

19 November 2009

ASX Company Announcements Office

Written Questions from Shareholders for 2009 AGM

A number of written questions were received from shareholders before the AGM. The Chairman provided the following responses at the meeting.

Question: Why has the company lost so much value, and what strategy is being adopted to improve shareholder value?

Over the past twelve months, Vita Group's share price has decreased along with other listed stocks given the impact of the global financial crisis on stock market valuations, and a lack of general support for small cap listed stocks in Australia. In addition we believe the value of Vita Group was further negatively affected by a general uncertainty around some key operational issues, including uncertainty about the outcome of the renegotiation of our relationship with Telstra. However, in line with the recovery in markets generally from March this year, and following our recent announcement of the new arrangements with Telstra, Vita Group's share price has recovered strongly from its historic low earlier this year. We expect this initiative to help underpin long term shareholder value.

Question: Since investing in Vita Group our investment has gone backwards while demand for mobile communication has leap-frogged. Any explanations? (I am sure it is not the GFC).

Over the past twelve months Vita Group's share price has decreased along with most other listed stocks due to the impact of the global financial crisis and some market uncertainty regarding the Company. However, in line with the recovery in markets generally from March this year, and the announcement of the new Telstra Agreement, Vita Group's share price has recovered strongly from its historic low earlier this year.

While demand for mobile communications has increased, so has competition in the market. In addition, reflecting consumer's tighter budgets, there was a trend within the mobiles industry towards prepaid and capped plans which deliver less profit to Vita Group. Looking forward, one of the key growth areas within the mobiles business is the migration to "smart phones", like the Apple iPhone. The Company is well placed to leverage growing demand for telecommunications products and grow organically through its brands – Fone Zone, One Zero Communications, Telstra shops, and now the roll-out of the Company's new T[life] retail concept stores which sell a much broader suite of products and are expected to significantly improve the profitability of our stores.

Question: When will you pay a dividend or start a Dividend Reinvestment Plan?

For the first time since Vita Group's listing in 2005, the Company did not pay a dividend for the 2009 financial year. In light of future growth opportunities, the Board made the decision to conserve the Company's cash rather than pay a dividend.

The Board's intention is to pay dividends to Shareholders. The past 12 months were unusual and clearly out of the ordinary. Vita Group aims to again pay dividends to its Shareholders as soon as practicable, taking into account the capital requirements of the Company's roll-out of T[life] stores that will provide attractive long term growth opportunities.

The Company has a Dividend Reinvestment Plan (DRP) in place, which is not active. The DRP will not commence until such time as the Board determines, and it may be varied, suspended or terminated by the Board at any time. The Board reviews the Company's capital requirements regularly. Any decision to commence the DRP will be taken in conjunction with those reviews.

Question: Why do we need to approve Remuneration when in fact the board should take a voluntary cut?

It is a requirement of the Corporations Act that at the Annual General Meeting of a listed public company such as Vita Group, a resolution that the Remuneration Report be adopted must be put to Shareholder vote.

The Board regularly reviews the remuneration of Vita Group's Directors, taking into account the workload of Directors, and remuneration being provided by other companies of comparable size and complexity. The workload of the Board has been significantly higher in the difficult conditions of the last 12 months, and the board believes that in the circumstances the remuneration of individual Directors is fair and reasonable. In particular, it is important to note that the remuneration of individual Directors has not increased since the Company floated in 2005. At the same time the number of non-executive Directors has been reduced from five non-executive Directors to three, meaning that each Director has an increased workload as all three Non-executive Directors attend all sub-committee meetings now.

Question: Why does the Remuneration Report not get sent with our Proxy vote form? It's inconvenient to have to look up separately on the web. As there is some excessive remuneration it would be good to know more without too great an effort. (This might breed better shareholder loyalty).

It is a requirement of the Corporations Act that the Remuneration Report be included in the Directors Report each year, which is included in the Annual Report available to Shareholders. The Annual Report is available to Shareholders on both the Vita Group website – www.vitagroup.com.au – and the ASX website – www.asx.com.au. A printed copy is sent to any Shareholder that requests it.

Vita Group is mindful of the environment and reducing corporate expenses, which benefits all Vita Group Shareholders. As such, Vita Group does not print and mail hard copy documents unless specifically requested by a Shareholder.

With regard to the remuneration of Key Managers reported in the Remuneration Report, the Board believes the present remuneration to be fair and reasonable. Total Package Value for most Key Managers was reduced from the previous year, and increases in Primary Salary have been kept to a minimum, bearing in mind the need to attract and retain skilled managers and remunerate them fairly.