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ASX ANNOUNCEMENT

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

25 February 2022

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 2021

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 2021.

Vita will conduct an analyst briefing on the half-year results from 9:00am AEST.

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

For enquiries relating to this announcement, contact:

Andrew Ryan
Chief Financial Officer
Mob: 0417 644 756

George Southgate
Chief Legal and Risk Officer / Company Secretary
Mob: 0412 514 030

Yours sincerely

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

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APPENDIX 4D

HALF YEAR REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

The following sets out the requirements of Appendix 4D with the stipulated information either provided here or cross-referenced to the 31 December 2021 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 2021
Previous corresponding reporting period: 31 December 2020

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison to previous period	Increase/Decrease	Change %	To $'000
Revenue from continuing operations	Decrease	16%	12,604
Profit/(loss) from continuing operations after tax attributable to members	Increase	26%	(3,426)
Net profit/(loss) for the period attributable to members	Increase	109%	(1,695)

Dividend

The Board has determined not to pay an interim dividend, electing to utilise its current position to support and invest in the growth of the Artisan business.

3. NET TANGIBLE ASSET PER SECURITY

Net tangible assets per ordinary share: 27.66 cents per share (31 December 2020: 16.91 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 2021 Interim Financial Report.

Further enquiries:

Andrew Ryan
Chief Financial Officer
Ph: 0417 644 756

This release has been authorised by the VTG Board

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Vita Group Limited

ABN 62 113 178 519

Interim Financial Report

for the half year ended 31 December 2021

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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 2021 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*.

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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 2021.

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 (resigned 26 November 2021)
Maxine Horne, Independent Non-Executive Director (appointed 12 November 2021)
Neil Osborne, Independent Non-Executive Director (resigned 26 November 2021)
Paul Wilson, Independent Non-Executive Director
Paul Mirabelle, Independent Non-Executive Chairman (appointed 26 November 2021)
Peter Connors, Chief Executive Officer (appointed 12 November 2021)

Maxine Horne resigned as Chief Executive Officer on 12 November 2021 and was appointed Independent Non-Executive Director Director on 12 November 2021.

Paul Mirabelle was Independent Non-Executive Director for the full term and appointed Independent Non-Executive Chairman on 26 November 2021.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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. The Telstra ICT business was divested during the period with completion occurring on 12 November 2021.

REVIEW AND RESULTS OF OPERATIONS

The Group reported interim revenues from continuing operations of $12.6 million for the six months to 31 December 2021, a 16 per cent decrease on prior year, in line with guidance issued to the market on 26 November 2021. EBITDA[1] from continuing operations was a loss of $3.7 million. After excluding a once-off gain on contingent consideration, underlying EBITDA was a loss of $4.2 million. Group NPAT[2] was a loss of $1.7 million, which included NPAT from discontinued operations of $1.7 million. Group NPAT included a preliminary gain on sale of ICT[3] of $2.6 million which remains subject to finalisation of exit costs and post-completion adjustments.

The period marked a major transition for the Group as it finalised the divestment of its ICT business to Telstra Corporation Limited (Telstra). The Group received settlement funds in the amount of $107.4 million ($110 million cash consideration less net working capital, net-debt adjustments, and including tax exit consideration as at 30 September 2021[4]), subject to final adjustments. The first tranche of the fully franked Special Dividend, being $0.39 cents per share (equating to $64.6 million), was paid to eligible shareholders on 26 November 2021.

The Group ended the period with net cash of $43.6 million. Operating cash outflows from continuing operations after tax were $4.4 million. Investing cash outflows included $1.0 million of capital expenditure directed towards the purchase of aesthetic equipment, and $2.0 million placed as a security term deposit. Net financing cash outflows were $69.8 million, reflecting lease payments of $1.6 million, net debt drawdowns of $0.3 million, and dividends paid of $68.6 million, including the final FY21 fully franked dividend of $4.0 million. Net cash inflows from discontinued operations including the proceeds from sale amounted to $84.3 million.

	Half year	
	31 December 2021 $'M	31 December 2020 $'M
Loss before tax from continuing operations	**(5.5)**	**(3.9)**
Add: net finance costs	0.4	0.5
Less: AASB 16 lease interest	(0.3)	(0.3)
Add: depreciation and amortisation	3.0	3.2
Less: AASB 16 lease depreciation	(1.3)	(1.2)
EBITDA pre-AASB 16	**(3.7)**	**(1.7)**
Jobkeeper	-	(1.5)
Once-off gain on contingent consideration	(0.5)	-
Underlying EBITDA	**(4.2)**	**(3.2)**

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REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

The first half of FY22 was an extraordinary and transformational period for the Group. Whilst the Group continued to navigate COVID-19 impacts, Vita finalised the divestment and transition of its retail ICT business, including Sprout, to Telstra. The divestment involved an extraordinary amount of work and focus by management and the Vita team to deliver an outcome intended to be in the best interests of all stakeholders, including negotiation, due diligence, change and transition management, and the establishment of new support IT infrastructure for the ongoing business.

Like-for-like Artisan revenues were down 22 per cent, primarily as a result of government-mandated lockdowns, in particular extended lockdowns in NSW, Victoria, and the ACT, which forced the closure of many of Artisan's largest clinics between July and mid-October 2021. In total, Artisan lost over 500 - approximately 21 per cent - trading days throughout the period. Artisan also experienced impacts from higher than expected loss of team members in Queensland.

Prior to the finalisation of the ICT transaction, the ICT business also experienced a reduction in revenue resulting from COVID-19 related impacts including store closures, reduced foot traffic, social distancing capacity constraints, and an increase in service related transactions.

The Omicron variant of COVID-19 has reintroduced some short-term uncertainty and headwinds, with team and client vaccination, and isolation requirements continuing to disrupt trade. However, the medium and long-term growth prospects of the SHAW industry is strong with increasing awareness and demand for an evolving range of treatments and services in a broader range of client demographics. The SHAW industry is also fragmented with a large number of small participants, which is likely to present consolidation opportunities, particularly as the Group anticipates an increase in industry regulation. These factors, combined with the Group's strengths and execution of operational priorities, represent significant growth potential.

The Board has determined not to pay an interim dividend for H1 FY22, electing to utilise the Group's current position to invest in the Artisan business. The Board expects that the final tranche of the Special Dividend relating to the ICT divestment (approximately $0.03-$0.06 per share equating to $5 million to $10 million) will be paid in H2 FY22, subject to finalisation of exit costs and post-completion adjustments. As announced on 12 November 2021, the Group's dividend reinvestment plan (DRP) continues to remain suspended and will not operate for the final tranche of the Special Dividend.

[1] Earnings before interest, tax, depreciation, and amortisation. A pre-AASB-16 measure. Includes full allocation of corporate overheads.

[2] Net profit / (loss) after tax

[3] Information and communication technology business, including Sprout accessory business

[4] See VTG announcement dated 24 September 2021, *Sale of Vita Group's Retail ICT and Sprout Business to Telstra*, Annexure A relating to locked box mechanism

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

	Half year	
	31 December 2021	**31 December 2020**
Basic earnings per share (cents)	**(1.02)**	11.16
Net debt / (net debt plus equity)*	**(181.5%)**	(27.2%)

** Net debt comprises interest bearing loans and borrowings less term deposits, 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 4.

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.

Paul Mirabelle
Chairman

Peter Connors
Director and Chief Executive Officer

Brisbane,
Date 25 February 2022

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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 2021, 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, 25 February 2022

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Notes	Half year 31 December 2021 $'000	Half year 31 December 2020 $'000
Revenue	3	**12,604**	15,051
Changes in inventories		**(3,205)**	(4,087)
		9,399	**10,964**
Other income	3	**641**	1
Employee benefits expense	4	**(9,339)**	(8,224)
Marketing expense		**(235)**	(279)
Other expenses		**(2,632)**	(2,667)
Depreciation and amortisation expense	4	**(2,953)**	(3,192)
		(5,119)	**(3,397)**
Finance income	4	**14**	30
Finance expenses	4	**(412)**	(509)
Net finance costs	**4**	**(398)**	**(479)**
Profit/(loss) before income tax from continuing operations		**(5,517)**	**(3,876)**
Income tax (expense)/benefit		**2,091**	1,163
Profit/(loss) from continuing operations		**(3,426)**	**(2,713)**
Profit/(loss) from discontinued operation (net of tax)	2	**1,731**	21,086
Profit/(loss) for the period		**(1,695)**	**18,373**
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		**(1,695)**	**18,373**
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company:			
- basic (cents per share)		**(2.07)**	(1.65)
- diluted (cents per share)		**(2.04)**	(1.63)
Earnings per share for profit/(loss) from discontinued operations attributable to the ordinary equity holders of the company:			
- basic (cents per share)		**1.05**	12.82
- diluted (cents per share)		**1.03**	12.67

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

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	Notes	31 December 2021 $'000	30 June 2021 $'000	31 December 2020 $'000
ASSETS				
Current assets				
Cash and cash equivalents		**45,304**	38,208	41,241
Trade and other receivables		**921**	23,757	16,094
Inventories		**1,289**	21,181	25,762
Term deposits		**2,025**	-	-
Current tax receivables		**1,104**	-	-
Other current assets		**1,336**	2,322	4,040
Contract asset		**-**	-	179
Total current assets		**51,979**	**85,468**	**87,316**
Non-current assets				
Plant and equipment	5	**8,487**	25,581	27,644
Right of use assets	6	**6,919**	37,158	41,361
Intangible assets and goodwill	7	**24,888**	112,797	113,457
Deferred tax assets		**5,029**	11,238	10,641
Total non-current assets		**45,323**	**186,774**	**193,103**
TOTAL ASSETS		**97,302**	**272,242**	**280,419**
LIABILITIES				
Current liabilities				
Trade and other payables		**5,914**	61,956	60,343
Interest bearing loans and borrowings		**1,337**	6,241	8,491
Lease liabilities	6	**3,844**	15,620	16,490
Current tax liabilities		**-**	3,116	4,145
Provisions		**1,538**	4,737	4,756
Contract and other liabilities		**2,603**	3,215	2,366
Total current liabilities		**15,236**	**94,885**	**96,591**
Non-current liabilities				
Interest bearing loans and borrowings		**402**	918	2,536
Lease liabilities	6	**8,199**	29,202	32,453
Provisions		**1,366**	4,590	5,259
Contract and other liabilities		**1,394**	1,549	2,287
Total non-current liabilities		**11,361**	**36,259**	**42,535**
TOTAL LIABILITIES		**26,597**	**131,144**	**139,126**
NET ASSETS		**70,705**	**141,098**	**141,293**
EQUITY				
Contributed equity	12	**44,651**	44,651	43,801
Reserve		**666**	804	593
Retained earnings		**25,388**	95,643	96,899
TOTAL EQUITY		**70,705**	**141,098**	**141,293**

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Notes	Attributable to owners of the parent			
		Contributed equity $'000	Reserve $'000	Retained earnings $'000	Total equity $'000
As at 1 July 2020		**43,017**	**1,284**	**81,969**	**126,270**
Profit/(loss) for the half year		-	-	18,373	18,373
Total comprehensive income for the half year		**-**	**-**	**18,373**	**18,373**
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**	**96,899**	**141,293**
As at 1 July 2021		**44,651**	**804**	**95,643**	**141,098**
Profit/(loss) for the half year		-	-	(1,695)	(1,695)
Total comprehensive income for the half year		**-**	**-**	**(1,695)**	**(1,695)**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	8	-	-	(68,560)	(68,560)
Employee share schemes - forfeiture of performance rights		-	(304)	-	(304)
Employee share schemes - value of employee services		-	166	-	166
		-	**(138)**	**(68,560)**	**(68,698)**
As at 31 December 2021		**44,651**	**666**	**25,388**	**70,705**

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

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	Notes	Half year 31 December 2021 $'000	Half year 31 December 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**13,682**	16,958
Payments to suppliers and employees (inclusive of GST)		**(15,883)**	(17,155)
Receipts from government stimulus		**-**	1,662
Interest received		**14**	30
Finance expenses		**(373)**	(460)
Income taxes paid		**(1,804)**	-
Net cash flows from/(used in) continuing operations		**(4,364)**	**1,035**
Net cash flows from discontinued operations		**15,872**	26,058
Net cash inflow from operating activities		**11,508**	**27,093**
Cash flows from investing activities			
Purchase of plant and equipment		**(952)**	(268)
Purchase of intangible assets		**-**	(17)
Proceeds from sale of plant and equipment		**-**	5
Investment in term deposit		**(2,025)**	-
Net cash flows from/(used in) continuing operations		**(2,977)**	**(280)**
Net cash flows from/(used in) in discontinued operations		**(408)**	(8,906)
Proceeds from sale - ICT, net of cash and cash equivalents disposed[a]		**79,851**	-
Net cash inflow (outflow) from investing activities		**76,466**	**(9,186)**
Cash flows from financing activities			
Proceeds from issues of shares		**-**	477
Proceeds from borrowings		**1,085**	654
Repayment of borrowings		**(769)**	(249)
Lease principal payments		**(1,587)**	(1,023)
Dividends paid	8	**(68,560)**	(3,941)
Net cash flows/(used in) continuing operations		**(69,831)**	**(4,082)**
Net cash flows (used in) discontinued operations		**(11,047)**	(9,397)
Net cash (outflow) from financing activities		**(80,878)**	**(13,479)**
Net increase in cash and cash equivalents		**7,096**	4,428
Cash and cash equivalents at the beginning of the year		**38,208**	36,813
Cash and cash equivalents at end of half year		**45,304**	**41,241**

[a] *Includes net cash movements during locked box period*

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

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1 SEGMENT INFORMATION

Description of segments and principal activities

As announced to the market on 12 November 2021 the Group sold its ICT business to Telstra on 12 November 2021. The Group's operating segments have therefore been aggregated into one reportable segment under AASB 8.

Financial information relating to the discontinued operation for the period ending 31 December 2021, and corresponding prior period are set out below. These amounts have been eliminated from the profit of the Group's continued operations and are shown as a single line on the face of the consolidated statement of comprehensive income. Discontinued operations include ICT, including Retail ICT, Business ICT and Sprout (previously disclosed as the ICT segment) as well as SQD Athletica in the prior year (previously not disclosed as a discontinued operation due to materiality).

While the Group has a number of operating segments, after the sale of the ICT business, its remaining operating segments have characteristics that are either so similar in nature that they can reasonably be expected to have the same prospects or where different are not material.

2 DISCONTINUED OPERATIONS

On 11 February 2021 Telstra announced its intention to transition the Telstra branded retail store network to a full corporate ownership model. This was completed on 12 November 2021, with the Group disposing of the ICT business to Telstra.

A discontinued operation is a component of the Group that has been disposed of. The financial information relating to the discontinued operation for the period ending 31 December 2021, and corresponding prior period are set out below. These amounts have been eliminated from the profit of the Group's continued operations and are shown as a single line on the face of the consolidated statement of comprehensive income.

	Half year	
	31 December 2021 $'000	31 December 2020 $'000
Revenue and other income	**178,935**	310,916
Expenses[a]	**(180,125)**	(280,900)
Profit/(loss) before income tax	**(1,190)**	**30,016**
Income tax benefit/(expense)	**357**	(8,930)
Profit/(loss) from discontinued operations	**(833)**	**21,086**
Gain on sale of discontinued operations after income tax	**2,564**	-
Profit from discontinued operation	**1,731**	**21,086**

[a] *Includes Jobkeeper of $nil (31 December 2020 $11,281k)*

Net cash flows from the discontinued operations are disclosed in the consolidated statement of cash flows.

The disposal of the ICT business to Telstra was for cash consideration of $110 million, subject to a net working capital and net-debt adjustments to be calculated as at 30 September 2021. Finalisation of the sale of the ICT business to Telstra remains subject to final adjustments with a draft final adjustment statement due 90 business days from completion of the transaction.

The carrying values of right-of-use assets are reviewed for impairment 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. Following the disposal of the ICT business, an impairment adjustment has been recorded in the amount of $2.7m in relation to the right-of-use asset of the Groups head office. Significant judgements were used when estimating the impairment value regarding the ability to sublease the premises.

The gain on sale of the ICT Business included in discontinued operations after income tax, includes nil tax given the transaction is of capital nature and the Group has retained capital losses that offset the capital gain from the disposal.

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2 DISCONTINUED OPERATIONS (CONTINUED)

Details of the gain on disposal of the ICT business are listed below:

	31 December 2021 $'000
Consideration received or receivable:	
Gross proceeds	110,000
Settlement adjustments	(4,350)
Tax exit consideration	1,778
Total disposal consideration (cash)	**107,428**
Carrying amount of net assets sold	(103,853)
Transaction costs	(1,011)
Gain on sale after income tax	**2,564**

The carrying amounts of assets and liabilities as at the date of sale (12 November 2021) were:

	12 November 2021 $'000
Cash and cash equivalents	27,577
Trade and other receivables	15,319
Inventories	23,168
Other assets	1,198
Property, plant and equipment	14,541
Right of use assets	22,060
Intangible assets and goodwill	87,677
Deferred tax assets	6,242
Total assets	**197,782**
Trade and other payables	(61,519)
Provisions	(6,296)
Lease liabilities	(26,114)
Total liabilities	**(93,929)**
Net assets	**103,853**

The remaining net assets as at 31 December 2021 are $nil.

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3 REVENUE AND OTHER INCOME

	Half year	
	31 December 2021 $'000	31 December 2020 $'000
Revenue		
Sale of goods[a]	**944**	1,360
Commission revenue[a]	**541**	580
Treatment sales[a]	**11,119**	13,111
Total revenue	**12,604**	**15,051**
Other income		
Other miscellaneous income	**149**	1
Gain from derecognition of contingent consideration	**492**	-
Total other income	**641**	**1**

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

4 EXPENSES

	Half year	
	31 December 2021 $'000	31 December 2020 $'000
Net finance expenses		
Finance charges under chattel mortgages	**25**	6
Interest on term debt	**-**	13
Provisions: unwinding of discount	**40**	50
Line facility fee	**88**	137
Interest on lease liabilities	**259**	303
Total finance expenses	**412**	**509**
Interest revenue on bank deposits	**(14)**	(30)
Net finance expenses	**398**	**479**
Depreciation and amortisation		
Plant and equipment	**1,442**	1,535
Right of use asset	**1,411**	1,345
Brands	**20**	-
Customer relationships	**79**	295
Software	**1**	17
Total depreciation and amortisation	**2,953**	**3,192**
Employee benefits expenses		
Wages and salaries[a]	**7,607**	6,077
Defined contribution superannuation expense	**706**	595
Employment entitlements	**1,026**	1,552
Total employee benefits expenses	**9,339**	**8,224**

[a] *The current period includes Jobkeeper received of nil (31 December 2020: $1,662k for the Group)*

Expense relating to leases		
Expense relating to leases	**(34)**	138
Total expense relating to leases	**(34)**	**138**

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5 PLANT AND EQUIPMENT

	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**

	Plant and equipment $'000
At 1 July 2021	
Cost	74,554
Accumulated depreciation	(48,973)
Opening net book amount	**25,581**
Opening net book amount	25,581
Additions	1,257
Disposals	(99)
Disposals through sale of ICT business	(14,541)
Depreciation charge	(3,711)
Closing net book amount	**8,487**
At 31 December 2021	
Cost	19,334
Accumulated depreciation	(10,847)
Closing net book amount	**8,487**

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6 LEASING

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

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

	31 December 2021 $'000	30 June 2021 $'000
Leasehold property net book value	**6,919**	37,158

Additions to right-of-use assets during the period amounted to $254,422 (31 December 2020: $9,766,537). Depreciation of right-of-use assets for the period has been disclosed in Note 4.

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

	31 December 2021 $'000	30 June 2021 $'000
Lease liabilities (current)	**3,844**	15,620
Lease liabilities (non-current)	**8,199**	29,202
Total lease liabilities	**12,043**	**44,822**

The lease liabilities are secured by the related underlying assets.

Lease payments not recognised as a liability

At 31 December 2021 the Group had not committed to leases that had not yet commenced. As a result, total expected future cash outflows are nil (31 December 2020: nil).

7 INTANGIBLE ASSETS AND GOODWILL

	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**

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7 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

	Brands $'000	Customer relationships $'000	Software $'000	Goodwill $'000	Total $'000
At 1 July 2021					
Cost	1,192	2,674	7,647	134,606	146,119
Accumulated amortisation and impairment	(1,088)	(2,246)	(7,126)	(22,862)	(33,322)
Opening net book amount	**104**	**428**	**521**	**111,744**	**112,797**
Opening net book amount	104	428	521	111,744	112,797
Amortisation charge	(20)	(79)	(133)	-	(232)
Disposal through sale of ICT business	-	-	(382)	(87,295)	(87,677)
Closing net book amount	**84**	**349**	**6**	**24,449**	**24,888**
At 31 December 2021					
Cost	1,192	2,674	152	24,449	28,467
Accumulated amortisation and impairment	(1,108)	(2,325)	(146)	-	(3,579)
Closing net book amount	**84**	**349**	**6**	**24,449**	**24,888**

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 2021 $'000	31 December 2020 $'000
Dividends provided for or paid during the the half year (fully franked at 30%):		
Final dividend for FY21 2.4 cents per share (FY20: 2.4)	**3,974**	3,941
Special dividend for FY22 39.0 cents per share (FY21: nil)	**64,586**	-
	68,560	**3,941**

Dividends not recognised at the end of the reporting period

The Board has determined not to pay an interim dividend (FY21:5.6 cents), electing to utilise the groups current position to support and invest in the growth of the Artisan business.

	Half year	
	31 December 2021 $'000	31 December 2020 $'000
Interim dividend FY22 nil cents per share (FY21: 5.6)	**-**	9,221
	-	**9,221**

(i) Franking credits

	Half year	
	31 December 2021 $'000	31 December 2020 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2021 - 30.0%)	**45,775**	78,330

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

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8 DIVIDENDS PAID AND PROPOSED (CONTINUED)

(i) Franking credits (continued)

(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 receivable 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 $nil (31 December 2020: $3,951,763).

9 IMPAIRMENT TESTS FOR GOODWILL AND OTHER ASSETS

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.

	Half year	
Goodwill CGU	**31 December 2021 $'000**	**31 December 2020 $'000**
Information and Communication Technology (ICT)	**-**	90,374
Skin-Health and Wellness (SHAW)	**24,449**	22,535
Total Goodwill	**24,449**	**112,909**

Determination of CGU's

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 clinics or groups of clinics are aggregated and compared to the carrying value of CGU's 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.

Following the divestment of ICT and a period of trade impacted by COVID-19, the board deemed that half-year testing for impairment was an appropriate, prudent approach.

Key assumptions used for value-in-use calculations

The recoverable amount of the SHAW CGU's was determined based on a value-in-use calculation, reflecting management's current estimates 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 Group has developed robust growth and cost assumptions based on a long-term plan. Assumptions represent management's current projected revenue growth expectations based on FY21 performance, industry growth rates, brand awareness, client and clinician attraction and retention, clinic utilisation rates and the evolving maturity of individual clinics. Cost of goods sold growth assumptions assume some margin compression over the period as competition within the industry grows and product offerings mature. Assumptions underpinning operating cost growth rates reflect the evolving maturity and growth of individual clinics as well as a declining allocation of corporate overheads to existing clinics as the benefits of scale are recognised over time.

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 period of models use implied compound annual growth rates as follows:

	31 December 2021	**30 June 2021**
Revenue	19.8%	22.2%
Cost of goods sold	22.6%	17.8%
Operating expenses	4.3%	11.5%
Pre-tax weighted average cost of capital (WACC)	10.0%	9.8%
Terminal growth rate	3.0%	3.0%

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9 IMPAIRMENT TESTS FOR GOODWILL AND OTHER ASSETS (CONTINUED)

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

Sensitivity to changes in assumptions

The sensitivities detailed below represent the minimum extent to which the measure need change before the respective CGU's would be impaired with all other assumptions remaining constant:

	Change
Sensitivity	
Reduction in projected revenues in all years	(1.7%)
Increase in projected expenses in all years	3.0%
Basis points increase in pre-tax WACC	158 bps
Reduction in terminal growth rate	(2.0%)

Management believes that other reasonable changes in the key assumptions on which the respective recoverable amount of the CGU's are based would not cause the CGU's carrying amount to exceed its recoverable amount.

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 the Group for the period FY16 to FY21. The Group has obtained technical advice from independent GST 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. As part of the sale of the ICT business, the funds have been settled with the purchaser, the consideration has been adjusted to account for the contingency. Should the judgement be granted in the Groups favour, the settlement adjustment amount will be paid back to the Group by the purchaser. Should an adverse decision be reached, no additional amount is payable by the Group other than legal costs that may be incurred.

11 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no 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 2021 $'000	30 June 2021 $'000	31 December 2020 $'000
Ordinary shares			
Ordinary shares	**44,651**	44,651	43,801
Issued and fully paid	**44,651**	**44,651**	**43,801**

Movements in contributed equity	Number of shares	$'000
Opening balance 1 July 2020	**163,756,523**	43,017
441,210 performance rights issued as new shares at $0.6947	**441,210**	303
459,071 new shares issued at $1.0487 under dividend reinvestment plan	**459,071**	481
Balance 31 December 2020	**164,656,804**	**43,801**
Opening balance 1 July 2021	**165,604,453**	44,651
Balance 31 December 2021	**165,604,453**	**44,651**

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.

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13 BASIS OF PREPARATION OF INTERIM REPORT

This general purpose consolidated interim financial report for the half-year reporting period ended 31 December 2021 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 2021 and any public announcements made by Vita Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Group has a term deposit which is held as security over its bank guarantee facility. The term deposit has a maturity of greater than three months and is held at amortised cost.

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

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 2021 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

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 2021.

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.

Discontinued Operations

The overhead costs for the Group have been allocated to the continuing operations based on managements judgement of the relative time, effort and associated cost of individuals to operate the continuing operation, except where a more specific and appropriate allocation was available.

Taxation

The current tax rate for the Group is 30%. In subsequent years, the Group may be considered a base rate entity, and be eligible for the lower tax rate of 25%. The Group will be considered a base rate entity if its aggregate turnover is less than $50 million and has passive assessable income of 80% or less.

Should the Group be considered a base rate entity, the franking credits available for subsequent reporting periods will be at a maximum of 25% while considered a base rate entity.

The deferred tax assets include $928,518 carried-forward tax losses. Based on the Groups long-term growth plans, the Group expects to generate taxable income in future years and has therefore concluded that the deferred assets will be recoverable. The losses can be carried-forward indefinitely and have no expiry date.

In the opinion of the Directors:

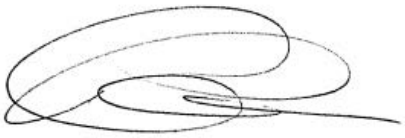
(a) the interim financial statements and notes set out on pages 5 to 17 are in accordance with the *Corporations Act 2001*, including:

(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 2021 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.



Paul Mirabelle
Chairman

Peter Connors
Director and Chief Executive Officer

Brisbane
Date: 25 February 2022

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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 of Vita Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other 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) giving a true and fair view of the Vita Group Limited financial position as at 31 December 2021 and of its performance for the half year ended on that date; and

(b) complying 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 a Financial Report Performed 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 our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

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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 2021 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, 25 February 2022