relationships	1,589	228
Software	495	1,693
Goodwill	1,046	-
<b>Total depreciation, amortisation and impairment</b>	<b>28,615</b>	<b>11,012</b>

#### Employee benefits expenses

Wages and salaries <sup>a</sup>	97,909	121,112
Defined contribution superannuation expense	9,487	10,182
Employee entitlements	6,016	6,042
<b>Total employee benefits expenses</b>	<b>113,412</b>	<b>137,336</b>

<sup>a</sup> The current year includes JobKeeper income received of \$11,995,800.

#### Expense relating to leases

Expense relating to leases <sup>a</sup>	8,961	23,322
<b>Total expense relating to leases</b>	<b>8,961</b>	<b>23,322</b>

<sup>a</sup> The current year relates to short-term leases and variable lease payments only. See Note 7 for further details.

#### Recognition and measurement

##### Finance costs

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

##### Retirement benefit obligations

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

##### Termination benefits

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

##### Interest income

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 3 EXPENSES (CONTINUED)

#### Recognition and measurement (continued)

##### Depreciation and amortisation

The depreciation and amortisation methods used by the Group are disclosed in Note 6, Note 7 and Note 8 respectively.

##### Government grants

In March 2020, in response to the COVID-19 pandemic, the Australian government announced a 'JobKeeper' stimulus package essentially providing a wage subsidy plan whereby employers will receive \$1,500 per fortnight for each employed employee over a six month period ending initially September 2020. To qualify, an employer must satisfy eligibility criteria and must first pay the eligible employees at least \$1,500 per fortnight, even if their regular wage per fortnight is less than \$1,500.

JobKeeper payments are considered government grants and accounted for under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. Government grants are recognised when there is reasonable assurance the Group will comply with the conditions attaching to them and the grant will be received. Grants that compensate the Group for expenses are recognised in profit or loss on a systematic basis in the periods in which the related expenses are recognised.

The Group has recognised \$11,995,800 (FY19: nil) JobKeeper income, which is disclosed as a reduction to employee benefits expense in the consolidated statement of comprehensive income.

### 4 TRADE AND OTHER RECEIVABLES

	FY20 \$'000	FY19 \$'000
Trade receivables	25,027	19,907
Allowance for credit losses	(484)	(192)
<b>Net trade receivables</b>	<b>24,543</b>	<b>19,715</b>
Other receivables	4,721	2,562
Prepayments	2,589	3,443
<b>Net trade and other receivables</b>	<b>31,853</b>	<b>25,720</b>

#### Allowance for credit losses

As at 30 June 2020, provisions were made against current trade receivables to the value of \$484,028 (FY19: \$192,115).

AASB 9 *Financial Instruments* came into effect on 1 July 2018 and replaced AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 requires impairments to be based on a forward looking model. This new model is an expected credit loss model that results in earlier recognition of credit losses than the incurred loss impairment model under AASB 139. This analysis excludes amounts relating to revenue adjustments made to the Telstra specific receivable as these amounts represent an estimate of adjustments to revenue rather than uncollected receivables.

The aging of these receivables is as follows:

0 to 91 days	41	11
91+ days	443	181
<b>Balance at 30 June</b>	<b>484</b>	<b>192</b>
Movements in allowance for credit losses were as follows:		
At 1 July	192	867
Charge/(release) for the year	292	(325)
Amounts written off	-	(350)
<b>Balance at 30 June</b>	<b>484</b>	<b>192</b>

As of 30 June 2020, trade receivables of \$62,840 (FY19: \$117,516) 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. Aged Telstra specific receivables relate to potential revenue adjustments rather than an inability to collect outstanding monies and are therefore excluded from the ageing analysis below.

61-90 days	15	79
91+ days	48	39
<b>Balance at 30 June</b>	<b>63</b>	<b>118</b>

#### 4 TRADE AND OTHER RECEIVABLES (CONTINUED)

##### *Recognition and measurement*

Trade receivables are non-interest bearing. They include an assessment of amounts owing by Telstra as well as regular debtors. Trade receivables, which generally have 30-90 day terms, are recognised initially at the value of the original invoice amount to customers and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Telstra claims can take up to 12 months to finalise.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. An impairment allowance is recognised in compliance with the simplified approach permitted by AASB 9, by recognising lifetime expected credit losses using a provision matrix. The matrix was developed to reflect historic default rates, with higher default rates applied to older balances. The approach is followed for all receivables unless there are specific circumstances which would render the receivable irrecoverable and therefore require a specific provision. A provision is made against trade receivables until such time as the Group believes the amount to be irrecoverable, after which the trade receivable balance is written off.

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

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

##### *Fair value and credit risk*

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

#### 5 INVENTORIES

	FY20 \$'000	FY19 \$'000
Finished goods	26,915	26,135
Provision for diminution in value	(2,273)	(1,973)
<b>Total inventories at the lower of cost or net realisable value</b>	<b>24,642</b>	<b>24,162</b>

Inventories recognised as expense during the year ended 30 June 2020 amounted to \$560,601,047 (FY19: \$524,003,031). This is disclosed as changes in inventories in the consolidated statement of comprehensive income.

Inventory write-downs included in the above totalled \$3,437,572 (FY19: \$1,596,318).

##### *Recognition and measurement*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 6 PLANT AND EQUIPMENT

	Plant and equipment \$'000
<b>At 1 July 2018</b>	
Cost	65,242
Accumulated depreciation	(50,440)
<b>Opening net book amount</b>	<b>14,802</b>
Opening net book amount	14,802
Additions	16,732
Acquisition through business combination	1,238
Disposals	(266)
Transfers	(8)
Depreciation charge	(8,413)
<b>Closing net book amount</b>	<b>24,085</b>
<b>At 1 July 2019</b>	
Cost	74,665
Accumulated depreciation	(50,580)
<b>Opening net book amount</b>	<b>24,085</b>
Opening net book amount	24,085
Additions	13,494
Acquisition through business combination	677
Disposals	(130)
Transfers	(1,136)
Depreciation charge	(10,203)
<b>Closing net book amount</b>	<b>26,787</b>
<b>At 30 June 2020</b>	
Cost	77,060
Accumulated depreciation	(50,273)
<b>Closing net book amount</b>	<b>26,787</b>

The net book value of assets held under chattel mortgage agreements amount to \$7,384,209 (FY19: \$679,337) and are pledged as security for the related chattel mortgage liabilities.

#### Recognition and measurement

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

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

Plant and equipment	Straight line over 3 to 8 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 at each reporting date, and when events or changes in circumstances indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Resulting adjustments are applied via an impairment adjustment in the appropriate period and result in an increase to the depreciation charge in that same period.



## 6 PLANT AND EQUIPMENT (CONTINUED)

### Recognition and measurement (continued)

#### *Impairment (continued)*

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

#### *Derecognition*

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income.

## 7 LEASING

The Group has lease contracts for the rental of store and clinic outlets and head office premises.

With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of store sales) are excluded from the initial measurement of the lease liability and asset.

These leases have an average life of between one and eight years at inception. 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 lease terms are renegotiated.

Right-of-use assets recognised on the consolidated balance sheet are as follows:

	FY20 \$'000	FY19 \$'000
Leasehold property	39,243	-

Additions to right-of-use assets, including acquisition through business combinations, during the period amounted to \$16,228,259 (30 June 2019: nil). Amortisation of right-of-use assets for the period has been disclosed in Note 3.

Lease liabilities recognised on the consolidated balance sheet are as follows:

	FY20 \$'000	FY19 \$'000
Lease liabilities (current)	16,410	-
Lease liabilities (non-current)	30,245	-
<b>Total lease liabilities</b>	<b>46,655</b>	<b>-</b>

The lease liabilities are secured by the related underlying assets.

Future minimum lease payments relating to lease liabilities at 30 June 2020 are as follows:

	1 year or less \$'000	1 - 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>30 June 2020</b>				
Lease payments	18,225	31,610	1,052	50,887
Finance charges	(1,815)	(2,392)	(25)	(4,232)
<b>Total lease liabilities</b>	<b>16,410</b>	<b>29,218</b>	<b>1,027</b>	<b>46,655</b>

The Group has applied the modified retrospective approach, as such comparatives have not been restated.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

#### 7 LEASING (CONTINUED)

##### *Lease payments not recognised as a liability*

The Group has elected not to recognise a lease liability for short-term leases or leases of low value assets. Payments made for these leases are accounted for on a straight-line basis over the lease term. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. Rental concessions received in relation to the COVID-19 pandemic are accounted for in the period received as a reduction to the total lease payments not recognised as a liability.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	FY20 \$'000
Short-term leases (included in other expenses)	9,071
COVID-19 related rent concessions	(89)
Variable lease payments (included in other expenses)	(21)
<b>Total lease payments not recognised as a liability</b>	<b>8,961</b>

Variable lease payments include rentals based on revenue from the use of the underlying asset.

At 30 June 2020 the Group had committed to leases that had not yet commenced with total expected future cash outflows of \$nil.

##### *Accounting policy applicable from 1 July 2019*

As described in Note 29, the Group has applied AASB 16 using the modified retrospective approach effective from 1 July 2019 and therefore comparative information has not been restated. Comparatives information remains reported under AASB 117 and IFRIC 4.

##### *Recognition and measurement*

###### *The Group as a lessee*

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply this definition the Group assesses whether:

- the contract contains an identified asset, which is explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group. If the supplier has a substantive substitution right, then the asset is not identified
- the Group has the right to obtain substantially all economic benefits from use of the asset throughout the period of use
- the Group has the right to direct the use of the asset throughout the period of use
- the Group assesses whether it has the right to direct 'how and for what purpose' the asset is used for.

At lease commencement, the Group recognises a right-of-use asset and a lease liability on the consolidated balance sheet. The right-of-use asset is measured at cost, less any accumulated amortisation and impairment losses, and adjusted for remeasurement of lease liabilities.

The cost of the right-of-use asset comprises the initial measurement of the lease liability, initial direct costs incurred when entering into the lease, an estimate of the costs to be incurred in dismantling and removing the underlying asset and restoring the site to the condition required by the terms and conditions of the lease, lease payments made in advance of the lease commencement date less any lease incentives received.

Right-of-use assets are amortised on a straight-line basis over the shorter of its estimated useful life and the lease term as per the table below. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Leasehold property	Straight line over 1 to 8 years
--------------------	---------------------------------

At the commencement date, the Group measures the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

Lease payments comprise fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

## **7 LEASING (CONTINUED)**

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

#### *The Group as a lessee (continued)*

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or in the consolidated statement of comprehensive income if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases (leases with an expected term of 12 months or less) and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these 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 short-term or leases of low-value assets are recognised evenly over the term of the lease.

AASB 2020-4 *Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions* becomes effective from 1 June 2020, with early application permitted for financial statements not authorised for issue at the date this Standard was issued.

This Standard amends AASB 16 to provide a practical expedient permitting lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications. Instead, a lessee accounts for those rent concessions as if they were not lease modifications.

The Group has elected to apply and early adopt this practical expedient. Lease rental concessions received in relation to the COVID-19 pandemic are accounted for in the period received as a reduction to the total lease payments not recognised as a liability in the consolidated statement of comprehensive income.

#### *The Group as a lessor*

The Group's accounting policy under AASB16 has not changed the basis of recognition from the comparative period.

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and benefits incidental to ownership of the underlying asset, and classified as operating lease if it does not.

### **Accounting policy applicable before 1 July 2019**

#### *The Group as a lessee*

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

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

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

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

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

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

#### *The Group as a lessor*

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 8 INTANGIBLE ASSETS AND GOODWILL

	Brands \$'000	Customer relationships \$'000	Software \$'000	Goodwill \$'000	Total \$'000
<b>At 1 July 2018</b>					
Cost	981	355	10,315	119,287	130,938
Accumulated amortisation and impairment	(172)	(51)	(8,357)	(21,816)	(30,396)
<b>Opening net book amount</b>	<b>809</b>	<b>304</b>	<b>1,958</b>	<b>97,471</b>	<b>100,542</b>
Opening net book amount	809	304	1,958	97,471	100,542
Additions	-	-	599	-	599
Acquisition through business combination	24	1,190	-	7,082	8,296
Transfers	-	-	8	-	8
Disposals	-	-	-	(164)	(164)
Amortisation charge	(678)	(228)	(1,693)	-	(2,599)
<b>Closing net book amount</b>	<b>155</b>	<b>1,266</b>	<b>872</b>	<b>104,389</b>	<b>106,682</b>
<b>At 1 July 2019</b>					
Cost	1,005	1,545	10,463	126,205	139,218
Accumulated amortisation and impairment	(850)	(279)	(9,591)	(21,816)	(32,536)
<b>Opening net book amount</b>	<b>155</b>	<b>1,266</b>	<b>872</b>	<b>104,389</b>	<b>106,682</b>
Opening net book amount	155	1,266	872	104,389	106,682
Additions	-	-	-	-	-
Acquisition through business combination	9 68	662	-	7,201	7,931
Disposals	-	-	(20)	(786)	(806)
Amortisation charge	(223)	(1,589)	(495)	-	(2,307)
Impairment charge	-	-	-	(1,046)	(1,046)
<b>Closing net book amount</b>	<b>-</b>	<b>339</b>	<b>357</b>	<b>109,758</b>	<b>110,454</b>
<b>At 30 June 2020</b>					
Cost	1,073	2,207	10,317	132,620	146,217
Accumulated amortisation	(1,073)	(1,868)	(9,960)	(22,862)	(35,763)
<b>Closing net book amount</b>	<b>-</b>	<b>339</b>	<b>357</b>	<b>109,758</b>	<b>110,454</b>

#### Recognition and measurement

##### Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill acquired on a business combination is initially measured at cost being the excess of the fair value of consideration transferred over the Group's interest in the acquisition-date net fair value of the acquirees' identifiable assets and liabilities.

Following initial recognition, goodwill is not amortised but measured at cost less any accumulated impairment losses.

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

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

Impairment is determined by assessing the recoverable amount of the CGU or groups of CGU's to which the goodwill relates.

Where goodwill forms part of a CGU or groups of CGU's and part of the operation within that unit or group of units are 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 EBITDA contribution of the CGU disposed of to the total group of CGU's.

Where the recoverable amount of individual CGU's or groups of CGU's are less than the carrying amount, an impairment loss is recognised separately as an expense in the statement of comprehensive income.

For impairment testing of goodwill refer to Note 18.

## 8 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

### Recognition and measurement (continued)

#### *Brand names and customer relationships*

Brand names and customer relationships acquired in a business combination are recognised separately from goodwill at their fair value on acquisition date less impairment losses. Fair values have been determined using the relief-from-royalty and multi-period excess earnings methods for brands and customer relationships respectively.

#### *Software*

Expenditure on the research phase of projects to develop new customised software is expensed as incurred. Costs 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.

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'.

Intangible assets with a finite life are tested for impairment where an indicator of impairment exists and in the case of indefinite life intangibles annually, either individually at the CGU level or groups of CGU's. This requires an estimation of the recoverable amount of the CGU's to which the intangible with finite life is allocated. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

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 the consolidated statement of comprehensive income.

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

Brands	Straight line over 1 to 3 years
Customer relationships	Straight line over 1 - 5 years
Software	Straight line over 2.5 - 3 years

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

#### 9 BUSINESS COMBINATIONS

##### a) Acquisition of Skin-Health and Wellness clinics

During the financial year, VTG Artisan Pty Ltd (a subsidiary of Vita Group Limited) acquired the business assets and certain liabilities of the following clinics operating in the Skin-Health and Wellness industry.

Location	Settlement date
Inject Skin Clinic	2 July 2019
Focus Cosmetic Medicine	16 July 2019
London Cosmetic Clinic	19 July 2019
Defy Aesthetics Clinic	6 November 2019
Cottontree Injectable Clinic	11 November 2019
Rewind Skin Clinic	13 January 2020
Lily Room Cosmetic Medical Clinic	20 January 2020
HC Medical - Cosmetic Clinic	3 February 2020

All acquisitions were individually immaterial and have been aggregated for disclosure purposes.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	\$'000
<b>Purchase consideration</b>	
Cash paid	4,071
Contingent consideration	1,248
<b>Total purchase consideration</b>	<b>5,319</b>

The assets and liabilities recognised are as follows:

	Fair value \$'000
Inventories	285
Prepayments	14
Other assets	5
Plant and equipment	586
Right of use asset	848
Intangible assets: brand	68
Intangible assets: customer relationships	662
Deferred tax asset	290
Lease liability	(698)
Contract liability	(86)
Provisions	(311)
Employee benefit liabilities	(62)
Deferred tax liability	(213)
<b>Net identifiable assets acquired</b>	<b>1,388</b>
Add: goodwill	3,931
<b>Net assets acquired</b>	<b>5,319</b>

##### Goodwill

Goodwill is primarily related to the expected future profitability of the acquired business. Goodwill has been allocated to cash generating units at 30 June 2020. It is not expected to be deductible for tax purposes except on subsequent disposal.

##### Acquisition related costs

Acquisition-related costs of \$256,388 representing stamp duty and legal fees on the transfer of the business is included in other expenses in the consolidated statement of comprehensive income.

##### Contingent consideration

##### Earn-Outs

In the event that certain pre-determined revenue targets are achieved within specified timeframes, additional consideration of up to \$1,650,000 may be payable over a period from 31 August 2020 to 31 December 2022.

## 9 BUSINESS COMBINATIONS (CONTINUED)

### a) Acquisition of Skin-Health and Wellness clinics (continued)

#### Contingent consideration (continued)

##### *Earn-Outs (continued)*

The potential undiscounted amount of all future payments that the Group could be required to make under these arrangements is between \$0 and \$1,650,000. The fair value of the contingent consideration arrangement of \$1,430,939 is based on a discounted assumed probability of achievement to the revenue targets.

##### *Reverse Earn-Outs*

Regarding London Cosmetic Clinic, in the event that certain pre-determined revenue targets are not achieved by the clinic within specified timeframes, payment of up to \$100,000 may be due to Vita Group over a period from September 2020 to September 2021. The fair value of this arrangement is \$0.

In addition, for Lily Room Cosmetic Medical Clinic, in the event that certain pre-determined revenue targets are not achieved by the clinic within specified timeframes, payment of up to \$100,000 may be due to Vita Group in March 2021. The fair value of this arrangement is \$0.

#### Acquired receivables

The fair value of trade and other receivables is nil and includes no interest in future trailing income related to pre-acquisition activity by these clinics with a fair value of nil. The gross contractual amount for the interest in future income is estimated at nil.

#### Revenue and profit contribution\*

London Cosmetic Clinic was primarily an acquisition of capability and a customer database which, along with other planned acquisitions, will be rolled into a new Artisan branded clinic. The existing location, in its current standalone format, contributed revenue of \$278,009 and an EBIT loss of \$128,048 from acquisition date to 30 June 2020. On the basis of these results, had the business been acquired on 1 July 2019, the contribution to Group for revenue and EBIT is estimated at \$292,389 and \$134,671 loss respectively.

Inject Skin, Defy Aesthetics and Cottontree clinics were all acquisitions of talent, customer databases and cosmetic machinery. These clinics were rolled into one Artisan-branded greenfield clinic in Maroochydore. Artisan Maroochydore contributed revenue of \$1,019,912 and EBIT loss of \$198,672 respectively to the Group for the year ended 30 June 2020. This includes revenue and EBIT from Inject Skin Clinic from 2 July 2019 and thereafter the combined Maroochydore clinic from November 2019. Due to the combination of these four clinics into one, revenue and profit contribution from individual acquisitions is impracticable to reliably estimate and has therefore not been included.

Focus Cosmetic Medicine was an acquisition of a customer database and has been rolled into the existing clinic in Bruce, ACT. As such, it is impracticable to reliably estimate revenue and profit contribution from clients specifically attributable to this acquisition, and disclosure has therefore not been included.

Rewind Skin Clinic was an acquisition of capability, a customer database and cosmetic machinery. This was rolled into an Artisan-branded greenfield clinic in Hope Island Road, in conjunction with the opening of the clinic. Due to the combination of these clinics, revenue and profit contribution relating to the acquired clinic is impracticable to reliably estimate and has therefore not been included.

Lily Room Cosmetic Medical Clinic contributed revenue of \$444,470 and EBIT of \$63,170 to the Group for the period from acquisition date to 30 June 2020. On the basis of these results, had the business been acquired on 1 July 2019, the contribution to the Group for revenue and EBIT is estimated at \$998,012 and \$141,842 respectively.

HC Medical - Cosmetic Clinic contributed revenue of \$581,017 and EBIT of \$117,188 to the Group for the period from acquisition date to 30 June 2020. On the basis of these results, had the business been acquired on 1 July 2019, the contribution to the Group for revenue and EBIT is estimated at \$1,427,196 and \$287,858 respectively.

The COVID-19 pandemic resulted in all clinics closing from end of March 2020 to mid-May 2020 in line with government guidance, dependent on the State. With regards to the estimation of annual results, the estimated amounts are based on actual results and have not been normalised for the impact of lost trade, JobKeeper subsidies received and JobKeeper top ups paid.

\*EBIT has been stated in place of NPAT for business combinations revenue and profit contribution as finance costs and income tax are attributable only to the Consolidated/Parent entity and are not calculated at an individual clinic level.

	FY20 \$'000	FY19 \$'000
<b>Outflow of cash to acquire business, net of cash acquired</b>		
Cash consideration	4,071	5,605
	<b>4,071</b>	<b>5,605</b>
<b>Total outflow of cash to acquire business, net of cash acquired</b>	<b>4,071</b>	<b>5,605</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 9 BUSINESS COMBINATIONS (CONTINUED)

#### b) Acquisition of Telstra licensed stores

Fone Zone Pty Ltd (a subsidiary of Vita Group Limited) acquired the business assets and certain liabilities of the following Telstra Licensed Stores.

Location	Settlement date
Telstra Licensed Store Whitsundays	1 August 2019
Telstra Licensed Store Lismore	28 February 2020

All acquisitions were individually immaterial and have been aggregated for disclosure purposes.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	\$'000
<b>Purchase consideration</b>	
Purchase consideration	3,475
<b>Total purchase consideration</b>	<b>3,475</b>

The assets and liabilities recognised are as follows:

	Fair value \$'000
Inventories	128
Other assets	17
Plant and equipment	91
Right of use asset	230
Deferred tax asset	24
Lease liability	(209)
Provisions	(72)
Employee benefit liabilities	(9)
Deferred tax liability	(6)
<b>Net identifiable assets acquired</b>	<b>194</b>
Add: goodwill	3,281
<b>Net assets acquired</b>	<b>3,475</b>

#### Goodwill

Goodwill is primarily related to the expected future profitability of the acquired business. Goodwill has been allocated to cash generating units at 30 June 2020. It is not expected to be deductible for tax purposes except on subsequent disposal.

#### Acquisition related costs

Acquisition-related costs of \$40,613 representing stamp duty and legal fees on the transfer of the business is included in other expenses in the consolidated 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 no interest in future trailing income related to pre-acquisition activity by these stores with a fair value of nil. The gross contractual amount for the interest in future income is estimated at nil.



## 9 BUSINESS COMBINATIONS (CONTINUED)

### b) Acquisition of Telstra licensed stores (continued)

#### *Revenue and profit contribution\**

The acquired businesses contributed revenues of \$6,699,933 and EBIT of \$731,182 to the Group for the period from acquisition date to 30 June 2020.

On the basis of trading results from the date of acquisition to the end of the reporting period, had the businesses been acquired on 1 July 2019, the contribution to the Group for revenue and EBIT is estimated at \$10,301,270 and \$1,274,546 respectively.

\*EBIT has been stated in place of NPAT for business combinations revenue and profit contribution as finance costs and income tax are attributable only to the Consolidated/Parent entity and are not calculated at an individual store level.

	FY20 \$'000	FY19 \$'000
<b>Cash flow information</b>		
<b>Outflow of cash to acquire business, net of cash acquired</b>		
Cash consideration	3,475	-
<b>Total outflow of cash to acquire business, net of cash acquired</b>	3,475	-

## 10 TRADE AND OTHER PAYABLES

	FY20 \$'000	FY19 \$'000
<b>Current</b>		
Trade payables	37,244	39,169
Other payables and accruals	30,322	33,767
Income in advance	4,830	3,631
Annual leave accrual	6,493	6,786
<b>Total current trade and other payables</b>	78,889	83,353
<b>Non-current</b>		
Straight-line rent accrual	-	2,407
<b>Total non-current trade and other payables</b>	-	2,407
<b>Total trade and other payables</b>	78,889	85,760

#### *Recognition and measurement*

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

#### *Fair value*

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

#### *Wages, salaries, annual leave and bonuses*

Liabilities for wages and salaries including non-monetary benefits, expected to be settled within 12 months of the reporting period are recognised in other payables and accruals in respect of employees' services up to the reporting date. Liabilities in relation to bonuses are recognised in other payables and accruals where contractually obliged or where there is a past practice that has created a constructive obligation.

Liabilities for annual leave are recognised in annual leave accrued in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulated sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 11 PROVISIONS

	FY20			FY19		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Employee benefits	1,478	2,119	3,597	1,281	2,089	3,370
Legal provision	298	-	298	-	-	-
Make good provision	2,964	3,076	6,040	2,305	2,026	4,331
Onerous lease provision	-	-	-	630	282	912
<b>Total provisions</b>	<b>4,740</b>	<b>5,195</b>	<b>9,935</b>	<b>4,216</b>	<b>4,397</b>	<b>8,613</b>

	Make good provision \$'000	Onerous lease provision \$'000	Total \$'000
<b>Movement in provisions:</b>			
Carrying amount at start of year	4,331	912	5,243
Adjustment on the adoption of AASB 16	-	(856)	(856)
Acquired through business combination	383	-	383
Additional provisions recognised	1,922	75	1,997
Unused amounts reversed	(317)	(32)	(349)
Amounts used during the year	(662)	(100)	(762)
Unwinding of discount	383	1	384
<b>Carrying amount at end of year</b>	<b>6,040</b>	<b>-</b>	<b>6,040</b>

#### Recognition and measurement

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

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

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

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

#### Employee benefits

The current employee benefits provision represents the unconditional entitlements to long service leave where the employee has completed their required service period. The non-current provision for employee benefits represents conditional long service leave entitlements and employee entitlements expected to be settled outside 12 months. Liabilities for long service leave are measured at the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

#### Make good provision

The Group is required to restore the leased premises of its retail stores, technology business centres, clinics and head office to their original condition at the end of the respective lease terms. The Group estimates its liability to provide for the restoration by reference to historical data and by specific estimates on a premise-by-premise basis. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of the right-of-use asset and are amortised over the shorter of its estimated useful life and the lease term. Assumptions used to calculate the provision were based on current assessments of the timing of the restoration liability crystallising and on current restoration costs.

## 11 PROVISIONS (CONTINUED)

### Recognition and measurement (continued)

#### *Onerous lease provision*

AASB 16 *Leases* came into effect on 1 July 2019 and replaced existing lease guidance (see Note 29). In applying AASB 16 the Group has elected to use the practical expedient permitted by the Standard whereby reliance was placed on previous assessments on whether the leases are onerous as an alternative to performing an impairment review on the right-of-use asset at 1 July 2019. Impairment has been recognised for leases previously classified as onerous at 30 June 2019.

To the extent leases have not been recognised as lease liabilities as permitted by AASB 16, the Group has made an estimate of residual lease commitments for underperforming sites where a decision has been made to close the site or where the site has been exited prior to the end of the lease. A provision has been recognised for the present value of the estimated commitment.

#### *Litigation provision*

The Group has provided for the expected costs of litigation in regards to a breach of restraint of trade provision in a Business Sale Agreement.

## 12 CONTRACT AND OTHER LIABILITIES

	FY20 \$'000	FY19 \$'000
<b>Current</b>		
Contract liability	868	594
Contingent consideration	1,327	1,206
<b>Total contract and other liabilities</b>	<b>2,195</b>	<b>1,800</b>
<b>Non-current</b>		
Contingent consideration	2,571	1,166
<b>Total non-current contract and other liabilities</b>	<b>2,571</b>	<b>1,166</b>
<b>Total contract and other liabilities</b>	<b>4,766</b>	<b>2,966</b>

### Recognition and measurement

#### *Unearned revenue*

The Group recognises a contract liability where amounts are received in advance of the Group satisfying its performance obligation and may be refundable where performance obligations are not satisfied.

#### *Contingent consideration*

The Group has agreed contingent consideration arrangements with acquired clinics in the SHAW segment; being earn-outs payable in the event that certain pre-determined revenue targets are achieved within specified timeframes, and in relation to Clear Complexions, an option to obtain a five per cent interest in Artisan Aesthetics Group Pty Ltd for nominal consideration. Due to the variable nature of the option, this has been classified as a financial liability accounted for at fair value through the consolidated statement of comprehensive income.

Fair values have been determined based on a discounted assumed probability of achievement to the revenue targets for the earn-outs, and using an option pricing model for the option. The inputs used for both models have been classified as level 3 fair values due to the use of non-observable inputs.

These fair values are reviewed at each reporting period with any changes recognised in the consolidated statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 13 DEFERRED TAX ASSET

	FY20 \$'000	FY19 \$'000
<b>Deferred income tax in the consolidated balance sheet relates to the following:</b>		
Provisions	(81)	2,112
Inventory	734	665
Provision for employee benefits	3,027	3,047
Onerous lease provision	1,901	1,573
Income in advance	377	178
Contract liability	260	55
Lease liability	13,297	-
Share issue costs	-	35
Plant and equipment	(11,280)	774
Intangible assets	583	318
<b>Net deferred tax assets</b>	<b>8,818</b>	<b>8,757</b>

	FY20 \$'000	FY19 \$'000
<b>Movement in deferred tax assets</b>		
Opening balance	8,757	6,935
<b>Debited/(credited):</b>		
- to profit or loss	(639)	2,076
- directly to equity	605	-
- acquisitions	95	(254)
<b>Balance at 30 June</b>	<b>8,818</b>	<b>8,757</b>

#### Recognition and measurement

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

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of 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.

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.

### 13 DEFERRED TAX ASSET (CONTINUED)

#### Recognition and measurement (continued)

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.

### 14 CASH AND CASH EQUIVALENTS

	FY20 \$'000	FY19 \$'000
<b>Cash at bank and on hand</b>	<b>36,813</b>	<b>26,672</b>
<b><i>Reconciliation of net profit after tax to net cash flows from operations</i></b>		
Profit for the year	22,407	24,282
<i>Adjustments for</i>		
Depreciation	25,262	8,413
Amortisation	2,307	2,599
Impairment of goodwill	1,046	-
Government grant accrued income	(3,902)	-
Share-based payments expense	571	530
Doubtful debt provision	292	(675)
Inventory obsolescence provision	286	179
Make good provision	(883)	(626)
Onerous lease provision	(57)	(833)
Litigation provision	298	-
Contingent consideration	1,626	(4)
Net (profit)/loss on disposal of plant and equipment	53	(8)
(Profit) on store divestment	(1,114)	(387)
Lease liability interest	2,254	-
Unwinding of discount: make good provision	61	(61)
Unwinding of discount: onerous lease provision	1	29
Unwinding of discount: contingent consideration	383	35
<i>Change in operating assets and liabilities:</i>		
(Increase) in trade and other receivables	(3,210)	(1,752)
(Increase) in inventory	(371)	(4,866)
(Increase) decrease in contract assets	176	(99)
(Increase) decrease in prepayments	885	(217)
Decrease/(increase) in deferred tax assets	639	(2,076)
(Decrease) increase in current tax liability	(1,667)	(1,180)
(Decrease) increase in trade, other payables and accruals	(4,610)	15,708
Increase/(decrease) in income in advance	1,198	(373)
(Decrease) increase in contract and other liabilities	(1,220)	(1,920)
(Decrease) increase in provisions	(1,564)	1,963
<b>Net cash inflow from operating activities</b>	<b>41,147</b>	<b>38,661</b>

During the year, the Group acquired a number of Skin-Health and Wellness clinics (refer to Note 9). The purchase consideration included contingent payment arrangements amounting to \$1,247,569 (FY19: \$1,810,792) and deferred consideration of nil (FY19: \$32,500), as at acquisition date. The initial recognition of these liabilities and the subsequent unwinding of the discount of \$61,439 (FY19: \$34,538) are non-cash transactions excluded from the statement of cash flows.

#### Recognition and measurement

Cash and cash equivalents in the balance sheet comprise cash at bank, cash on 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

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 15 INTEREST BEARING LOANS AND BORROWINGS

	FY20 \$'000	FY19 \$'000
<b>Current</b>		
Obligations under chattel mortgage	4,509	406
Term debt	4,651	5,290
<b>Total current debt</b>	<b>9,160</b>	<b>5,696</b>
<b>Non-current</b>		
Obligations under chattel mortgage	2,358	191
Term debt	1,204	2,761
<b>Total non-current debt</b>	<b>3,562</b>	<b>2,952</b>
<b>Total debt</b>	<b>12,722</b>	<b>8,648</b>

Current interest bearing loans and borrowings mature during the year ended 30 June 2021, non-current interest bearing loans and borrowings mature after 30 June 2021. All loans and borrowings are denominated in Australian Dollars.

#### *Chattel mortgages*

The chattel mortgages are secured by a charge over the specific assets being financed. The value of assets under chattel mortgage is \$7,384,209 (FY19: \$679,337).

#### *Term debt*

The interest rate and facility fee charged on the term debt at 30 June 2020 was between 1.54% and 2.56% (FY19: 2.56% and 2.67%).

The Group's loan and lease facilities are secured under the Group's Deed of Cross Guarantee, detailed in Note 20.

#### *Fair values*

The fair values have been calculated by discounting the expected future cash flows at prevailing risk adjusted market interest rates at 1.54% (FY19: 2.56%).

	2020		2019	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Obligations under chattel mortgage	6,867	6,763	597	582
Term debt	5,855	5,748	8,051	7,783
<b>Balance at 30 June</b>	<b>12,722</b>	<b>12,511</b>	<b>8,648</b>	<b>8,365</b>

Fair value of debt has been estimated by reference to interest rates in active markets and are categorised within Level 1 of the fair value hierarchy.

#### *Interest rate and liquidity risk*

Details regarding interest rate and liquidity risk are disclosed in Note 17.

#### *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. The facilities are subject to financial and reporting covenants.

The Group has an asset finance facility with the Bank of Queensland for the acquisition of equipment in the SHAW segment.

At balance sheet date, the Group has available approximately \$19.3 million (FY19: \$23.4 million) of unused master asset finance facilities available for its immediate use. The Group also has access to an unused overdraft facility of \$3.0 million (FY19: \$3.0 million).

## 15 INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

### *Recognition and measurement*

#### *Loans and borrowings*

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

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

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

#### *Borrowing costs*

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

## 16 DIVIDENDS PAID AND PROPOSED

### *Declared and paid during the year*

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

	FY20 \$'000	FY19 \$'000
Final dividend for FY19 4.0 cents per share (FY18: 4.4)	6,485	7,057
Interim dividend for FY20 nil cents per share (FY19: 5.2)	-	8,397
<b>Total dividends provided and paid</b>	<b>6,485</b>	<b>15,454</b>

### *Dividends not recognised at the end of the reporting period*

In addition to the above dividends, since year-end the Directors have determined to pay a final dividend of 2.4 cents per share (FY19: 4.0), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividends expected to be paid in September 2020 out of retained earnings at 30 June 2020 but not recognised as a liability at year end, is \$3,930,157.

	FY20 \$'000	FY19 \$'000
<b>Total dividends not recognised as a liability at year end</b>	<b>3,930</b>	<b>6,485</b>

### *Franking dividends*

The franked portions of the final dividends approved after 30 June 2020 will be fully franked out of existing franking credits, or franking credits arising from the payment of income tax in the year ending 30 June 2021.

Franking credits available for subsequent financial years based on a tax rate of 30% (FY19: 30%):

	FY20 \$'000	FY19 \$'000
<b>Franking credits remaining at balance sheet date</b>	<b>69,783</b>	<b>62,043</b>

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 the 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 \$1,684,353 (FY19 \$2,793,304).



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

#### 17 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise lease liabilities, term debt, 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 year, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group is not exposed to commodity and equity price risks.

##### Market risk

The Group's exposure to market risk is concentrated in changes of market interest rates, primarily on the Group's debt obligations that have floating interest rates.

##### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate and the Group's policy is to manage its interest cost using a mix of fixed and variable borrowings. The level of debt is disclosed in Note 15.

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

	FY20 \$'000	FY19 \$'000
<b>Financial assets</b>		
Cash	36,813	26,672
<b>Total financial assets</b>	<b>36,813</b>	<b>26,672</b>
<b>Financial liabilities</b>		
Term debt	2,618	7,387
<b>Total financial liabilities</b>	<b>2,618</b>	<b>7,387</b>
<b>Net asset/(exposure)</b>	<b>34,195</b>	<b>19,285</b>

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2020, 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:	FY20 \$'000	FY19 \$'000
+ 1% (100 basis points)	239	135
- 1% (100 basis points)	(239)	(135)

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

##### Credit risk

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

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses using a provision matrix, as these items do not have a significant financing component (refer to Note 4).

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

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.



## 17 FINANCIAL RISK MANAGEMENT (CONTINUED)

### *Credit risk (continued)*

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's treasury management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayment and interest resulting from recognised financial assets and liabilities as at 30 June 2020 other than lease liabilities which are disclosed in Note 7. 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 2020.

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

	1 year or less \$'000	1 - 5 years \$'000	Over 5 years \$'000	Total contractual flows \$'000	Carrying Amount \$'000
<b>Financial assets</b>					
At 30 June 2020					
Trade and other receivables	25,027	-	-	25,027	29,264
<b>Total financial assets</b>	<b>25,027</b>	<b>-</b>	<b>-</b>	<b>25,027</b>	<b>29,264</b>
At 30 June 2019					
Trade and other receivables	19,907	250	-	20,157	22,277
<b>Total financial assets</b>	<b>19,907</b>	<b>250</b>	<b>-</b>	<b>20,157</b>	<b>22,277</b>
<b>Financial liabilities</b>					
At 30 June 2020					
Trade and other payables	37,244	-	-	37,244	67,566
Borrowings	9,345	3,572	-	12,917	12,722
Contingent consideration	1,425	2,875	-	4,300	3,898
<b>Total financial liabilities</b>	<b>48,014</b>	<b>6,447</b>	<b>-</b>	<b>54,461</b>	<b>84,186</b>
At 30 June 2019					
Trade and other payables	39,169	-	-	39,169	72,936
Borrowings	5,865	2,982	-	8,847	8,648
Contingent consideration	3,118	860	-	3,978	2,372
<b>Total financial liabilities</b>	<b>48,152</b>	<b>3,842</b>	<b>-</b>	<b>51,994</b>	<b>83,956</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 18 IMPAIRMENT TESTING OF GOODWILL

Goodwill is allocated to the following cash-generating units (CGU's) or groups of CGU's, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises.

<i>Goodwill CGU</i>	<b>FY20 \$'000</b>	<b>FY19 \$'000</b>
Information and Communication Technology (ICT)	87,228	85,779
Skin-Health and Wellness (SHAW)	22,530	18,610
<b>Balance at 30 June</b>	<b>109,758</b>	<b>104,389</b>

#### *Determination of CGU's*

In ICT, although CGU's have currently been defined as individual stores, being the lowest levels at which cash flows can be independently ascertained for the purposes of discounting future cash flows, goodwill itself can be allocated to individual stores or groups of stores, depending on how the CGU's are expected to benefit from the acquisition.

In SHAW, CGU's have been defined based on the underlying business acquired as part of a business combination transaction.

When testing for impairment, the expected future cash flows from individual stores or groups of stores are aggregated and compared to the carrying value of goodwill to evaluate whether there is any impairment.

The identification of CGU's are reviewed periodically and may be updated to reflect changes in the distribution methods and profitability measures of the Group as required.

#### *Key assumptions used for value-in-use calculations*

The recoverable amounts of the CGU's were determined based on value-in-use calculations, reflecting management budgets for the first year and longer range projections for years two to five. Cash flows beyond the five-year period are extrapolated using suitable growth rates determined by management. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates.

The Group has developed robust growth and cost assumptions based on a long-term plan. For ICT, the assumptions are consistent with the previous period and represent management's current projected growth expectations following on from FY20's achievements. In determining such assumptions, factors such as competitive dynamics and the evolving maturity of stores were all contemplated. In SHAW, assumptions represent management's current projected growth expectations based on FY20 performance, industry growth rates and the evolving maturity of individual clinics. The Group has not assumed any economic impact relating to COVID-19 including government assistance packages in its growth expectations.

The inputs used have been classified as level three fair values due to the use of non-observable inputs.

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

	<b>FY20</b>	<b>FY19</b>
<b>ICT</b>		
Revenue	0.0%	0.2%
Cost of goods sold	0.0%	0.5%
Operating expenses	1.2%	1.6%
Pre-tax weighted average cost of capital (WACC)	8.7%	7.6%
Terminal growth rate	2.0%	2.0%
<b>SHAW</b>		
Revenue	13.8%	7.0%
Cost of goods sold	13.4%	6.3%
Operating expenses	12.8%	5.1%
Pre-tax weighted average cost of capital (WACC)	8.7%	7.6%
Terminal growth rate	2.0%	2.0%

The recoverable amount of the Group's goodwill currently exceeds its carrying value.

## 19 PARENT ENTITY DISCLOSURES

	FY20 \$'000	FY19 \$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Profit/(loss) for the year	196	33
<b>Total comprehensive income for the year</b>	<b>196</b>	<b>33</b>
<b>Statement of financial position</b>		
Current assets	48,595	53,659
Non-current assets	21,062	21,071
<b>Total assets</b>	<b>69,657</b>	<b>74,730</b>
Current liabilities	-	1,317
<b>Total liabilities</b>	<b>-</b>	<b>1,317</b>
<b>Net assets</b>	<b>69,657</b>	<b>73,413</b>
<b>Total equity of the parent comprising of:</b>		
Share capital	52,828	50,867
Reserve		
Share-based payments	1,284	713
Retained earnings	15,545	21,833
<b>Total equity</b>	<b>69,657</b>	<b>73,413</b>

During the financial year ended 30 June 2020, Vita Group Limited declared and paid fully franked dividends of \$6,484,589.

### **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.

	FY20 \$'000	FY19 \$'000
<b>Guarantees held for:</b>		
Leasing commitments	1,086	2,364
<b>Total guarantees held</b>	<b>1,086</b>	<b>2,364</b>

There were no other contingencies as at reporting date (FY19: 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 20.

### **Capital commitments**

The parent entity had not committed to any capital commitments at reporting date (FY19: nil).

### **Recognition and measurement**

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

#### *Investments in subsidiaries, associates and joint venture entities*

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 19 PARENT ENTITY DISCLOSURES (CONTINUED)

#### Recognition and measurement (continued)

##### 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.

##### Taxation

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

### 20 RELATED PARTY DISCLOSURES

#### Controlled Entities

Name	Country of incorporation	Percentage of Equity Interest Held	
		FY20 %	FY19 %
Fone Zone Pty Ltd	Australia	100	100
Communique Holdings Pty Ltd	Australia	100	100
Next Byte Holdings Pty Ltd	Australia	100	100
Vita People Pty Ltd	Australia	100	100
SQD Global Pty Ltd	Australia	100	100
Artisan Aesthetics Group Pty Ltd	Australia	100	100
System 7 Laboratories Pty Ltd	Australia	100	100
Cosmedcloud Pty Ltd	Australia	100	100
<b>Subsidiaries of Fone Zone Pty Ltd:</b>			
The Mobile Phone Shop Pty Ltd	Australia	100	100
One Zero Communications Pty Ltd	Australia	100	100
One Xerro TLS (Bundaberg) Pty Ltd	Australia	100	100
Geek Squad Pty Ltd	Australia	100	100
Artisan Corporation Pty Ltd	Australia	100	100
Computer Geek Squad Pty Ltd	Australia	100	100
One Zero TCS (Warwick) Pty Ltd	Australia	100	100
Tribal Accessories Pty Ltd	Australia	100	100
Camelon ICT Solutions Pty Ltd	Australia	100	100
Kel 2000 Pty Ltd	Australia	100	100
Kel 2010 Pty Ltd	Australia	100	100
TCB Comms Pty Ltd	Australia	100	100
Kan Tel Pty Ltd	Australia	100	100
Sales Comms Pty Ltd	Australia	100	100
<b>Subsidiaries of Communique Holdings Pty Ltd:</b>			
Sprout Corporation Pty Ltd	Australia	100	100
<b>Subsidiaries of Next Byte Holdings Pty Ltd:</b>			
Next Byte Pty Ltd (As trustee for Next Byte Unit Trust)	Australia	100	100
Next Byte Unit Trust	Australia	100	100
<b>Subsidiaries of Artisan Aesthetics Group Pty Ltd:</b>			
VTG CC Pty Ltd	Australia	100	100
VTG Artisan Pty Ltd	Australia	100	100

The above entities are providers of Information & Communications Technology products, services and accessories, men's active and lifestyle apparel, medical grade skincare treatments and products.

## **20 RELATED PARTY DISCLOSURES (CONTINUED)**

### ***Deed of cross guarantee***

#### ***Entities subject to class order relief***

Pursuant to ASIC Corporations (wholly-owned companies) Instrument 2016/785, relief has been granted to Fone Zone Pty Ltd, Next Byte Holdings Pty Ltd and Next Byte Pty Ltd from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

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

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

#### ***Closed Group Class Order Disclosures***

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

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

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

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

### ***Other related party transactions***

During the year Vita Group Limited has received from and provided to its wholly owned subsidiaries, interest free loans.

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

Financial guarantees held by the parent on behalf of other Group entities are detailed in Note 19.

Key Management Personnel disclosures for the Group are detailed in Note 28.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

#### 21 COMMITMENTS AND CONTINGENCIES

##### *Lease commitments - Group as lessee*

The Group has entered into commercial leases for the rental of various items of equipment. These are accounted for as short-term leases and not capitalised under AASB 16 (refer to Note 7 for leases capitalised under AASB 16).

There are no restrictions placed upon the lessee by entering into these leases. On renewal, the terms of the leases are renegotiated. Under the terms of certain computer equipment 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:

	FY20 \$'000	FY19 \$'000
Within one year	63	12,968
Later than one year but not later than five years	5	23,431
Later than five years	-	2,349
<b>Total operating lease commitments</b>	<b>68</b>	<b>38,748</b>

##### *Capital commitments*

Capital expenditure relating to store refits contracted for at the reporting date but not recognised as liabilities amounted to \$853,877 (FY19: nil).

##### *Contingencies*

###### *Contingent liability*

The Group is currently subject to a Goods and Services Tax (GST) review by the Australian Tax Office (ATO), which is disputing certain input credits claimed by Vita for the period FY16 to the current financial year. The Group has obtained technical advice from independent GST tax advisors and the expert opinion of a GST barrister, and believe the correct amount of GST has been remitted. As such, the Group considers it to be probable that the judgement will be in its favour and therefore has not recognised a provision in relation to this dispute. The potential undiscounted amount of the total payments the Group could be required to make if there was an adverse decision is estimated to be approximately \$4.4m at 30 June 2020 plus interest and penalties if applicable.

###### *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.

	FY20 \$'000	FY19 \$'000
Leasing commitments	1,132	2,534
Other supplier arrangements	15,000	15,000
<b>Total guarantees held</b>	<b>16,132</b>	<b>17,534</b>

#### 22 EVENTS OCCURRING AFTER THE REPORTING PERIOD

A contract was entered into by the Group to acquire the business assets of Telstra Licensed Stores Bellerive, Glenorchy and Sorell for a total cash consideration of \$3,500,000 plus an adjustment amount to be determined on completion. Settlement is expected to occur on 31 August 2020.

There have been no other matters or circumstances not otherwise dealt with in this report between the reporting date and the date the financial statements were approved for issue, 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.

## 23 EARNINGS PER SHARE

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

	FY20 \$'000	FY19 \$'000
<b>Profit/(loss) attributable to the ordinary equity holders of the parent</b>	<b>22,407</b>	<b>24,282</b>
	<b>Thousands</b>	<b>Thousands</b>
Weighted average number of ordinary shares for basic earnings per share	163,483	161,456
<i>Adjustments for calculation of diluted earnings per share:</i>		
Weighted average number of performance rights for diluted earnings per share	2,056	1,723
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>165,539</b>	<b>163,179</b>
Basic earnings per share (cents)	13.71	15.04
Diluted earnings per share (cents)	13.54	14.88

### Recognition and measurement

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

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Performance rights granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share.

## 24 CONTRIBUTED EQUITY, RESERVES AND RETAINED EARNINGS

	FY20 \$'000	FY19 \$'000
<b>Contributed equity</b>		
<b>Ordinary shares</b>		
Ordinary shares		
<b>Issued and fully paid</b>	<b>43,017</b>	<b>41,056</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 24 CONTRIBUTED EQUITY, RESERVES AND RETAINED EARNINGS (CONTINUED)

<i>Movements in contributed equity:</i>	Number of shares	\$'000
At 1 July 2018	160,391,036	38,925
<b>Dividend reinvestment plan:</b>		
1,086,751 new shares issued at \$1.0825 per share	1,086,751	1,177
636,932 new shares issued at \$1.4983 per share	636,932	954
<b>At 30 June 2019</b>	<b>162,114,719</b>	<b>41,056</b>
<b>Dividend reinvestment plan:</b>		
1,641,804 new shares issued at \$1.1942 per share	1,641,804	1,961
<b>At 30 June 2020</b>	<b>163,756,523</b>	<b>43,017</b>

#### Share-based payments reserve

The share-based payment reserve is used to recognise the grant date fair value of performance rights issued.

<i>Movements in share-based payments reserve:</i>	FY20 \$'000	FY19 \$'000
At 1 July	713	183
Performance rights expense	571	530
<b>At 30 June</b>	<b>1,284</b>	<b>713</b>

#### Retained earnings

<i>Movements in retained earnings:</i>	FY20 \$'000	FY19 \$'000
Opening balance	67,457	58,629
Adjustment on adoption of AASB 16 (net of tax)	(1,410)	-
<b>Restated at 1 July</b>	<b>66,047</b>	<b>58,629</b>
Net profit for the period	22,407	24,282
Dividends	(6,485)	(15,454)
<b>At 30 June</b>	<b>81,969</b>	<b>67,457</b>

#### 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 and the flexibility to deliver on the Group's strategic goals.

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 FY20, dividends of \$6,484,589 were paid to shareholders (FY19: \$15,454,051).

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 2020 and 2019 were as follows:

	FY20 \$'000	FY19 \$'000
Total borrowings*	12,722	8,648
Less: Cash and cash equivalents and short term investments	(36,813)	(26,672)
<b>Net debt</b>	<b>(24,091)</b>	<b>(18,024)</b>
Total equity	126,270	109,226
<b>Net debt plus equity</b>	<b>102,179</b>	<b>91,202</b>
<b>Net debt / (Net debt plus equity) ratio</b>	<b>(23.6%)</b>	<b>(19.8%)</b>

\* Total borrowings comprise interest bearing loans and borrowings and excludes lease liabilities

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

#### Contributed equity

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



## 25 SHARE-BASED PAYMENTS

### *Executive performance rights*

As disclosed in the Directors Report, the Group has established the Vita Group Executive Performance Rights Plan (Plan) to assist in the retention and motivation of Key Management Personnel (KMP) of Vita Group (Participants). Refer to Note 28 for details of KMPs. The Plan is settled in equity.

Under the Plan, performance rights may be offered to Participants selected by the Board. Unless otherwise determined by the Board, no payment is required for the grant of performance rights under the Plan.

Each performance right represents an option to subscribe for one share and has a nil exercise price. Upon the exercise of a performance right by a Participant, each share issued will rank equally with other shares of the Company.

Performance rights under this scheme will vest if certain conditions, as specified in the Plan, are met. Assessment is based on achievement against relative Total Shareholder Return (TSR) compared to the S&P ASX 300 Index.

Performance rights issued under the Plan may not be transferred unless approved by the Board. The table below summarises performance rights granted under the plan. No performance rights were exercisable at 30 June 2020, however following the completion of the FY19 Plan A performance period on June 30, the Board have subsequently measured the degree of satisfaction of the conditions of the plan and have approved the exercising of 441,210 performance rights in August 2020.

#### *Number of performance rights*

	Opening balance	Granted during the year	Exercised during the year	Forfeited during the year	Closing balance
<b>FY20</b>					
Number of rights outstanding	1,723,197	496,701	-	(178,457)	2,041,441
	<b>1,723,197</b>	<b>496,701</b>	<b>-</b>	<b>(178,457)</b>	<b>2,041,441</b>
<b>FY19</b>					
Number of rights outstanding	178,457	1,544,740	-	-	1,723,197
	<b>178,457</b>	<b>1,544,740</b>	<b>-</b>	<b>-</b>	<b>1,723,197</b>

#### *Fair value of performance rights granted*

The fair value of performance rights granted is determined internally using a binomial option pricing model that takes into account the exercise price, the term, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the option.

### *Expenses arising from share-based payment transactions*

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefits expense were as follows:

	FY20 \$'000	FY19 \$'000
Executive performance rights	571	530
<b>Total executive performance rights</b>	<b>571</b>	<b>530</b>

### *Recognition and measurement*

The fair value of performance rights granted under the Plan are recognised as an employee benefit expense with a corresponding increase to the share-based payments reserve.

Fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options (the vesting period).

The fair value is calculated using an option pricing model and excludes the impact of any non-market vesting conditions (for example earnings per share growth targets). Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to become exercisable.

The cumulative expense recognised at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that will ultimately vest. This opinion is based on the best available information at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 25 SHARE-BASED PAYMENTS (CONTINUED)

#### Recognition and measurement (continued)

Estimates are revised if there is any indication that the number of performance rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if performance rights ultimately exercised are different to that estimated on vesting.

### 26 INCOME TAX

	Notes	FY20 \$'000	FY19 \$'000
The major components of income tax expense are:			
<i>Current income tax:</i>			
Current tax on profits for the year		10,936	12,071
Adjustments for current tax of prior periods		(203)	(194)
<i>Deferred income tax</i>			
Relating to origination and reversal of temporary differences	13	639	(2,076)
<b>Income tax expense reported in the statement of comprehensive income</b>		<b>11,372</b>	<b>9,801</b>
Income tax expense is attributable to:			
Profit from continuing operations		11,372	9,801
<b>Income tax expense reported in the statement of comprehensive income</b>		<b>11,372</b>	<b>9,801</b>
A reconciliation between tax expense and the profit before income tax multiplied by the Group's applicable income tax rate is as follows:			
<b>Profit before income tax</b>		<b>33,779</b>	<b>34,083</b>
At the Group's statutory income tax rate of 30% (FY19: 30%)		10,134	10,225
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:			
Other items		1,687	209
<b>Accounting expenses not deductible for income tax purposes</b>		<b>1,687</b>	<b>209</b>
Adjustments for current tax of prior periods		(203)	(194)
Tax effect of use of capital losses		(548)	-
Adjustments for deferred tax of prior periods		302	(439)
<b>Aggregate income tax expense</b>		<b>11,372</b>	<b>9,801</b>

Note 13 provides information on deferred tax assets and liabilities.

### 27 AUDITOR'S REMUNERATION

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

	FY20 \$	FY19 \$
Amounts received or due and receivable by Grant Thornton for:		
Audit or review of the financial report of the entity and any other entity in the consolidated Group	206,000	190,000
Other assurance services	7,000	7,000
Other services in relation to the entity and any other entity in the consolidated Group:		
Tax compliance and consulting services	106,000	55,850
<b>Total auditor remuneration</b>	<b>319,000</b>	<b>252,850</b>

## 28 DIRECTOR AND EXECUTIVE DISCLOSURES

### *Details of Key Management Personnel*

#### (i) Directors

Dick Simpson	Independent Non-Executive Chairman
Maxine Horne	Chief Executive Officer
Neil Osborne	Independent Non-Executive Director
Robyn Watts	Independent Non-Executive Director (resigned 24 October 2019)
Paul Wilson	Independent Non-Executive Director
Paul Mirabelle	Independent Non-Executive Director

#### (ii) Executives

Andrew Leyden	Chief Financial Officer
Kendra Hammond	Chief People Officer
Mark Anning	Group Company Secretary and General Counsel (resigned 19 July 2019)
Peter Connors	Chief Operations Officer

Mark Anning resigned from the position of Group Company Secretary and General Counsel on 19 July 2019. George Southgate has been appointed as Group Company Secretary however will not form part of KMP going forward. There were no other changes in KMP during this year.

### *Compensation of CEO and Executives*

	FY20 \$	FY19 \$
Short-term employee benefits	3,956,202	3,218,921
Post-employment benefits	70,787	95,834
Long-term benefits	563,231	734,878
Termination benefits	220,509	-
<b>Total compensation</b>	<b>4,810,729</b>	<b>4,049,633</b>

Detailed remuneration disclosures are provided in the Remuneration Report on page 8 to 18.

### *Compensation options: granted during the year*

During the financial year no share options were granted as equity compensation benefits (FY19: nil).

### *Executive performance rights: granted during the year*

During the financial year 496,701 performance rights were granted (FY19: 1,544,740), refer to Note 25 for further information.

### *Executive performance rights: forfeited during the year*

During the financial year 178,457 performance rights were forfeited (FY19: nil), refer to Note 25 for further information.

### *Loans to Key Management Personnel*

There were no loans provided to KMP during the financial year (FY19: nil).

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

Details of other transactions with KMP are in Note 20 Related party disclosure.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

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## 29 SUMMARY OF OTHER ACCOUNTING POLICIES

### *Corporate Information*

The financial report of the Group for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of directors on 21 August 2020. The Directors have the power to amend and reissue the financial statements. The Group is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

### *Basis of preparation*

#### *Statement of compliance*

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board.

#### *Basis of measurement*

The financial report has been prepared on the 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. Vita Group Limited is a for-profit entity for the purpose of preparing the financial statements. Vita Group Limited is the Group's ultimate Parent company.

Comparative information has been restated where applicable to enhance comparability.

#### *Going Concern*

At 30 June 2020, the Group had a net profit of \$22.4 million (FY19: \$24.3 million) and the Group had current liabilities in excess of current assets at 30 June 2020 amounting to \$17.5 million (FY19: \$19.4 million). The net current liability position includes the current portion of income in advance of \$4.8 million (FY19: \$3.6 million) which represents deferred income 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 Director's believe the unused facilities of \$19.3 million (FY19: \$23.4 million) (as detailed in Note 15) and forecast net cash inflows from operating activities are sufficient to cover current liabilities of the Group (FY20 actual cash inflows from operating activities: \$41.2 million). The Director's believe the use of the going concern basis of accounting is appropriate and supportable.

### *Summary of significant accounting policies*

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, except as described below. Where there is reference to individual line items in the financial statements, the accounting policy information as well as information about critical accounting estimates and judgements are now included in the individual notes to financial statements.

#### *New Standards adopted*

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2019:

#### *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments*

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment* became effective for all years beginning on or after 1 January 2019. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately
- the assumptions an entity makes about the examination of tax treatments by taxation authorities
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- how an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

## **29 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)**

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

#### **Summary of significant accounting policies (continued)**

##### *New Standards adopted (continued)*

##### *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (continued)*

The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, with no uncertainties identified. The Interpretation did not have an impact on the consolidated financial statements of the Group.

##### AASB 16 Leases

The Group has adopted AASB 16 *Leases* from 1 July 2019.

AASB 16 replaces existing lease guidance, including AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and Interpretation 127 *Evaluating the substance of Transactions involving the Legal Form of a Lease*.

The Standard has been adopted from 1 July 2019, resulting in the Group recognising right-of-use assets and related lease liabilities for leases previously classified as operating leases under AASB 117, subject to the practical expedients described below.

The Standard has been applied using the modified retrospective approach, with the cumulative impact of adopting AASB 16 recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Comparative periods have not been restated as permitted under the specific transition provisions in the Standard.

The nature of expenses related to these leases has changed as the Group now recognises an amortisation charge for the right-of-use asset and interest expense for the lease liability.

Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease and assets and liabilities only to the extent there was a timing difference between actual lease payments and the expense recognised.

Refer to Note 7 for the current and prior year accounting policy.

In applying AASB 16 the Group has elected to use the following practical expedients permitted by the Standard:

- accounting for leases with a remaining lease term of less than 12 months from 1 July 2019 as short-term leases
- excluding leases for which the underlying asset is of low value from the calculation of lease liabilities
- using hindsight in determining the lease term when considering options to extend and terminate leases
- applying a single discount rate to the portfolio of leases with reasonably similar characteristics
- excluding initial direct costs in the measurement of the right-of-use asset at 1 July 2019
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review on the right-of-use asset at 1 July 2019
- not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group has relied on its assessment made applying AASB 117 and IFRIC 4.

For short-term and low-value leases, the lease expense is accounted for on a straight-line basis over the lease term.

##### *Effect of adoption of AASB 16*

The Group has lease contracts for the rental of store and clinic outlets and head office premises and various items of computer and office equipment.

For leases of store and clinic outlets and head office premises previously classified as operating leases under AASB 117, the adoption of AASB 16 resulted in the recognition of a lease liability and right-of-use asset at the date of initial application. Computer, office equipment and property leases with a remaining lease term of less than 12 months from the date of initial application have been accounted for as short-term leases.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)

### 29 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

#### Basis of preparation (continued)

#### Summary of significant accounting policies (continued)

##### *New Standards adopted (continued)*

The associated right-of-use assets for property leases have been measured on a retrospective basis as if AASB 16 had always been applied. Impairment has been recognised for leases previously classified as onerous at 30 June 2019. The following summarises the impact of transition to AASB 16 on 1 July for right-of-use assets:

<b>Right-of-use assets</b>	<b>\$'000</b>
Carrying value disclosed at 30 June 2019*	-
Remeasurement on retrospective basis as if AASB 16 applied from lease commencement	37,816
Less onerous lease adjustment	(778)
<b>Carrying value of right-of-use assets recognised under AASB 16 as at 1 July 2019</b>	<b>37,038</b>

\* This does not include lease make good assets of \$1,117,701.

Lease liabilities have been measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate of 5% as of 1 July 2019. The following summarises the impact of transition to AASB 16 on 1 July 2019 for lease liabilities:

<b>Lease liabilities</b>	<b>\$'000</b>
Operating lease commitments before discounting	47,076
Discounted using the lessee's incremental borrowing rate at the date of initial application	(4,246)
<b>Carrying value of lease liability recognised under AASB 16 as at 1 July 2019</b>	<b>42,830</b>
<i>Of which are:</i>	
Current lease liabilities	11,135
Non-current lease liabilities	31,695

The following table discloses the impact on opening retained earnings at 1 July 2019:

<b>Opening retained earnings</b>	<b>\$'000</b>
Remeasurement variance on transition	5,014
Pre-AASB 16 lease straight-line provision release	(1,655)
Pre-AASB 16 lease incentive provision release	(1,124)
Other minor adjustments	(220)
Deferred tax impact	(605)
<b>Net reduction to opening retained earnings at 1 July 2019</b>	<b>1,410</b>

The above has no cash effect to the Group and the changes are for financial reporting purposes only.

##### *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

##### *Early adoption of standards*

The Group has elected to apply the following pronouncements before their operative date in the annual reporting period beginning 1 July 2019.

AASB 2020-4 *Amendments to Australian Accounting Standards - COVID-19 Related Rent Concessions* becomes effective from 1 June 2020, with early application permitted for financial statements not authorised for issue at the date this Standard was issued.

This Standard amends AASB 16 to provide a practical expedient permitting lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications. Instead, a lessee accounts for those rent concessions as if they were not lease modifications.

## 29 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)

### ***Basis of consolidation***

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

#### ***Subsidiaries***

Subsidiaries are those entities (including structured groups) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities over the entity. Subsidiaries are fully consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

Investments in subsidiaries held by Vita Group Limited are accounted for at cost in the separate financial statements of the parent entity. The acquisition of subsidiaries is accounted for using the acquisition 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 9).

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

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

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

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

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

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

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

### ***Critical accounting estimates and judgements***

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

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

<i>Note 6</i>	<i>Plant and Equipment</i>	<i>Note 11</i>	<i>Provisions</i>
<i>Note 7, 28</i>	<i>Leasing</i>	<i>Note 12</i>	<i>Contract and other liabilities</i>
<i>Note 8</i>	<i>Intangible Assets and Goodwill</i>	<i>Note 18</i>	<i>Impairment Testing of Goodwill</i>
<i>Note 9</i>	<i>Business Combinations</i>		

The impact of the coronavirus (COVID-19) pandemic is ongoing and it is not practical to estimate the potential impact positive or negative after the reporting date.



## **29 SUMMARY OF OTHER ACCOUNTING POLICIES (CONTINUED)**

### ***Derecognition of financial instruments***

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

### ***Foreign currency translation***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Australian dollars, which is Vita Group Limited's functional and presentation currency.

### ***Rounding of amounts***

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191, issued by ASIC, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with this Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### ***Tax consolidation***

Vita Group Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 2 November 2005. Vita Group Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Vita Group Limited for any current tax payable assumed and are compensated by Vita Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Vita Group Limited under the tax consolidation legislation. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

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

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



In the opinion of the Directors:

- (a) the financial statements and notes set out on pages 21 to 63 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards (including the Australian Accounting Interpretations), and the *Corporations Regulations 2001*, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group 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.

Note 29 confirms that the financial statements also comply with International Financial Reporting Standards.

The Directors have been given the declarations by the chief executive officer 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  
21 August 2020



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# Independent Auditor's Report

## To the Members of Vita Group Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Vita Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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## Key audit matter

## How our audit addressed the key audit matter

### Revenue Recognition - Note 2

The Group's revenue of \$773,098,000 is the largest item in the Statement of Comprehensive Income.

This area is a key audit matter due to the nature of revenue arrangements, the systems and processes used to transact sales and the importance of revenue to stakeholders.

Our procedures included, amongst others:

- Understanding the processes and testing the key controls used by the Group in recording revenue and receivables;
- Assessing the revenue recognition policies for appropriateness and compliance with AASB 15 *Revenue from Contracts with Customers* by selecting a sample of revenue transactions and verifying they were appropriately recognised;
- Comparing revenue data to prior periods (where applicable) to identify trends and making inquiries of Management to obtain an understanding of anomalies; and
- Assessing the adequacy of the Group's disclosures in respect of AASB 15 and the requirements therein.

### Goodwill impairment - Note 8 and 18

As at 30 June 2020, the carrying value of goodwill was \$109,758,000.

The Group is required to perform an annual impairment test of goodwill in accordance with AASB 136 *Impairment of Assets*. This is a key audit matter due to the judgements and estimates required in calculating the recoverable amount on a value-in-use basis.

The value-in-use was determined by management through estimating the future cash inflows and outflows to be derived from the continuing use of the assets and / or their ultimate disposal, and applying the appropriate discount rate to those future cash flows.

Elements of the value-in-use calculations requiring particular attention, due to the extent of uncertainty in estimates and judgements, include:

- The extent to which future cash flows may be impacted by the ongoing economic impact of COVID 19;
- The extent to which the group may receive cash flows from the Job Keeper stimulus program; and
- The determination of an appropriate risk beta in the calculation of the discount rate to account for potential cash flow uncertainties.

Our procedures included, amongst others:

- Considering the application of the requirements of AASB 136 *Impairment of Assets* to the Group's impairment testing methodology and model;
- Assessing the Group's determination of CGUs;
- Making inquiries of management to obtain and document an understanding of their process to assess the risk of impairment;
- Evaluating management's process to determine if it appropriately addresses the risks;
- Verifying the mathematical accuracy and methodology appropriateness of the underlying model calculations;
- Evaluating the cash flow projections and the process by which they were developed by comparing the cash flows to the latest Board approved budgets or strategic plans and assessing the historical accuracy of the budgeting process;
- Assessing the key growth rate assumptions by comparing them to historical results and forecasts;
- Assessing the discount rate by reference to the cost of capital of the Group;
- Performing sensitivity analysis on the key assumptions in the model;
- Consulting with our internal valuation expert to assist in the evaluation of the models, inputs and assumptions; and
- Assessing the adequacy of the Group's disclosures in the financial statements in respect of AASB 136 and the requirements therein.

### AASB 16 Leases – Note 7 and 28

AASB 16 *Leases*, came into effect for the current year and replaces AASB 117 *Leases* and some lease-related interpretations.

This new standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases and requires new and different disclosures about leases.

This is a key audit matter due to the complexities around the accounting requirements, the material nature of the balance, disclosure requirements and judgements required.

Our procedures included, amongst others:

- Evaluating management's detailed financial model, calculations and lease schedules;
- Assessing the treatment of a sample of on-going leases to assess the transitional treatment;
- On a sample of new leases, reviewed the contracts to determine the correct accounting treatment;
- Evaluating the discount rate applied; and
- Assessing the financial statement disclosures in respect of the impact on initial application and at year end and assessed it is adequate.

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

#### Report on the remuneration report

##### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 8 to 18 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Vita Group Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

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.

A stylized, handwritten signature in blue ink that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "CDJ Smith".

CDJ Smith  
Partner – Audit & Assurance  
Brisbane, 21 August 2020

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 August 2020.

**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 the 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 - 1000	1,244	677,249	0.41%
1,001 - 5,000	1,649	4,880,632	2.98%
5,001 - 10,000	833	6,596,516	4.03%
10,001 - 100,000	1,151	32,299,832	19.72%
100,001 and over	6	119,302,294	72.85%
	<b>4,883</b>	<b>163,756,523</b>	<b>99.99%</b>

**Shareholdings of less than a marketable parcel**

Holdings of less than 511 shares	646	168,359	0.10%
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**B. Twenty largest holders of quoted equity securities**

Ordinary Shareholders	Fully paid	
	Number	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	33,706,317	20.58%
FZIC PTY LTD <MCMAHON FAMILY A/C>	19,502,457	11.91%
CITICORP NOMINEES PTY LTD	18,502,417	11.30%
JP MORGAN NOMINEES AUSTRALIA LIMITED	13,802,460	8.43%
MCMAHON SUPERANNUATION PTY LTD <MCMAHON SUPER FUND A/C>	7,120,014	4.35%
NATIONAL NOMINEES LIMITED	2,782,061	1.70%
MISS MAXINE JOAN HORNE	2,765,773	1.69%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	1,728,515	1.06%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,276,646	0.78%
BNP PARIBAS NOMS PTY LTD <DRP>	1,236,565	0.76%
MRS VESNA KRAUS	915,764	0.56%
SANDHURST TRUSTEES LTD <CYAN C3G FUND A/C>	716,550	0.44%
BISHOP FAMILY COMPANY PTY LTD <BISHOP FAMILY A/C>	700,000	0.43%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	524,894	0.32%
MR DAVID FREDERICK OAKLEY	450,000	0.27%
BFA SUPER PTY LTD <GDN SUPER FUND A/C>	440,502	0.27%
DALESAM PTY LTD <JON BRETT SUPER FUND A/C>	438,697	0.27%
TAYLWINDS PTY LTD <TAYLOR SUPER FUND A/C>	433,853	0.26%
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	419,333	0.26%
ABLOSIX PTY LTD	400,000	0.24%
	<b>107,862,818</b>	<b>65.88%</b>

**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 2020 were:

	Fully paid	
	Number held	Percentage
<b>Ordinary Shareholders</b>		
MAXINE HORNE	29,497,716	18.01%
SPHERIA ASSET MANAGEMENT PTY LTD	24,765,021	15.12%
FIRST SENTIER INVESTORS HOLDINGS PTY LTD	11,077,090	6.76%
COMMONWEALTH BANK OF AUSTRALIA	8,262,494	5.05%
CAROL AUSTRALIA HOLDINGS PTY LTD	8,195,160	5.00%
<b>TOTAL</b>	<b>81,797,481</b>	<b>49.94%</b>