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ASX ANNOUNCEMENT

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

28 February 2023

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

ELECTRONIC LODGEMENT

Dear Sir or Madam

Vita Group Limited (ASX:VTG) – Financial results for the half-year ended 31 December 2022

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

1. Appendix 4D – Half Year Report
2. Directors Report, and
3. Half-Year Financial Report,

for the half-year ended 31 December 2022.

Vita will conduct an analyst briefing on the half-year results from 9:00am (Brisbane time).

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

For enquiries relating to this announcement, please contact:

Further enquiries:

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 2022

The following sets out the requirements of Appendix 4D with the stipulated information either provided here or cross-referenced to the 31 December 2022 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 2022
Previous corresponding reporting period: 31 December 2021

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Comparison to previous period	Increase/Decrease	Change %	To $'000
Revenue from continuing operations	Increase	12%	14,167
Profit from ordinary activities after tax attributable to members	Decrease	424%	(17,945)
Net profit for the period attributable to members	Decrease	845%	(16,010)

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: 9.93 cents per share (31 December 2021: 27.66 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 2022 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 2022

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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 2022 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 2022.

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:

Paul Mirabelle, Independent Non-Executive Chairman
Maxine Horne, Non-Executive Director
Paul Wilson, Independent Non-Executive Director (resigned 11 November 2022)
Peter Connors, Chief Executive Officer
Gordon Towell, Independent Non-Executive Director (appointed 2 December 2022)

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The principal activity of the Group during the half year was the selling and marketing of products and services through its Skin Health and Wellness business comprising a number of brands, including Artisan Aesthetics Clinics.

REVIEW AND RESULTS OF OPERATIONS

The Group reported interim revenues from continuing operations of $14.2 million for the six months to 31 December 2022, a 12 per cent increase on prior year[1] . EBITDA[2] from continuing operations was a loss of $4.8 million. After excluding business stand-up and restructure costs incurred in the period, legacy ICT[3] insurance requirements[4] and non-recurring items[5], underlying EBITDA[6] was a loss of $3.8 million.

Whilst the Group remains optimistic about Artisan's medium-term business prospects, Vita's Board has determined that it is prudent to moderate growth rate expectations and has revised the carrying value of the business given the changing macro-economic environment and ongoing impacts associated with COVID-19. As a result, Vita's Board announces a $12.4m non-cash write-down of the Group's goodwill.

Excluding the non-cash asset write down, NPAT from continuing operations was a loss of $5.6 million. Group NPAT[7] was a loss of $16.0 million, including NPAT from discontinued operations of $1.9 million[8] .

	Half year	
	31 December 2022 $'M	31 December 2021 $'M
Loss before tax from continuing operations	**(18.8)**	**(5.5)**
Add: net finance costs	0.1	0.4
Less: AASB 16 lease interest	(0.2)	(0.3)
Add: Impairment	12.4	-
Add: depreciation and amortisation	2.7	3.0
Less: AASB 16 lease depreciation	(1.0)	(1.3)
EBITDA pre-AASB 16	**(4.8)**	**(3.7)**
Add: Business stand-up costs and ICT legacy costs	0.4	0.5
Add/(Less): non-recurring items	0.6	(0.5)
Underlying EBITDA	**(3.8)**	**(3.7)**

The Group ended the period with net cash of $15.1 million. Operating cash outflows from continuing operations after tax were $0.9 million. Investing cash outflows included $0.9 million of capital expenditure for an Artisan branded fit-out and the purchase of clinic equipment. Net financing cash outflows were $1.6 million, reflecting lease payments of $1.8 million and net debt drawdowns of $0.1 million. Net cash inflows from discontinued operations were $2.2 million.

The Board has determined not to pay an interim dividend for H1 FY23, electing to utilise the Group's current cash position for ongoing investment in the Artisan business.

With business stand-up activities following the divestment of the ICT business largely finalised, H1 FY23 was a period of progression and implementation of Artisan's evolved business model programs, including:

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REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Growth and Revenue Drivers	
Brand Standardisation	• continued standardisation of: ○ pricing, modality, and product offerings ○ clinic network (18 clinics, 15 branded, two non-branded, one co-branded) by: ▪ consolidating two close proximity Artisan branded clinics into one, and ▪ opening a new Artisan Toowoomba Clinic (re-located a non-branded clinic)
Client Experience	• continued enhancement of Artisan's client experience with: ○ evolved in-clinic client experience launched in all clinics from January 2023 ○ marketing automation launched in September 2022 ○ embedding of centralised client booking team ○ trialling a threefold increase in social media investment in several clinics
Team Member Experience	• continued enhancement of Artisan Team Member experience with: ○ a staged release of Artisan's academies for clinicians, supported by a team of clinical coach educators (selected from clinicians with advanced skills), and ○ further development of Artisan's academies for clinic development managers, and client experience consultants (both launched in February 2023)
Clinical Governance	• continued to enhance clinical governance via launching a bespoke clinic audit program adopting three-lines-of defence model, tailored for the aesthetic industry
Clinic Planning	• continued focus on program execution via clinic level quarterly business planning
Operational Efficiencies	• continued review of corporate overheads (including restructuring) and clinic efficiencies

Whilst like-for-like period comparisons are difficult given past and present impacts from business headwinds including COVID-19, changing macro-economic environment, and annualising impacts of clinician turnover including some founders, in prior periods, Vita is encouraged by various client metrics.

During H1 FY23, on a rolling 12-month basis, Artisan's active client[9] database increased 7.1%, annual average active client spend remained stable (down 0.4%), and client visits[10] increased by 13.3%.

New client numbers on a rolling 12-month basis increased 14.9% during H1 FY23, whereas new clients increased 30% in H1 FY23 compared to the prior corresponding period.

Despite seasonal factors and an increased rate of cancellations observed since prior to Christmas, total future bookings[11] are currently approximately 30% higher compared to April 2022, when the evolved client experience program, including offering systemised treatment plans to clients, commenced a phased introduction.

Of clients visiting Artisan in a rolling 6-month period (excluding Artisan's single clinic not on the program until January 2023[12]), those provided a systemised treatment plan increased from 31% to 66% during H1 FY23. As of 31 December 2022, clients visiting in the prior six months that were provided a treatment plan continued to demonstrate an approximate 20 basis point higher collective rebooking rate than those that did not.

For the January and February 2023 period, clinic revenue is estimated to finish 18% up and client visits 23.5% up on the prior year. For January 2023, Group EBITDA[13] is up 23.7% on the corresponding month last year, and up 27.6% after excluding one-off benefits in the prior period.

Whilst the macro-economic environment remains uncertain, the Group is positioned to drive organic growth by maintaining its focus on the execution of its evolved business model programs including increasing its marketing investment. As such, the Group continues to target monthly underlying EBITDA[14] to break-even during FY24.

[1] Prior period includes Covid-19 related lockdown and reopening periods for various clinics.

[2] Earnings before interest, tax, depreciation, and amortisation (including lease occupancy expenses). A pre-AASB 16 measure.

[3] Information and Communication Technology, includes accessory business Sprout and other related entities.

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REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

[4] Vita is required to maintain certain insurance policies commensurate with the size and scale of the business at the time of divestment of its ICT business.

[5] Includes restructure costs and Artisan Clinical Education Symposium launching evolved business model with no current plans to hold the event again in the near future.

[6] Earnings before interest, tax, depreciation and amortisation excluding business stand-up costs, legacy ICT insurance requirements, and non-recurring items.

[7] Net profit / (loss) after tax.

[8] Primarily consists of ICT related tax benefits arising from the finalisation of the FY22 income tax return and expected refunds arising from the amendment of historical tax returns following the finalisation of the GST audit, offset by onerous contract expense.

[9] Active client database means the number of unique clients who have attended an Artisan clinic in a 12-month period

[10] Excludes Geelong Clinic as not on Cosmedcloud until late May 2022.

[11] Excludes single clinic not included in client experience program until January 2023.

[12] Noting the final and largest Artisan clinic was added in January 2023 and therefore the program will not annualise until January 2024.

[13] Based on unadjusted and unaudited internal management reporting.

[14] Excludes estimated annual incremental costs associated with legacy ICT insurance and head office lease obligations.

Shareholder Returns

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

	Half year	
	31 December 2022	**31 December 2021**
Basic earnings per share (cents)	**(9.10)**	(1.02)
Net debt / (net debt plus equity)*	**(134.0%)**	(181.5%)

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

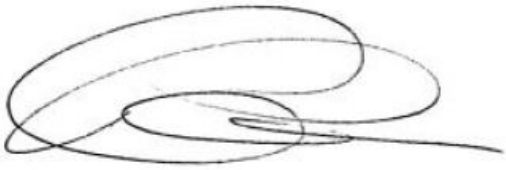
AUDITOR'S INDEPENDENCE DECLARATION

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 28 February 2023

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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 2022, 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, 28 February 2023

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Notes	Half year 31 December 2022 $'000	Half year 31 December 2021 $'000
Revenue	3	**14,167**	12,604
Changes in inventories		**(3,704)**	(3,205)
		10,463	**9,399**
Other income	3	**86**	641
Employee benefits expense	4	**(10,364)**	(9,339)
Marketing expense		**(463)**	(235)
Other expenses		**(3,313)**	(2,632)
Depreciation and amortisation expense	4	**(2,770)**	(2,953)
Impairment of goodwill	7	**(12,392)**	-
		(18,753)	**(5,119)**
Finance income	4	**185**	14
Finance expenses	4	**(270)**	(412)
Net finance costs	**4**	**(85)**	**(398)**
Profit/(loss) before income tax from continuing operations		**(18,838)**	**(5,517)**
Income tax (expense)/benefit		**893**	2,091
Profit/(loss) from continuing operations		**(17,945)**	**(3,426)**
Profit/(loss) from discontinued operation (net of tax)	2	**1,935**	1,731
Profit/(loss) for the period		**(16,010)**	**(1,695)**
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		**(16,010)**	**(1,695)**
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company:			
- basic (cents per share)		**(10.20)**	(2.07)
- diluted (cents per share)		**(10.20)**	(2.04)
Earnings per share for profit/(loss) from discontinued operations attributable to the ordinary equity holders of the company:			
- basic (cents per share)		**1.10**	1.05
- diluted (cents per share)		**1.10**	1.03

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

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	Notes	31 December 2022 $'000	30 June 2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**16,775**	18,030
Trade and other receivables		**338**	1,612
Inventories		**1,009**	1,233
Current tax receivables		**3,084**	2,396
Other current assets		**1,178**	876
Total current assets		**22,384**	**24,147**
Non-current assets			
Plant and equipment	5	**7,238**	7,888
Right of use assets	6	**5,837**	6,224
Intangible assets and goodwill	7	**12,320**	24,786
Deferred tax assets		**3,613**	4,563
Term deposits		**2,025**	2,025
Total non-current assets		**31,033**	**45,486**
TOTAL ASSETS		**53,417**	**69,633**
LIABILITIES			
Current liabilities			
Trade and other payables		**3,549**	4,196
Interest bearing loans and borrowings		**1,573**	1,315
Lease liabilities	6	**3,382**	3,392
Provisions		**1,128**	1,261
Contract and other liabilities		**2,394**	2,552
Total current liabilities		**12,026**	**12,716**
Non-current liabilities			
Interest bearing loans and borrowings		**152**	275
Lease liabilities	6	**7,155**	7,894
Provisions		**3,260**	1,887
Contract and other liabilities		**1,010**	1,037
Total non-current liabilities		**11,577**	**11,093**
TOTAL LIABILITIES		**23,603**	**23,809**
NET ASSETS		**29,814**	**45,824**
EQUITY			
Contributed equity	12	**47,526**	47,526
Retained earnings		**(17,712)**	(1,702)
TOTAL EQUITY		**29,814**	**45,824**

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 2022

	Notes	Attributable to owners of the parent			
		Contributed equity $'000	Reserve $'000	Retained earnings $'000	Total equity $'000
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**
As at 1 July 2022		**47,526**	**-**	**(1,702)**	**45,824**
Profit/(loss) for the half year		-	-	(16,010)	(16,010)
Total comprehensive income for the half year		**-**	**-**	**(16,010)**	**(16,010)**
As at 31 December 2022		**47,526**	**-**	**(17,712)**	**29,814**

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 2022 $'000	Half year 31 December 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**15,125**	13,682
Payments to suppliers and employees (inclusive of GST)		**(18,915)**	(15,883)
Interest received		**185**	14
Finance expenses		**(250)**	(373)
Income taxes paid/refunded		**2,983**	(1,804)
Net cash flows from/(used in) continuing operations		**(872)**	**(4,364)**
Net cash flows from discontinued operations		**2,163**	15,872
Net cash inflow from operating activities		**1,291**	**11,508**
Cash flows from investing activities			
Purchase of plant and equipment		**(897)**	(952)
Purchase of intangible assets		**(41)**	-
Proceeds from sale of plant and equipment		**30**	-
Investment in term deposit		**-**	(2,025)
Net cash flows from/(used in) continuing operations		**(908)**	**(2,977)**
Net cash flows from/(used in) in discontinued operations		**-**	(408)
Proceeds from sale - ICT, net of cash and cash equivalents disposed[a]		**-**	79,851
Net cash (outflow) inflow from investing activities		**(908)**	**76,466**
Cash flows from financing activities			
Proceeds from borrowings		**1,497**	1,085
Repayment of borrowings		**(1,369)**	(769)
Lease principal payments		**(1,766)**	(1,587)
Dividends paid	8	**-**	(68,560)
Net cash flows/(used in) continuing operations		**(1,638)**	**(69,831)**
Net cash flows (used in) discontinued operations		**-**	(11,047)
Net cash (outflow) from financing activities		**(1,638)**	**(80,878)**
Net (decrease)/increase in cash and cash equivalents		**(1,255)**	7,096
Cash and cash equivalents at the beginning of the year		**18,030**	38,208
Cash and cash equivalents at end of half year		**16,775**	**45,304**

[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 has one reportable segment under AASB 8.

Financial information relating to the discontinued operation for the period ending 31 December 2022, 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.

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 2022, 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).

	Half year	
	31 December 2022 $'000	31 December 2021 $'000
Profit/(loss) from discontinued operations after income tax	**(143)**	**(833)**
Gain on sale of discontinued operations after income tax	**2,078**	2,564
Profit from discontinued operation	**1,935**	**1,731**

FY23 gain on sale of $2.08m represents final adjustments following the completion of the detailed tax return process as announcement to the market on 19 December 2022.

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

The remaining net assets as at 31 December 2022 are $nil (31 December 2021: $nil).

3 REVENUE AND OTHER INCOME

	Half year	
	31 December 2022 $'000	31 December 2021 $'000
Revenue		
Sale of goods[a]	**745**	944
Commission revenue[a]	**712**	541
Treatment sales[a]	**12,710**	11,119
Total revenue	**14,167**	**12,604**
Other income		
Other miscellaneous income	**86**	149
Gain from derecognition of contingent consideration	**-**	492
Total other income	**86**	**641**

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

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4 EXPENSES

	Half year	
	31 December 2022 $'000	31 December 2021 $'000
Net finance expenses		
Finance charges under chattel mortgages	**38**	25
Provisions: unwinding of discount	**2**	40
Line facility fee	**4**	88
Interest on lease liabilities	**194**	259
Other interest expense	**32**	-
Total finance expenses	**270**	**412**
Interest revenue on bank deposits	**(185)**	(14)
Net finance expenses	**85**	**398**
Depreciation and amortisation and impairment		
Plant and equipment	**1,509**	1,442
Right of use asset	**1,146**	1,411
Brands	**20**	20
Customer relationships	**80**	79
Software	**15**	1
Impairment of goodwill	**12,392**	-
Total depreciation and amortisation and impairment	**15,162**	**2,953**
Employee benefits expenses		
Wages and salaries	**9,010**	7,607
Defined contribution superannuation expense	**822**	706
Employment entitlements	**532**	1,026
Total employee benefits expenses	**10,364**	**9,339**
Expense relating to leases		
Expense relating to leases	**92**	(34)
Total expense relating to leases	**92**	**(34)**

5 PLANT AND EQUIPMENT

	Plant and equipment $'000
At 1 July 2021	
Cost	74,554
Accumulated depreciation and impairment	(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 and impairment	(10,847)
Closing net book amount	**8,487**

	Plant and equipment $'000
At 1 July 2022	
Cost	20,628
Accumulated depreciation and impairment	(12,740)
Opening net book amount	**7,888**
Opening net book amount	7,888
Additions	897
Disposals	(38)
Depreciation charge	(1,509)
Closing net book amount	**7,238**
At 31 December 2022	
Cost	21,504
Accumulated depreciation and impairment	(14,266)
Closing net book amount	**7,238**

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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 2022 $'000	30 June 2022 $'000
Leasehold property net book value	**5,837**	6,224

	Right-of-Use Asset $'000
Movement in net book value	
Opening net book amount	6,224
Additions	1,204
Disposals	(17)
Depreciation	(1,823)
Impairment	249
Total	**5,837**

Additions to right-of-use assets during the period amounted to $1,204,481 (31 December 2021: $254,422). 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 2022 $'000	30 June 2022 $'000
Lease liabilities (current)	**3,382**	3,392
Lease liabilities (non-current)	**7,155**	7,894
Total lease liabilities	**10,537**	**11,286**

The lease liabilities are secured by the related underlying assets.

Lease payments not recognised as a liability

At 31 December 2022 the Group had not committed to leases that had not yet commenced. As a result, total expected future cash outflows are nil (31 December 2021: nil).

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7 INTANGIBLE ASSETS AND GOODWILL

	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 and impairment 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**

	Brands $'000	Customer relationships $'000	Software $'000	Goodwill $'000	Total $'000
At 1 July 2022					
Cost	1,192	2,674	152	24,449	28,467
Accumulated amortisation and impairment	(1,128)	(2,404)	(149)	-	(3,681)
Opening net book amount	**64**	**270**	**3**	**24,449**	**24,786**
Opening net book amount	64	270	3	24,449	24,786
Additions	-	-	41	-	41
Amortisation and impairment charge	(20)	(80)	(15)	(12,392)	(12,507)
Closing net book amount	**44**	**190**	**29**	**12,057**	**12,320**
At 31 December 2022					
Cost	1,192	2,674	193	24,449	28,508
Accumulated amortisation and impairment	(1,148)	(2,484)	(164)	(12,392)	(16,188)
Closing net book amount	**44**	**190**	**29**	**12,057**	**12,320**

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 2022 $'000	31 December 2021 $'000
Dividends provided for or paid during the the half year (fully franked at 30%):		
Final dividend for FY22 nil cents per share (FY21: 2.4)	-	3,974
Special dividend for FY23 nil cents per share (FY22: 39.0)	-	64,586
	-	**68,560**

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8 DIVIDENDS PAID AND PROPOSED (CONTINUED)

Dividends not recognised at the end of the reporting period

The Board has determined not to pay an interim dividend (FY22: nil cents), electing to utilise the groups current position to support and invest in the growth of the Artisan business.

	Half year	
	31 December 2022 $'000	31 December 2021 $'000
Interim dividend FY23 nil cents per share (FY22: nil)	-	-
	-	-

(i) Franking credits

	Half year	
	31 December 2022 $'000	31 December 2021 $'000
Franking credits available for FY23 is based on a tax rate of 30% (2022 : 30%)	**25,563**	45,775

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

(a) Franking credits that will arise from the payment of the provision for income tax
(b) Franking debits that will arise from the receipt of tax receivable balances
(c) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(d) 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 2021: nil).

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.

Following the ICT divestment all remaining goodwill relates to the SHAW segment.

Determination of CGU's

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 a period of trade impacted by COVID-19 and the challenging macro-economic environment, the board deemed that half-year testing for impairment was an appropriate, prudent approach.

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9 IMPAIRMENT TESTS FOR GOODWILL AND OTHER ASSETS (CONTINUED)

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 H1 FY23 performance, industry growth rates, brand awareness, client and clinician attraction and retention, clinic utilisation rates and the evolving maturity of individual clinics. 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 2022	30 June 2022
Revenue	22.2%	34.9%
Pre-tax weighted average cost of capital (WACC)	11.8%	11.2%
Terminal growth rate	2.5%	3.0%

Impairment Charge

Artisan has experienced continued business headwinds relating to impacts associated with COVID-19, changing macro-economic environment, and the annualising impacts from higher-than-expected staff turnover in prior periods, including some founders from acquired clinics. Whilst the Group remains optimistic about Artisan's medium-term business prospects, the group revisited the recoverable amount assumptions and calculations for the CGU. As a result, an impairment charge of $12.4m was made against goodwill.

Sensitivity to changes in assumptions

The inherent nature of future projected results means that, by definition, the resulting accounting estimates will seldom equal the related actual results. The recoverable amount is particularly sensitive to key assumptions including gross profit growth and the weighted average cost of capital (WACC). As a result, following the impairment charge in the period, the Group has further conducted a sensitivity analysis on the recoverable amount.

	Change in recoverable value
Sensitivity	
1% Increase in projected gross profit* in all years	4,286
1% Decrease in projected gross profit* in all years	(4,286)
100 BPS Increase in pre-tax WACC	(4,265)
100 BPS Decrease in pre-tax WACC	5,368
50 BPS Increase in terminal growth rate	2,000
50 BPS Decrease in terminal growth rate	(1,797)

* Gross profit has been used in place of revenue given the direct link between revenue and the corresponding change to changes in inventories.

10 CONTINGENCIES

The Group had no contingent assets or liabilities at 31 December 2022. Refer to Note 14 in relation to the GST ATO dispute that was ongoing as at 30 June 2022.

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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 2022 $'000	30 June 2022 $'000
Ordinary shares		
Ordinary shares	**47,526**	47,526
Issued and fully paid	**47,526**	**47,526**

Movements in contributed equity	Number of shares	$'000
Opening balance 1 July 2021	**165,604,453**	44,651
Balance 31 December 2021	**165,604,453**	**44,651**
Opening balance 1 July 2022	**175,871,832**	47,526
Balance 31 December 2022	**175,871,832**	**47,526**

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 2022 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 2022 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.

Going Concern

As at 31 December 2022, the Group had a net loss after tax from continuing operations of $17.9m, including a non-cash impairment charge of $12.4m, and operating cash outflows from continuing operations adjusted for income tax refunds of $3.9m. Despite the loss, the Group ended the period with current assets, including $16.8m of cash, in excess of current liabilities amounting to $10.4m. The Group monitors its cash flows carefully and the Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group will be able to operate within its current financing arrangements. After considering the forecasted net cash outflows from operating activities in the coming period, the Director's believe that the current cash position is sufficient to cover current liabilities of the Group. The Director's believe the use of the going concern basis of accounting is appropriate and supportable.

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.

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13 BASIS OF PREPARATION OF INTERIM REPORT (CONTINUED)

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 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 2022.

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

Judgement is used when determining whether costs relate to discontinued operations or continuing operations, given the transaction occurred in prior years. In FY22 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.

Contingent Consideration

Included in Non-current contract and other liabilities is a 10-year option to obtain five percent of Artisan Aesthetics Group for nominal consideration. Given the long term nature of the option judgement has been used to estimate the potential non-current value should the option be exercised or cancelled beyond 12 months. The estimated current value of the option is nil.

Taxation

It is expected that the Group will be considered a base rate entity for FY23 and be eligible for the lower tax rate of 25%. The maximum franking credits that would be available in FY23 on any frankable distributions would be 30% based on the prior year assessable and passive income. In subsequent years should the Group be considered a base rate entity, the franking credits available in subsequent reporting periods will be at a maximum of 25% while considered a base rate entity.

Included in current assets is a tax receivable of $1.7m from ATO. Under the loss carry back scheme it is expected that the Group will be in a tax loss position for FY23 and meet the criteria of the scheme and therefore be eligible for the refund.

As disclosed in the Group’s FY22 financial statements, the Group has been subject to a Goods and Services Tax (GST) audit by the ATO which was disputing certain input tax credits claimed by the Group for the period FY16 to FY21. The Group has not been successful in this dispute. Accordingly it does not expect to receive any adjustment in respect to this matter or pay any additional amounts other than legal costs and interest. The outcome entitles the Group to claim additional income tax deductions in respect of previously un-deducted expenses component for FY16 to FY21. Any refund remains subject to review by the ATO and acceptance of the amendments to prior periods. The amount receivable has been reflected in the current tax receivable balance as at 31 December 2022.

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 2022 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: 28 February 2023

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Independent Auditor's Review Report

To the Members of Vita Group Limited

Report on 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 balance sheet as at 31 December 2022, 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 giving a true and fair view of the Vita Group Limited financial position as at 31 December 2022 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES *110 Code of Ethics for Professional Accountants (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.

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Emphasis of matter

We draw attention to Note 9 of the financial statements, which describes the sensitivity of the recoverable amounts to changes in key assumptions which impact the determination of the impairment charge. Our conclusion 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 2022 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, 28 February 2023

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