

6 November 2007

ASX Company Announcements Office

Written Questions from Shareholders for 2008 AGM

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

Question: Could the Chairman please explain why the CEO's remuneration increased substantially in what was a poor year financially for the Company?

In answering the question, can I firstly apologise for not providing a more detailed explanation of the CEO's remuneration in the Remuneration Report.

In the first half of the 2007/08 financial year, when the company was performing well against budget, the board agreed to pay out accrued Annual and Long Service Leave to both CEOs, rather than carry these significant amounts forward as a liability in the Balance Sheet. These payments, as required by the reporting rules, are shown as Primary Salary, and, as a result, the Remuneration Report indicates that Primary Salary for both CEOs has risen substantially when this is not the case. The Primary Salary for both CEOs will revert to more normal figures in the next financial year.

I would like to make a further point that we have independent advice that indicates that the combined salaries of the Joint CEOs is within the range of other CEO salaries in the market place.

Question: I would like to know the Chairman's attitude to remuneration. I have always felt that salary was a payment to perform a job. If there is underperformance, management must take rectifying action. The 'incentive' is the salary paid. Other share issues and options etc. really distort the key consideration of performance.

I hold the following view with regard to remuneration of executives:

- Executive remuneration should be consistent with that being offered by companies of a comparable size and where responsibilities are similar, for reasons of fairness and also to ensure that we are able to attract and retain suitable people. We take external advice to make the necessary comparisons
- In the case of the Joint CEOs, the Board decides on an appropriate level of total remuneration, assuming that all targets and assigned qualitative objectives are met. Of that amount, approximately 70% is payable on a monthly basis throughout the year. Of the remaining 30%, two thirds may be payable after the year has ended, if the assigned financial targets (based on profit) are met; the remaining one third may be payable, based on the Board's assessment of performance against each of the assigned qualitative (and generally longer term) objectives
- Each year, the performance of each of Joint CEO is reviewed and assessed by the Board and communicated to them. These assessments are taken into account in determining their remuneration for the following year
- In summary, a significant portion of target earnings is at risk and will only be paid if the company achieves its financial and other business objectives. This principle is applied throughout the executive ranks of the company and increasingly, through other levels of management and non-management
- At the present time we have no active share or option plans for employees. My personal preference is to avoid such plans but there may be times when market conditions require them in order to be a competitive and attractive employer

Question: Why are the ages of prospective directors not given in the explanatory notes to Items of Business for the meeting?

Each Director's date of birth is lodged with ASIC when they become a Director. Other than that, there is no requirement under the Corporations Act for a Director's age to be disclosed, and in common with many other public companies Vita Group has not normally made such disclosure. As you may know, discrimination because of age is not lawful and should not be a factor in matters such as the election of Directors. However, we are happy to advise that Dick Simpson is 57, and Melinda Snowden is 42.

Question: The outlook for the Australian economy is rather sombre. In this situation the opening of 8 Next Byte Stores would appear to be highly risky. Please comment.

Despite the current difficult economic conditions, we believe that there are growth opportunities in the right new locations for Next Byte. Clearly, we need to weigh the prevailing situation before taking on additional obligations. Well before a decision is made to open any new Store, we will complete a detailed analysis of the potential and the risks associated with the financial commitment involved. Apple has been improving its market position over the past several years and intends to continue that progress. As Australia's leading Apple Dealer, we intend to be part of that success.

Question: The Shareholder Review lacks elementary simple facts relating to the year and concentrates on a self-praise and marketing promotion. Some simple statement of a dozen facts would be the minimum addition.

We will bear these comments in mind when we prepare the next communication to Shareholders.

The Shareholder Review is intended to be an easy to understand summary of the company's results and achievements. It is not intended to be a substitute for the Annual Report. As we indicated in the communications to Shareholders about the AGM, these comprehensive accounts are available on the Vita Group web site at www.vitagroup.com.au.

We did include some facts about the company and about Vita Group's performance in the Shareholder Review. The inside of the front cover displays some financial results and comparisons, and the inside of the back cover provides information about the Store locations. In addition, the Chairman's section and the CEOs' section contain further information about performance.

The Shareholder Review will be used as a promotional document in a variety of ways throughout the coming year.