Vita Group Limited
ACN 113 178 519
77 Hudson Road
Albion Qld 4010

19 February 2021

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

ELECTRONIC LODGEMENT

Dear Sir or Madam

Vita Group Limited – Financial Results for the half-year ended 31 December 2020

In accordance with Listing Rule 4.2A, please find enclosed for immediate release to the market:

a) Appendix 4D – Half Year Report;

b) Directors Report; and

c) Half-Year Financial Report,

for the half-year ended 31 December 2020.

Vita will conduct an analyst briefing on the half-year results from 8:30am AEST.

This announcement has been authorised for lodgement by VTG's Board of Directors.

For enquiries relating to this announcement, contact:

Andrew Ryan	Rebecca McLeod (Media)
Chief Financial Officer	Chief Strategy and Communication Officer
Mob: 0417 644 756	Mob: 0418 731 255

Yours sincerely

George Southgate
Chief Legal and Risk Officer / Group Company Secretary
Vita Group Limited

APPENDIX 4D

HALF YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

The following sets out the requirements of Appendix 4D with the stipulated information either provided here or cross-referenced to the 31 December 2020 Interim Financial Report, which is attached.

This Appendix 4D and Interim Financial Report should be read in conjunction with the most recent Annual Financial Report.

1. COMPANY DETAILS

Vita Group Limited and its controlled entities (“the Group”)
ABN 62 113 178 519
Reporting period: 31 December 2020
Previous corresponding reporting period: 31 December 2019

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison to previous period	Increase/Decrease	Change %	To $'000
Revenue from continuing operations	Decrease	25%	323,678
Profit from ordinary activities after tax attributable to members	Increase	27%	18,374
Net profit for the period attributable to members	Increase	27%	18,374

Dividend

The board determined to approve a fully-franked interim dividend for FY21 at 5.6 cents per share (31 December 2019: nil).

Record date for determining entitlements to the interim dividend is 26 March 2021. The dividend will be paid on 9 April 2021.

3. NET TANGIBLE ASSET PER SECURITY

Net tangible assets per ordinary share: 16.91 cents per share (31 December 2019: 6.06 cents per share). Net tangible assets per share includes right of use assets and associated leases liabilities. Right of use assets have been classified as tangible assets to reflect the nature of the underlying asset.

Additional Appendix 4D disclosure requirements can be found in the Directors’ Report and the 31 December 2020 Interim Financial Report.

Further enquiries:

Andrew Ryan
Chief Financial Officer
Ph: 0417 644 756

This release has been authorised by the VTG Board

HALF YEAR REPORT

FY21

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Vita Group Limited

ABN 62 113 178 519

Interim Financial Report

for the half year ended 31 December 2020

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Vita Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT
31 DECEMBER 2020

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Vita Group Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2020.

DIRECTORS

The following persons held office as Directors of Vita Group Limited during the whole of the financial period 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
Paul Wilson, Independent Non-Executive Director
Paul Mirabelle, Independent Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half 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.

REVIEW AND RESULTS OF OPERATIONS

The Group reported interim earnings before interest and tax (EBIT) of $28.1 million for the six months to 31 December 2020, a 27 per cent increase on the prior period, and in line with guidance issued to the market in October 2020. Earnings before interest, tax, depreciation and amortisation (EBITDA), excluding the impact of AASB 16, increased 23 per cent to $32.6 million, also in line with guidance, and net profit after tax (NPAT) increased by 27 per cent to $18.4 million. Revenues declined 25 per cent to $323.7 million due to the impact of COVID-19 on the information and communication technology (ICT) channel.

Group profitability was maintained due to strong performance in the skin health and wellness channel (Artisan), tight expense management and proactive management of COVID-19 risks. The Group received net payments of $12 million from the Federal government's JobKeeper subsidy for the September quarter, which was instrumental in protecting jobs amidst uncertainty and declining revenues, and which will support the full year result. Underlying EBIT, excluding JobKeeper payments, decreased 27 per cent to $16.1 million.

Vita ended the period with net cash of $30.2 million, as a result of solid operating cash flows, disciplined capital management and a continued focus on liquidity amidst ongoing COVID-19 uncertainty. Operating cash flows after tax were $27.1 million, with $9.2 million of capital expenditure directed towards Telstra store acquisitions, refits of Vita's Telstra stores and treatment technology investments for Artisan. Net financing cash flows were $13.5 million, reflecting lease payments ($8.3 million), debt repayments ($5.8 million) and dividends paid ($3.9 million), all of which were offset by proceeds from borrowings ($4.2 million) and the Group's dividend reinvestment plan ($0.5 million). This provides the Group with flexibility to further expand and scale the Artisan brand.

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

	Half year	
	31 December 2020 $'M	31 December 2019 $'M
Profit before tax from operations	**26.1**	**20.6**
Add: net finance costs	2.0	1.5
Less: AASB 16 lease interest	(1.1)	(1.1)
Add: depreciation and amortisation	12.7	11.7
Less: AASB 16 lease depreciation	(7.1)	(6.3)
EBITDA pre-AASB 16	**32.6**	**26.4**

Artisan delivered a strong performance in the period with revenues increasing 37 per cent on the prior period to $15.1 million and like-for-like revenues up 10 per cent. This was driven by organic growth achieved through increased client visits and spend, the latter of which was a result of delivering a combination of therapies to clients. Consumer demand remained strong throughout the period despite COVID-19, with clients seeking products and services to improve personal appearance, health, and wellbeing. The clinic network continued to mature, delivering a growing return on investment, with 19 clinics at period end. EBITDA (pre-AASB 16) increased to $2.2 million ($1.1 million excluding JobKeeper in the September quarter), which was up from a $0.8 million loss in the prior period due to productivity improvements such as increased clinician utilisation achieved through embedding operating disciplines, clinical education and training and the use of business intelligence.

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

ICT revenues decreased by 27 per cent to $307.8 million and EBITDA (pre-AASB 16) decreased by seven per cent to $40.5 million. This result was reflective of impacts to volumes from COVID-19, with restrictions and social distancing measures resulting in reduced foot traffic. Vita worked to offset volume reduction through tight expense control and maximisation of productivity, supported by JobKeeper in the September quarter. Vita continued to support Telstra in meeting customers' needs and rolling out new format Vita owned Telstra stores.

Business ICT was not materially impacted by COVID-19 and revenues were broadly in line with the prior period, following a focus on more profitable customers and reducing the cost base to support profitability.

Sprout accessories was impacted by lower hardware volumes, however continued its work to strengthen the brand through innovation, quality, safety and sustainability, all with a focus on delivering best-in-class products.

With a year-on-year ICT revenue reduction in the December quarter, Vita will re-enter the ICT channel in the JobKeeper program for the March 2021 quarter, with net payments of approximately $4 million to be received.

On February 11, 2021 Telstra announced its intention to transition the branded retail store network to a corporate ownership model, which means the non-renewal of Vita's dealer agreement with Telstra on 30 June 2025. Telstra has stated that the transition relates to retail stores only. Vita and Telstra have commenced discussions to ensure a suitable transition of value for both parties, shareholders and team members. Vita expects the retail ICT market to remain challenging with COVID-19 impacts, however will continue to add value and provide exceptional service to customers, diligently manage risks, support the health of team members and customers, and work to reduce the impact of COVID-19 through productivity improvements and the receipt of JobKeeper in the March quarter. With a clear and well-planned diversification strategy, Vita is well prepared to respond to the retail ICT changes and will continue to grow its Artisan business in the profitable skin health and wellness sector.

Business ICT is not part of Telstra's retail store transition plans and will continue its focus on providing innovative mobility and IoT solutions to customers.

Sprout will continue its focus on innovation and sustainability, increasing its presence in profitable categories including wireless charging and multi-purpose audio as well as further expanding its distribution.

The Board determined to pay a fully-franked interim dividend of 5.6 cents per share, equating to $9.2 million, which is payable on 9 April 2021 shareholders on record as at 26 March 2021.

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

	Half year	
	31 December 2020	**31 December 2019**
Basic earnings per share (cents)	**11.16**	8.90
Net debt / (net debt plus equity)*	**(27.2%)**	(25.2%)

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

ROUNDING OF AMOUNTS

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

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

Dick Simpson

Dick Simpson
Chairman

Maxine Horne
Director and Chief Executive Officer

Brisbane,
Date 19 February 2021

Grant Thornton

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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 review of Vita Group Limited for the half-year ended 31 December 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 review; and

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

A F Newman
Partner – Audit & Assurance

Brisbane, 19 February 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Notes	Half year 31 December 2020 $'000	Half year 31 December 2019 $'000
Revenue	2	**323,678**	431,618
Changes in inventories		**(226,478)**	(314,127)
Gross profit		**97,200**	**117,491**
Other income	2	**2,221**	4,538
Employee benefits expense	3	**(43,405)**	(68,278)
Marketing expense		**(3,440)**	(4,004)
Other expenses		**(11,715)**	(15,971)
Depreciation and amortisation expense	3	**(12,738)**	(11,698)
		28,123	**22,078**
Finance income	3	**101**	93
Finance expenses	3	**(2,083)**	(1,592)
Net finance costs	**3**	**(1,982)**	**(1,499)**
Profit before income tax		**26,141**	**20,579**
Income tax expense		**(7,767)**	(6,047)
Profit for the period		**18,374**	**14,532**
Other comprehensive income for the half year, net of tax		**-**	**-**
Total comprehensive income for the half year, attributable to the ordinary equity holders of Vita Group Limited		**18,374**	**14,532**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
- basic (cents per share)		**11.16**	8.90
- diluted (cents per share)		**11.04**	8.81

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Notes	31 December 2020 $'000	30 June 2020 $'000	31 December 2019 $'000
ASSETS				
Current assets				
Cash and cash equivalents		**41,241**	36,813	35,662
Trade and other receivables		**20,135**	31,853	28,234
Inventories		**25,762**	24,642	31,699
Current tax receivables		**-**	350	-
Contract asset		**179**	277	404
Total current assets		**87,317**	**93,935**	**95,999**
Non-current assets				
Plant and equipment	4	**27,644**	26,787	27,063
Right of use assets	5	**41,361**	39,243	41,721
Intangible assets and goodwill	6	**113,457**	110,454	108,180
Deferred tax assets		**10,641**	8,818	8,894
Total non-current assets		**193,103**	**185,302**	**185,858**
TOTAL ASSETS		**280,420**	**279,237**	**281,857**
LIABILITIES				
Current liabilities				
Trade and other payables		**60,343**	78,889	91,482
Interest bearing loans and borrowings		**8,491**	9,160	8,217
Lease liabilities	5	**16,490**	16,410	14,351
Current tax liabilities		**4,145**	-	1,707
Provisions		**4,756**	4,740	3,718
Contract and other liabilities		**2,366**	2,195	2,670
Total current liabilities		**96,591**	**111,394**	**122,145**
Non-current liabilities				
Interest bearing loans and borrowings		**2,536**	3,562	3,639
Lease liabilities	5	**32,453**	30,245	32,252
Provisions		**5,259**	5,195	4,894
Contract and other liabilities		**2,287**	2,571	818
Total non-current liabilities		**42,535**	**41,573**	**41,603**
TOTAL LIABILITIES		**139,126**	**152,967**	**163,748**
NET ASSETS		**141,294**	**126,270**	**118,109**
EQUITY				
Contributed equity	12	**43,801**	43,017	43,017
Reserve		**593**	1,284	998
Retained earnings		**96,900**	81,969	74,094
TOTAL EQUITY		**141,294**	**126,270**	**118,109**

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

	Notes	Attributable to owners of the parent			
		Contributed equity $'000	Reserve $'000	Retained earnings $'000	Total equity $'000
As at 1 July 2019		**41,056**	**713**	**67,457**	**109,226**
Adjustment on adoption of AASB 16 (net of tax)		-	-	(1,410)	(1,410)
Restated balance as at 1 July 2019		**41,056**	**713**	**66,047**	**107,816**
Profit for the half year		-	-	14,532	14,532
Total comprehensive income for the half year		**-**	**-**	**14,532**	**14,532**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	8	-	-	(6,485)	(6,485)
Dividend reinvestment plan net of costs	12	1,961	-	-	1,961
Employee share schemes - value of employee services		-	285	-	285
		1,961	**285**	**(6,485)**	**(4,239)**
As at 31 December 2019		**43,017**	**998**	**74,094**	**118,109**
As at 1 July 2020		**43,017**	**1,284**	**81,969**	**126,270**
Profit for the half year		-	-	18,374	18,374
Total comprehensive income for the half year		**-**	**-**	**18,374**	**18,374**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	8	-	-	(3,941)	(3,941)
Dividend reinvestment plan net of costs	12	481	-	-	481
Employee share schemes - exercise of performance rights	12	303	(307)	-	(4)
Employee share schemes - forfeiture of performance rights		-	(498)	498	-
Employee share schemes - value of employee services		-	114	-	114
		784	**(691)**	**(3,443)**	**(3,350)**
As at 31 December 2020		**43,801**	**593**	**96,900**	**141,294**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Notes	Half year 31 December 2020 $'000	Half year 31 December 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**366,027**	475,463
Payments to suppliers and employees (inclusive of GST)		**(348,812)**	(441,650)
Receipts from government stimulus		**16,848**	-
Interest received		**101**	93
Finance expenses		**(2,012)**	(1,575)
Income taxes paid		**(5,061)**	(5,157)
Net cash inflow from operating activities		**27,091**	**27,174**
Cash flows from investing activities			
Purchase of plant and equipment		**(5,140)**	(7,763)
Purchase of intangible assets		**(399)**	(516)
Acquisition of businesses and subsidiaries, net of cash acquired	7	**(3,652)**	(2,596)
Proceeds from sale of stores		**-**	1,900
Proceeds from sale of plant and equipment		**7**	-
Net cash (outflow) from investing activities		**(9,184)**	**(8,975)**
Cash flows from financing activities			
Proceeds from issues of shares		**477**	1,961
Proceeds from borrowings		**4,155**	6,695
Repayment of borrowings		**(5,849)**	(3,486)
Lease payments		**(8,321)**	(7,894)
Dividends paid	8	**(3,941)**	(6,485)
Net cash (outflow) from financing activities		**(13,479)**	**(9,209)**
Net increase in cash and cash equivalents		**4,428**	8,990
Cash and cash equivalents at the beginning of the year		**36,813**	26,672
Cash and cash equivalents at end of half year		**41,241**	**35,662**

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

1 SEGMENT INFORMATION

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 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 treatments and products.

Segment information provided to the Executive Team and the Board

The segment information for the half year ended 31 December 2020 is as follows:

	Half year	
	31 December 2020 $'000	31 December 2019 $'000
ICT		
Revenue from external customers		
Sale of goods	**248,728**	352,017
Contract revenue	**3,459**	2,402
Commission revenue	**55,636**	65,555
Segment revenue	**307,823**	**419,974**
SHAW		
Revenue from external customers		
Sale of goods	**14,471**	10,476
Commission revenue	**580**	536
Segment revenue	**15,051**	**11,012**
Total segment revenue	**322,874**	**430,986**
Other revenue not allocated	**804**	632
Group revenue	**323,678**	**431,618**

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.

1 SEGMENT INFORMATION (CONTINUED)

Other segment information

A reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA) pre-AASB 16 to Group operating profit before income tax is provided as follows:

	Half year	
	31 December 2020 $'000	31 December 2019 $'000
ICT segment EBITDA pre-AASB 16	**40,481**	43,674
SHAW segment EBITDA pre-AASB 16	**2,247**	(810)
Total reportable segment EBITDA pre-AASB 16	**42,728**	**42,864**
ICT depreciation and amortisation	**(3,182)**	(2,944)
SHAW depreciation and amortisation	**(1,788)**	(1,578)
ICT AASB 16 lease interest	**785**	711
SHAW AASB 16 lease interest	**190**	156
Other revenue not allocated	**804**	632
Other expenses not allocated	**(10,378)**	(16,100)
Depreciation and amortisation not allocated	**(1,036)**	(1,663)
Group EBIT	**28,123**	**22,078**
Interest revenue	**101**	93
Finance costs	**(2,083)**	(1,592)
Group profit before income tax	**26,141**	**20,579**

EBITDA pre-AASB 16 comprises EBITDA less right-of-use asset depreciation and interest on lease liabilities.

2 REVENUE AND OTHER INCOME

	Half year	
	31 December 2020 $'000	31 December 2019 $'000
Revenue		
Sale of goods[a]	**264,003**	363,125
Contract revenue[b]	**3,459**	2,402
Commission revenue[a]	**56,216**	66,091
Total revenue	**323,678**	**431,618**
Other income		
Cooperative advertising income[a]	**2,144**	3,360
Other miscellaneous income[a]	**77**	1,178
Total other income	**2,221**	**4,538**

[a] *Recognised by goods transferred at a point in time*

[b] *Recognised by services transferred over time*

3 EXPENSES

	Half year	
	31 December 2020 $'000	31 December 2019 $'000
Net finance expenses		
Finance charges under chattel mortgages	**63**	29
Interest on term debt	**66**	95
Provisions: unwinding of discount	**72**	17
Line facility fee	**739**	361
Interest on lease liabilities	**1,143**	1,087
Other interest expense	**-**	3
Total finance expenses	**2,083**	**1,592**
Interest revenue on bank deposits	**(101)**	(93)
Net finance expenses	**1,982**	**1,499**
Depreciation and amortisation		
Plant and equipment	**4,684**	4,308
Right of use asset	**7,507**	6,839
Brands	**-**	41
Customer relationships	**295**	262
Software	**252**	248
Total depreciation and amortisation	**12,738**	**11,698**
Employee benefits expenses		
Wages and salaries[a]	**36,544**	59,498
Defined contribution superannuation expense	**4,273**	4,972
Employment entitlements	**2,588**	3,808
Total employee benefits expenses	**43,405**	**68,278**

[a] *The current period includes Jobkeeper received of $12,943k (31 December 2019: nil)*

Expense relating to leases		
Expense relating to leases[a]	**3,352**	4,620
Total expense relating to leases	**3,352**	**4,620**

[a] *Relates to short-term leases and variable lease payments. See Note 5 for further details.*

4 PLANT AND EQUIPMENT

	Plant and equipment $'000
At 1 July 2019	
Cost	74,665
Accumulated depreciation	(50,580)
Opening net book amount	**24,085**
Opening net book amount	24,085
Additions	8,129
Acquisition through business combination	337
Transfers	(1,136)
Disposals	(44)
Depreciation charge	(4,308)
Closing net book amount	**27,063**
At 31 December 2019	
Cost	73,393
Accumulated depreciation	(46,330)
Closing net book amount	**27,063**

	Plant and equipment $'000
At 1 July 2020	
Cost	77,060
Accumulated depreciation	(50,273)
Opening net book amount	**26,787**
Opening net book amount	26,787
Additions	5,140
Acquisition through business combination	420
Disposals	(19)
Depreciation charge	(4,684)
Closing net book amount	**27,644**
At 31 December 2020	
Cost	75,290
Accumulated depreciation	(47,646)
Closing net book amount	**27,644**

5 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:

	31 December 2020 $'000	30 June 2020 $'000
Leasehold property	**41,361**	39,243

Additions to right-of-use assets, including acquisition through business combinations, during the period amounted to $9,766,537 (31 December 2019: $11,354,373). Depreciation 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:

	31 December 2020 $'000	30 June 2020 $'000
Lease liabilities (current)	**16,490**	16,410
Lease liabilities (non-current)	**32,453**	30,245
Total lease liabilities	**48,943**	**46,655**

The lease liabilities are secured by the related underlying assets.

Future minimum lease payments relating to lease liabilities at 31 December 2020 are as follows:

Future minimum lease payments due	1 year or less $'000	1 - 5 years $'000	Over 5 years $'000	Total $'000
31 December 2020				
Lease payments	**18,422**	**34,354**	**491**	**53,267**
Finance charges	**(1,932)**	**(2,383)**	**(9)**	**(4,324)**
Total lease liabilities	**16,490**	**31,971**	**482**	**48,943**

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:

	Half year	
	31 December 2020 $'000	31 December 2019 $'000
Short-term leases (included in other expenses)	**3,705**	4,600
COVID-19 related rent concessions (included in other expenses)	**(360)**	-
Variable lease payments (included in other expenses)	**7**	20
Total lease payments not recognised as a liability	**3,352**	**4,620**

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

At 31 December 2020 the Group had not committed to leases that had not yet commenced. As a result, total expected future cash outflows are nil (31 December 2019: $1,284,175).

6 INTANGIBLE ASSETS AND GOODWILL

	Brands $'000	Customer relationships $'000	Software $'000	Goodwill $'000	Total $'000
At 1 July 2019					
Cost	1,005	1,545	10,463	126,205	139,218
Accumulated amortisation and impairment	(850)	(279)	(9,591)	(21,816)	(32,536)
Opening net book amount	**155**	**1,266**	**872**	**104,389**	**106,682**
Opening net book amount	155	1,266	872	104,389	106,682
Additions	-	-	509	7	516
Acquisition through business combination	-	100	-	2,219	2,319
Disposals	-	-	-	(786)	(786)
Amortisation charge	(41)	(262)	(248)	-	(551)
Closing net book amount	**114**	**1,104**	**1,133**	**105,829**	**108,180**
At 31 December 2019					
Cost	1,005	1,645	10,891	127,645	141,186
Accumulated amortisation and impairment	(891)	(541)	(9,758)	(21,816)	(33,006)
Closing net book amount	**114**	**1,104**	**1,133**	**105,829**	**108,180**

	Brands $'000	Customer relationships $'000	Software $'000	Goodwill $'000	Total $'000
At 1 July 2020					
Cost	1,073	2,207	10,317	132,620	146,217
Accumulated amortisation and impairment	(1,073)	(1,868)	(9,960)	(22,862)	(35,763)
Opening net book amount	**-**	**339**	**357**	**109,758**	**110,454**
Opening net book amount	-	339	357	109,758	110,454
Additions	-	-	399	-	399
Acquisition through business combination	-	-	-	3,147	3,147
Other	-	-	-	4	4
Amortisation charge	-	(295)	(252)	-	(547)
Closing net book amount	**-**	**44**	**504**	**112,909**	**113,457**
At 31 December 2020					
Cost	1,073	2,207	7,692	135,771	146,743
Accumulated amortisation and impairment	(1,073)	(2,163)	(7,188)	(22,862)	(33,286)
Closing net book amount	**-**	**44**	**504**	**112,909**	**113,457**

7 BUSINESS COMBINATIONS

Acquisition of Telstra licensed stores

On 28 August 2020, Fone Zone Pty Ltd (a subsidiary of Vita Group Limited) acquired the business assets and certain liabilities of Telstra Licensed Stores Glenorchy, Bellerive and Sorell.

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

	$'000
Purchase consideration	
Purchase consideration	3,652
Total purchase consideration	**3,652**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Inventories	107
Prepayments	62
Plant and equipment	420
Right-of-use asset	1,065
Deferred tax asset	45
Lease liability	(1,035)
Provisions	(108)
Employee benefit liabilities	(41)
Deferred tax liability	(10)
Net identifiable assets acquired	**505**
Add: goodwill	3,147
Net assets acquired	**3,652**

Goodwill

Goodwill is primarily related to the expected future profitability of the acquired business. Goodwill has been allocated to cash generating units at 31 December 2020. It is not expected to be deductible for tax purposes except on subsequent disposal.

Acquisition related costs

Acquisition-related costs of $7,598 representing 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 this 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 this store with a fair value of nil. The gross contractual amount for the interest in future trailing income is estimated at nil.

Revenue and profit contribution*

The acquired business contributed revenues of $5,713,905 and EBIT of $372,437 to the Group for the period from acquisition date to 31 December 2020.

On the basis of trading results from the date of acquisition to the end of the reporting period, had the business been acquired on 1 July 2020, the contribution to the Group for revenue and EBIT for the half year is estimated at $8,344,116 and $543,876 respectively.

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

7 BUSINESS COMBINATIONS (CONTINUED)

Acquisition of Telstra licensed stores (continued)

	Half year 31 December 2020 $'000
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	3,652
	3,652
Total outflow of cash to acquire business, net of cash acquired	**3,652**

8 DIVIDENDS PAID AND PROPOSED

Declared and paid during the half 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 reporting period but not distributed at balance sheet dates.

	Half year	
	31 December 2020 $'000	31 December 2019 $'000
Dividends provided for or paid during the the half year:		
Final dividend for FY20 2.4 cents per share (FY19: 4.0)	**3,941**	6,485
	3,941	**6,485**

Dividends not recognised at the end of the reporting period

In addition to the above dividends, since the end of the half year the Directors have approved the payment of an interim dividend of 5.6 cents per fully paid ordinary share (FY20: nil), fully franked based on tax paid at 30%.

	Half year	
	31 December 2020 $'000	31 December 2019 $'000
Interim dividend FY21 5.6 cents per share (FY20: nil)	**9,221**	-
	9,221	**-**

9 IMPAIRMENT TESTS FOR GOODWILL AND OTHER ASSETS

At 31 December 2020 no impairment indicators were evident and as such no impairment testing of goodwill and other assets was deemed necessary. Goodwill is tested for impairment annually, with the last testing occurring on 30 June 2020. The next test of impairment of goodwill will occur on or before 30 June 2021.

	Half year	
Goodwill CGU	**31 December 2020 $'000**	**31 December 2019 $'000**
Information and Communication Technology (ICT)	**90,374**	85,784
Skin Health and Wellness (SHAW)	**22,535**	20,045
Total Goodwill	**112,909**	**105,829**

The Group has assessed the economic impact relating to COVID-19, excluding government assistance packages received, and has concluded that the Group's performance demonstrates there are no resulting indicators from the period.

10 CONTINGENCIES

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 31 December 2020 plus interest if applicable.

11 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Contracts were entered into by the Group to acquire the business assets and certain liabilities for Coco Skin Laser Health for a total consideration of $2,000,000 plus / minus adjustment amounts to be determined on or post completion. In addition, should certain pre-determined revenue targets be achieved within specified timeframes, additional consideration of up to $700,000 may be payable. Settlement is expected to occur on 19 February 2021.

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

On 11 February 2021 Telstra announced its intention to transition the Telstra branded retail store network to a full corporate ownership model. Following this announcement, the Group confirmed this means the conclusion of its current dealership agreement with Telstra on 30 June 2025. Vita and Telstra have since entered discussions to ensure that the transition arrangements are suitable for both parties, shareholders and team members. Vita is working collaboratively with Telstra to finalise these arrangements as soon as possible. At the time of release of this report, these negotiations remained incomplete. As the announcement occurred after 31 December 2020, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2020 and any potential impact on future reporting periods cannot be determined at this time.

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 periods.

12 CONTRIBUTED EQUITY

Contributed equity	31 December 2020 $'000	30 June 2020 $'000	31 December 2019 $'000
Ordinary shares			
Ordinary shares	**43,801**	43,017	43,017
Issued and fully paid	**43,801**	**43,017**	**43,017**

Movements in contributed equity	Number of shares	$'000
Opening balance 1 July 2019	**162,114,719**	41,056
1,641,804 new shares issued at $1.1942 per share	**1,641,804**	1,961
Balance 31 December 2019	**163,756,523**	**43,017**
Opening balance 1 July 2020	**163,756,523**	43,017
441,210 performance rights issued as new shares at $0.6947[a]	**441,210**	303
459,071 new shares issued at $1.0487	**459,071**	481
Balance 31 December 2020	**164,656,804**	**43,801**

[a] The number of performance rights issued were based on the share price at grant date as opposed to the fair value per right at grant date. The share price at grant date was $1.04 and $ 1.00 per share for the Chief Executive Officer and remaining key management personnel respectively. The fair value of performance rights issued is net of transaction costs.

Terms and conditions of contributed equity

Ordinary shares entitle their holder to 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.

13 BASIS OF PREPARATION OF INTERIM REPORT

This general purpose consolidated interim financial report for the half-year reporting period ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* as appropriate for for-profit oriented entities and are presented in Australian Dollars (AUD), which is the functional currency of the Parent Entity. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Reporting*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Vita Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The Group's net current liability position reflects the natural flow of cash in and out of the business and a focus on working capital controls. The Group has access to cash balances arising from operations and approximately $21.0 million (31 December 2019: $20.2 million) of unused master asset finance facilities with the Australia and New Zealand Banking Group Limited and Bank of Queensland available for its immediate use to meet financial obligations and to fund its investment strategy for the coming year and onwards.

New Standards adopted
A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

14 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2020.

In the opinion of the Directors:

(a) the interim financial statements and notes set out on pages 4 to 18 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half 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.

This declaration is made in accordance with a resolution of Directors.

Dick Simpson	Maxine Horne
Chairman	Director and Chief Executive Officer

Brisbane
Date: 19 February 2021

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Independent Auditor's Review Report

To the Members of Vita Group Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report Vita Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

(a) ving a true and fair view of Vita Group Limited financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 *(including Independence Standards)* (the Code) that are relevant to audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – subsequent event

We draw attention to Note 11 of the financial report, which describes the circumstances relating to the material subsequent event regarding the dealership agreement with Telstra and the uncertainty surrounding any potential financial impact on the financial statements. Our opinion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year 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 half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

A F Newman
Partner – Audit & Assurance

Brisbane, 19 February 2021

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