Vita Group Limited

ABN 62 113 178 519

Annual Financial Report

for the year ended 30 June 2009

Contents

Corporate Information
ABN 62 113 178 519

This Annual Report covers both Vita Group Limited as an individual entity and the consolidated entity comprising Vita Group Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Report on pages 7 to 8.

Directors
R. A. (Dick) Simpson (Chairman from 6 November 2008)
T. B. Finn AO (Chairman to date of resignation) (resigned 6 November 2008)
D. L. McMahon (Joint Chief Executive Officer)
M. J. Horne (Joint Chief Executive Officer)
N. A. Osborne
M. F. Snowden (appointed 25 September 2008)

Company Secretaries
W. L. te Kloot
T. J. Wulfse (resigned 27 February 2009)
C. M. Kelly (appointed 17 March 2009)

Registered Office and Principal Place of Business
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Eagle Farm, Queensland, Australia
Albion, Queensland, Australia
Telephone: 61 7 3868 6000
Facsimile: 61 7 3630 0670
www.vitagroup.com.au

Share Registry
Computershare Investor Services Pty Limited
Level 19, 307 Queen Street
Brisbane, Queensland, Australia
Telephone: 61 7 3237 2100
Facsimile: 61 7 3237 2152
www.computershare.com.au

ASX Listing
Vita Group Limited shares are listed on the Australian Securities Exchange.

ASX Code: VTG
Solicitors
Minter Ellison Lawyers
Brisbane, Australia

Bankers
National Australia Bank Limited
Brisbane, Australia

Auditors
PricewaterhouseCoopers
Brisbane, Australia

Directors' Report

Your Directors submit their report for the year ended 30 June 2009.

The Directors of the company at any time during or since the end of the financial year are:

R. A. Simpson (Chairman from 6 November 2008)
T. B. Finn AO (Chairman to date of resignation) (resigned 6 November 2008)
D. L. McMahon (Joint Chief Executive Officer)
M. J. Horne (Joint Chief Executive Officer)
N. A. Osborne
M. F. Snowden (appointed 25 September 2008)

The qualifications, experience, special responsibilities and directorships of listed companies of Directors are as follows.

Current Directors

Dick Simpson
Non-executive Chairman

Dick was formerly President International for Telstra, based in Hong Kong. In this role he was Chairman of CSL (the leading Hong Kong mobile operator), TelstraClear in New Zealand, and REACH (Asia's largest international communications carrier). He was CEO of REACH from 2003 to 2005, and then retired to Australia.

Dick started his career in IT, spending 20 years with IBM and then Unisys, in Australia as well as the USA. He then joined Optus and subsequently Telstra, where he was Group Managing Director, Mobiles in Australia, before moving to Telstra's international operations in Hong Kong.

Dick became a Director of Vita Group in September 2005, and is Chairman of the Remuneration & Nomination Committee, and a member of the Audit, Compliance & Risk Committee. He is a Director of Chevalier College in Bowral.

David McMahon
Joint Chief Executive Officer

David is Co-founder and Joint Chief Executive Officer of Vita Group. He is responsible for guiding the future strategic direction of the Company.

David has been instrumental in Vita Group's rapid growth since inception in January 1995. He has been involved in the mobile communications industry for over 16 years in the United Kingdom and Australia.

David was awarded the prestigious Young Entrepreneur of the Year Award (Northern Region) in recognition of his outstanding business strategy and management skills in 2001, and at the 2006 National Retail Awards received a Merit Award for Excellence for Individual Achievement.

Maxine Horne
Joint Chief Executive Officer

Maxine is Co-founder and Joint Chief Executive Officer of Vita Group. She is responsible for leading and managing Vita Group's operations, with a particular focus on the employees of Vita Group, customer service training, and career development, ensuring that Vita Group really is a great place to work. Maxine has also been instrumental in the integration of Vita Group's previous acquisitions.

Maxine has over 17 years' experience in the mobile communications industry in the United Kingdom and Australia. Maxine received the President's Award at the 2005 NSW ARA Awards for Excellence, and was named QBR Business Woman of the Year, Retail in 2006.

Directors' Report (continued)

DIRECTORS (continued)

Neil Osborne
Non-executive Director

Neil was formerly a partner with the world's largest consulting and technology services firm, Accenture. He has over 18 years experience in the retail industry and has held a variety of senior executive positions with Myer Grace Bros and Coles Myer Ltd in corporate and operating brands across finance, supply chain, strategic planning and merchandise, including the positions of Myer Chief Operating Executive (CFO and Supply Chain) and CML Group General Manager, Retail Services.

Neil became a Director of Vita Group in June 2007, and is Chairman of the Audit, Compliance & Risk Committee, and a member of the Remuneration & Nomination Committee.

Neil is currently a Director of Colorado Group Limited (from February 2007), and a Director of Foodworks Ltd (from November 2006).

Melinda Snowden
Non-executive Director

Melinda is currently a Director of Grant Samuel Debt Structuring & Advisory Pty Limited. She has advised on a variety of transactions including capital raisings, mergers and acquisitions, and the preparation of independent expert reports.

Prior to joining Grant Samuel, Melinda held corporate finance roles with Merrill Lynch and Goldman Sachs in Australia and New York and worked on numerous strategic advisory and financing assignments. She was also a solicitor with the corporate division of Freehills between 1991 and 1994.

Melinda's qualifications include Bachelor of Economics and Bachelor of Laws, Graduate Diploma in Applied Finance and Investment, GAICD, and Fellow of FINSIA.

Melinda became a Director of Vita Group in September 2008, and is member of both the Audit, Compliance & Risk Committee and the Remuneration & Nomination Committee.

Directors who resigned throughout the year

Brian Finn
Non-executive Chairman

Brian has been a Director of a number of government bodies, private companies and publicly listed companies, including Telstra, where he was a Director from 1991 to 1996. He has been associated with Fone Zone since 1999 and was Chairman from 2003. He became a Director and Chairman of Vita Group Limited in March 2005.

Brian is a former Chairman and Chief Executive of IBM Australia. He worked for IBM for 35 years in marketing, software development and general management roles in Europe, the United States and in Asia, where he was Regional CEO, before moving to Australia in 1980. He retired from IBM in 1993.

Brian was made an Officer in the Order of Australia in 1990, for services to Business, Industry and Education and in 2003 was awarded the Centenary Medal for services to Australian society through technological industries.

Brian was a member of both the Audit, Compliance & Risk Committee and the Remuneration & Nomination Committee. He is currently Chairman of the Gold Coast Innovation Centre, a not-for-profit organisation, dedicated to supporting start-up companies on the Gold Coast.

Directors' Report (continued)

DIRECTORS (continued)

Interests in the shares and options of the company
As at the date of this report, the relevant interests of the Directors in the shares of Vita Group Limited were as set out in the table below. No Director held any options to acquire shares in the company.

	Ordinary shares held at 30 June 2008	Ordinary shares purchased	Ordinary shares acquired under the Non-Executive Director Share Plan	Ordinary shares sold in year	Ordinary shares held at 30 June 2009
Directors					
Dick Simpson	42,204	55,555	-	-	97,759
David McMahon	51,582,000	4,214,535	-	-	55,796,535
Maxine Horne	51,582,000	4,214,535	-	-	55,796,535
Neil Osborne	64,200	37,000	-	-	101,200
Melinda Snowden	-	-	-	-	-

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the numbers of meetings attended by each Director are shown in the table below.

As at the date of this report, the Company had two Committees of the Board, an Audit, Compliance & Risk Committee, and a Remuneration & Nomination Committee.

The members of each committee during the year were:

Audit, Compliance & Risk Committee		Remuneration & Nomination Committee	
N.A. Osborne (c)		R.A. Simpson (c)	
T.B. Finn	(Resigned 6 November 2008)	T.B. Finn	(Resigned 6 November 2008)
M.F. Snowden	(Appointed 25 September 2008)	M.F. Snowden	(Appointed 25 September 2008)
R.A. Simpson	(Appointed 6 November 2008)	N.A. Osborne	(Appointed 6 November 2008

Note (c) Designates the Chairman of the Committee

	Vita Group Board		Audit, Compliance & Risk Committee		Remuneration & Nomination Committee	
Number of meetings held:	15		4		2	
	Meetings eligible to attend	**Meetings attended**	**Meetings eligible to attend**	**Meetings attended**	**Meetings eligible to attend**	**Meetings attended**
T.B. Finn	3	3	1	1	1	1
R.A. Simpson	15	14	3	3	2	2
D.L. McMahon	15	15	-	-	-	-
M.J. Horne	15	14	-	-	-	-
N.A Osborne	15	15	4	4	1	1
M.F. Snowden	13	13	3	3	1	1

Directors' Report (continued)

COMPANY SECRETARIES

The joint Company Secretaries at any time during or since the end of the financial year are:

W. L. te Kloot
T. J. Wulfse (resigned 27 February 2009)
C. M. Kelly (appointed 15 April 2009)

The qualifications and experience of each Company Secretary are as follows.

Bill te Kloot
Company Secretary

Bill has over 25 years experience as a Company Secretary, working in a variety of companies and industries during that time. He is a Fellow of Chartered Secretaries Australia and a Fellow of the Australian Institute of Company Directors.

Bill joined Vita Group in September 2005, and is contracted to carry out all secretarial duties including meeting the requirements of ASIC and ASX and providing counsel on corporate governance issues.

Christine Kelly
Chief Financial Officer and Company Secretary

Christine has over 20 years experience in financial management, financial and management reporting, budgeting and forecasting, systems development and credit management. She spent many years in a variety of roles at Telstra Corporation, and, prior to joining Vita Group, was Manager Finance at Crane Distribution Ltd.

Christine joined Vita Group in November 2007 as Group Financial Controller and was appointed Chief Financial Officer and Company Secretary in April 2009. She has a Bachelor of Commerce degree and a Graduate Certificate of Management and is a Member of the Australian Institute of Company Directors.

Secretaries who resigned throughout the year

Trevor Wulfse
Chief Financial Officer and Company Secretary

Trevor has over 25 years experience in financial and IT management across a diverse range of industries including retail, IT, trade distribution, communications, airlines, food manufacturing and hospitality. He was the former CFO of Crane Distribution Ltd, Group GM Finance for Telstra Corporation, and Group Financial Control Director for Qantas Airways.

Trevor joined Vita Group in September 2007 as Chief Financial Officer and Company Secretary. He has bachelor degrees in Commerce and Accounting and is an Associate of the Institute of Chartered Accountants in Australia. He resigned 27 February 2009.

DIVIDENDS

	Cents	$'000
No final franked dividend has been approved by the Board:		
• on ordinary shares	Nil	-

DIVIDENDS PAID IN THE YEAR

	Cents	$'000
Interim for the year		
• on ordinary shares	-	-
Final for 2008 shown as recommended in the 2008 financial report		
• on ordinary shares	1.0	1,412

Directors' Report (continued)

PRINCIPAL ACTIVITIES

The principal activities of the entities within the consolidated group during the year were retailing of mobile communications equipment and associated products through Fone Zone and One Zero stores and Apple computers and other Apple products through Next Byte stores, in Australia's major metropolitan and regional areas.

OPERATING AND FINANCIAL REVIEW

Review of Operations

In response to the tough economic conditions, particularly in the retail sector in which we operate, Vita Group continued its strategy to consolidate the business throughout the financial year ended 30 June 2009 (FY09).

The difficult retail trading conditions led to a 4.0% fall in revenue for the Group to $297.8 million from the $310.2 million achieved in FY08. The fall in retail sales has been felt across both the Fone Zone and Next Byte businesses.

Given the fall in revenue, net profit after tax was down 28.2% to $5.4 million. The drop in earnings was primarily due to one-off restructuring costs associated with our Store Optimisation and overall cost reduction programs as we consolidated our businesses.

The main activity in our consolidation strategy was the Store Optimisation Program for Fone Zone and Next Byte. As a result of this, a total of 37 underperforming retail stores were closed (33 Fone Zone and 4 Next Byte) while 4 new stores were opened (1 Fone Zone and 3 Next Byte).

In addition, the full integration of Next Byte into Vita Group was completed during FY09, and we are expecting the performance of Next Byte to improve in FY10 and beyond.

In order to better position the company for the future, we undertook a number of operational and structural improvements to lower costs and improve the performance of key business units. Some of these initiatives included:

- combining the business teams of Next Byte and Fone Zone into a single, focused Business Solutions division which focuses on education, corporate and government clients for telecommunications and computing equipment;
- outsourcing the call centre for the mobile division; and
- improving the efficiency of the service and repair functions of Next Byte by consolidating those operations into a reduced number of key hub locations.

Vita Group, through Fone Zone, has had a dealer arrangement in place with Telstra for over 14 years. During the year, Vita Group instigated an extensive review with Telstra to agree a strategy moving forward that would further optimise and grow this relationship. As a result of this review Vita Group is in discussion with Telstra regarding the early renewal of Fone Zone's long-term dealer arrangement. We expect that the new dealer arrangement with Telstra will be in place in early FY 10.

Operating Results for the Year

Total revenue for the year was $297.8 million, a decrease of 4.0% from $310.2 million the previous year. Net profit after tax decreased 28.2% from $7.5 million last year to $5.4 million.

Note: June 2008 net profit after tax was restated as outlined in Note 3, Adjustment of Comparatives.

Directors' Report (continued)

OPERATING AND FINANCIAL REVIEW (continued

Shareholder Returns

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

	2009	2008
Basic earnings per share (cents)	3.84	5.45
Return on equity	9.90%	21.1%
Net debt/(Net debt plus total equity)	27.8%	35.8%

The share price at 30 June 2009 was $0.09 (2008: $0.23).

Review of Financial Condition

The consolidated cash flow statement shows an operating cash flow of $9.5 million, compared to the previous year of $21.8 million. Cash at 30 June 2009 was $9.9 million, a similar level to the previous year.

Profile of Debts

	2009 $'000	2008 $'000
Current		
Obligations under finance leases and hire purchase contracts	1,591	1,841
Commercial bills	5,000	5,000
Non-current		
Obligations under finance leases and hire purchase contracts	2,904	2,308
Commercial bills	15,650	20,650
	25,145	**29,799**

The Company sources the majority of its funds from the National Australia Bank. It aims to maintain gearing below 50% and the board considers the current level of gearing in the Group of 26.6% to be well within acceptable limits.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity during the financial year not otherwise disclosed in this report or the consolidated financial statements.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 27 August 2009, Fone Zone renewed its dealer agreement with Telstra for another five years with potential for up to four additional one year extensions.

In addition to renewing Fone Zone's exclusive dealer agreement with Telstra, Vita Group has been appointed the first Master Licensee for Telstra's T[life]™ stores. The T[life] Master License Agreement allows Vita Group to roll-out T[life] stores in a phased approach, subject to meeting both performance and expandability criteria. The location of the first 25 stores has been agreed and will open throughout the next twelve months.

Under the new dealer agreement, the trailing commission component of the existing commission structure will be replaced by higher upfront payments from 1st November 2009.

As a result of entering into the new dealer agreement and the revised commission structure, Telstra will pay $23.6 million to Vita Group over the next 18 months for trailing commission entitlements under the old agreement, subject to certain conditions being met. Vita expects that the proceeds from this payment will be used for its future funding needs including partially funding the rollout of the new T[life] stores.

The renewal of the Telstra agreement is a non-adjusting event for the purposes of 30 June 2009 reporting.

There have been no other matters or circumstances not otherwise dealt with in this report, that will significantly affect the operation of the company, the results of those operations or the state of affairs of the company or subsequent financial years.

Directors' Report (continued)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The emphasis in the coming year will be on opening T[life] stores in accordance with the new Telstra agreement as described earlier.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

REMUNERATION REPORT (AUDITED)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executives, senior executives, general managers and secretaries of the Parent and the Group.

Details of key management personnel (including the five highest paid executives of the Company and the Group):

(i) Directors

R. A. Simpson	Chairman (Non-executive) – appointed 6 November 2008 (previously Director (Non-executive))
T. B. Finn AO	Chairman (Non-executive) – resigned 6 November 2008
D. L. McMahon	Joint Chief Executive Officer
M. J. Horne	Joint Chief Executive Officer
N. A. Osborne	Director (Non-executive)
M. F. Snowden	Director (Non-executive) – appointed 25 September 2008

(ii) Executives

Wendy Carruthers	General Manager Business Solutions – appointed 2 February 2009
Jim Collier	General Manager Mobile Phones – appointed 29 June 2009
Peter Connors	Chief Product, Marketing and Technical Officer – appointed 25 August 2008
Darren Gaunt	General Manager Retail Next Byte (Previously General Manager Mobile Sales)
Christine Kelly	Chief Financial Officer – appointed 15 April 2009
Lee Moore	General Manager Operations Next Byte (Previously Acting General Manager Next Byte) – resigned 31 July 2009
Dave Rundle	General Manager Mobile Phones - appointed 6 October 2008, resigned 3 July 2009
Wayne Smith	Chief Organisation Development Officer
Trevor Wulfse	Chief Financial Officer – retired 14 April 2009

Mr. Dave Rundle resigned from Vita Group on 3 July 2009 as General Manager Mobile Phones, and Mr Lee Moore resigned from Vita Group on 31 July 2009 as General Manager Operations Next Byte. Other than these resignations, there were no changes of the CEOs or KMP after reporting date and before the date the financial report was authorised for issue.

Remuneration Policy

The Company has a focus to "Get, Grow and Keep" great people. One of our four key business drivers is "Delivering a consistent and positive team member experience that optimises business performance." An element of this is to "Provide remuneration that is competitive and rewards achievement."

In using our "Get, Grow and Keep" approach, our remuneration practices have a large role to play. In the "Get" section we know that we have to be market competitive in our remuneration to help us identify, attract and select the right people to join Vita Group. To help with "Grow" we have an established Team Member Performance Review and Feedback process which helps us to ensure we pay for performance. This also helps to achieve our "Keep" element as it is a key lever in achieving a performance and consequence culture to ensure that the key elements of business achievement at Vita Group are measured, monitored and rewarded.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration & Nomination Committee

The Company has an established Remuneration and Nomination Committee operating under a written charter approved by the Board and reviewed annually.

The Remuneration and Nomination Committee comprises three Non-Executive Directors including the Committee Chairman. The Chairman and/or any other Director is entitled to be present at all meetings of the committee, whether or not they are a member of the committee. Meetings of the committee are attended, by invitation, by the Joint Chief Executive Officers, the Chief Organisation Development Officer, and such other senior staff or professional people as may be appropriate from time to time.

Minutes of all committee meetings are provided to the Board, and the Chairman of the committee also reports to the Board after each committee meeting.

The committee is supported by the Chief Organisation Development Officer, the Group Human Resources Manager, and the Company Secretary.

Employee Share Plans

Vita Group has the following share plans available for team members and Directors:

- Employee Bonus Share Plan
- Employee Share Options Plan
- Non-executive Director Share Plan

The Company's Share Trading Policy provides that the entering into of all types of "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Company's listed securities that are held directly or indirectly by directors or employees is prohibited at any time, irrespective of whether such protection arrangements are entered into during trading windows or otherwise. This prohibition extends to vested and unvested shares or options in any share or option plan.

Protection arrangements include entering into transactions which:

- amount to 'short selling' of the Company's listed securities beyond the Director's or employee's holding of the listed securities
- operate to limit the economic risk of any Director's or employee's holding of the listed securities or options
- otherwise enable a Director or employee to profit from a decrease in the market price of the listed securities.

Directors and key managers are advised of the policy on appointment, and are reminded of their obligations to advise the Company of any dealings in Vita Group securities at the end of each Board and senior management meeting. Option certificates are held by the Company Secretary for security

A summary of each of the plans is as follows.

Employee Bonus Share Plan
The Remuneration and Nomination Committee is responsible for reviewing the operation of the Company's Employee Bonus Share Plan which was approved by the Board on 4 April 2005.

This share plan has been established by Vita Group to enable employees to acquire shares in the Company up to the market value of $1,000, depending on length of service.

The plan is administered by the Remuneration and Nomination Committee of the Company. The committee may from time to time issue offers on behalf of the Company to employees. These employees may apply to acquire the number of shares specified in the invitation. The initial value of the shares to Australian tax residents is intended to be free of income tax (under current tax laws) provided the requisite tax election is made.

Shares may be acquired for participants by way of an issue of shares by the Company, by acquiring shares in the ordinary course of trading, or by off-market purchases. The Company may issue shares for no consideration. The Board may also decide that an offer will involve a salary sacrifice.

Participants are prevented from disposing of shares acquired under the plan until the earlier of:

- three years after the date of acquisition of the shares; or
- the day after the date on which the participant ceased, or first ceased, to be employed by the Company because of death or other special circumstances.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

The number of shares acquired during the previous five years from new issues by the Company under the plan and all other employee share schemes established by the Company must not exceed 5% of the total number of issued shares.

Shares will rank equally with all existing shares on and from the date of issue.

The Remuneration and Nomination Committee has power to terminate or suspend the operation of the plan at any time, provided that the termination or suspension does not adversely affect or prejudice the rights of participants holding shares at that time.

Directors are eligible to participate in the plan, but, under Listing Rule 10.14, Shareholders must approve any allocations to Directors.

Employee Share Option Plan
The Remuneration and Nomination Committee is responsible for reviewing the operation of the Company's Employee Share Option Plan which was approved by the Board on 4 April 2005.

An employee of the Company or any of its associated companies to whom the Board decides to make an offer is an eligible employee under this plan. The intent of the plan is to provide incentives to key managers.

Each option entitles the holder to subscribe for one share in the Company at the exercise price specified in the invitation, subject to the vesting requirements below.

Options issued at listing will vest and may be exercised as follows:

- one-third of the options vest on the first anniversary of issue;
- a further one-third of the options vest on the second anniversary of issue; and
- the remaining one-third of the options vest on the third anniversary of issue.

Subsequent issues of options will vest over three years or on dates specified by the Board.

There are other vesting conditions relating to cessation of employment, death and permanent disability as well as a general discretion of the Board to accelerate vesting.

Options which have vested may be exercised at any time:

- during the months of March or September which occur before the fifth anniversary of the date of issue; or
- during the period of two months before the fifth anniversary of the date of issue.

On resignation of an employee, any vested options must be exercised within two months of the date of resignation. Unvested options are forfeited on resignation. There are various powers of the Board to modify the exercise periods if there is accelerated vesting.

Before exercising an option, the employee must have satisfied all of the criteria attaching to the exercise of the options that were set out in the invitation (unless the Board has, in writing, approved the waiver of this condition).

The total number of options on issue under the Plan must not exceed 5% (on a fully diluted basis) of the total issued share capital of the Company at any time. However, the Board may in its absolute discretion from time to time increase the number of options on issue under the plan.

Shares issued under the plan will have the same rights as all other ordinary shares. The Board may resolve to amend the plan from time to time to ensure consistency with any relevant law.

At the date of this Annual Report, the Company has granted the following options:

Number of options	Exercise price and date of issue	Earliest exercise date	Latest exercise date
5,634,000	$0.1876 2 November 2005	One third on the first anniversary of the date of issue	Fifth anniversary of the date of issue

Of the 5,634,000 options granted, 2,712,667 have been forfeited and 1,356,333 have been exercised, leaving an outstanding balance of 1,565,000 held by members of the KMP.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Non-Executive Directors are not eligible to participate in the plan, and Shareholders must approve any allocations to Executive Directors.

The options issued at listing were not subject to any performance criteria as it was considered important the key managers involved receive options so that they had a significant interest in the Company's performance and share price, and a significant alignment of their interests with the interests of Shareholders.

Non-Executive Director Share Plan
The Remuneration and Nomination Committee is responsible for reviewing the operation of the Company's Non-Executive Director Share Plan which was approved by the Board on 4 April 2005.

Under the plan, Non-Executive Directors may acquire shares in the Company in lieu of cash remuneration. Each Non-Executive Director may at any time elect to participate in the NED Share Plan in respect of any dollar amount or proportion of their remuneration. They may also nominate an associate to receive the shares.

The Board may determine whether shares to be allocated under the plan are to be acquired on market or issued at market value (being the 20 business day volume weighted average price as at the allocation date).

The value of shares which can be issued to Non-Executive Directors in remuneration in any year must not exceed the maximum aggregate annual sum payable to the Non-Executive Directors as remuneration as outlined in the Constitution or as approved by Shareholders. Subject to this rule, the Board may agree between themselves the total number of shares which can be allocated to each participant in lieu of fees under the plan.

All shares issued under the plan will rank equally with other ordinary shares on issue.

Participants are prohibited from dealing with any shares acquired under the plan until the earlier of:
- the date on which the participant ceases to be a Director;
- the date which is three years from the issue date; or
- a determination by the Remuneration and Nomination Committee to cease trading restrictions applying to the participant's shares, following an application by the participant.

The plan is administered by the Remuneration and Nomination Committee of the Company. It may terminate or suspend the operation of the plan at any time.

Group Performance

Vita Group has been a listed entity since 2 November 2005, so it is not possible to present dividend and share price figures for the years prior to the listing. Revenue and profit figures for the current year, and the four prior years are as follows:

	2009	2008	2007	2006	2005
	$m	$m	$m	$m	$m
Revenue from operating activities	**297.8	**310.2	197.8	181.8	151.9
EBIT *	**8.1	**11.0	10.8	16.6	12.3
Net Profit after Tax	**5.4	**7.5	7.0	10.7	8.6
	$	$	$	$	
Total dividend paid per share	-	0.035	0.033	.0040	
Market Price per Share at 30 June	0.09	0.23	0.68	1.30	

* EBIT has been calculated using "net interest" and income tax expense.
** Results restated per Correction of error detailed in Note 3

Vita Group shares were sold under the IPO at $1.00 and at 30 June 2009, were trading at $0.09 (2008: $0.23). No final dividend has been declared for the year ended 30 June 2009 (2008: 1.0 cents). The total dividend for the year was Nil cents per share (Nil cents interim paid plus Nil cents final declared) (2008: 3.5 cents).

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration Structure

The remuneration structure for key managers and Non-Executive directors is different and is set out separately below.

Remuneration of Key Managers

As indicated in the Remuneration Policy section, our approach with our KMP's is to ensure market competitiveness to attract, grow, and retain executives.

KMP's receive Fixed Remuneration which comprises the following aspects:

- Salary,
- Superannuation Contributions,
- Such other non-cash benefits (including motor vehicles) as are agreed from time to time, and
- The amount of any fringe benefits tax, GST and other taxes payable by Vita Group in consequence of the provision of non-cash benefits.

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee, taking into account the Company and individual performances as well as external remuneration market data.

In addition there are Variable Components such as:

- Short Term Incentive Program (STIP)
- Long Term Incentive Program (LTIP)

All current members of the KMP have a STIP component to their remuneration and rewards, whilst some have a LTIP. The LTIP is currently being reviewed with any change designed to drive retention, optimal business outcomes and a performance based culture.

Variable Remuneration comprises the following:

- short-term incentive payments in the form of commission and bonus payments, based on performance assessed against a set of agreed criteria for each individual
- a long-term incentive in the form of bonus shares
- a long-term incentive in the form of options to purchase shares in Vita Group.

The issue of shares and options under these plans is intended to align the interests of key managers more closely with those of Shareholders.

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each key manager is set out in the table below.

Remuneration details for the key managers and the five highest paid executives of the Company and the Group are shown below.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Managers (continued)

		Short Term Employee Benefits					Post Employment Benefits	Long Term Benefits	Share Based Payments		
Name & Position	**Year**	**Primary Salary $**	**Eligible Termination payments $**	**Other Benefits (a) $**	**Commission /Bonus (b) $**	**Short Term Incentive as a % of Primary Remuneration (c) %**	**Superannuation $**	**Long Service Leave $**	**Employee Share Options (d) $**	**Options as a % of Total Package %**	**Total Package Value $**
Wendy Carruthers (*Start: 2 February 2009)*	2009	83,203	-	-	22,708	25.2%	6,923	212	-	0.0%	113,046
General Manager Business Solutions											
Jim Collier (*Start: 29 June 2009)*	2009	-	-	-	-	0.0%	-	-	-	0.0%	-
General Manager Mobile Phones											
Peter Connors (*Start: 25 August 2008)*	2009	158,776	-	-	23,400	13.6%	13,656	404	-	0.0%	196,236
Chief Product, Marketing and Technical Officer											
Darren Gaunt	2009	252,030	-	-	50,181	18.1%	24,483	4,027	31,485	8.7%	362,206
General Manager Retail Next Byte (previously General Manager Mobile Sales)	*2008	223,046	-	12,462	54,031	20.7%	25,838	6,427	159,132	33.1%	480,936
Maxine Horne	2009	261,661	-	45,389	(f) -	0.0%	22,758	4,162	-	0.0%	333,970
Joint Chief Executive Officer	*2008	258,839	-	48,072	-	0.0%	30,942	4,173	-	0.0%	342,026
Christine Kelly (*Start: 15 April 2009)*	2009	39,161	-	-	(e) 21,405	(e) 50.6%	3,138	358	-	0.0%	64,062
Chief Financial Officer											
David McMahon	2009	493,793	-	19,659	(f) -	0.0%	43,131	7,912	-	0.0%	564,495
Joint Chief Executive Officer	*2008	483,924	-	111,107	-	0.0%	58,347	23,201	-	0.0%	676,579
Lee Moore (*Resigned: 31 July 2009)*	2009	154,260	-	6,029	(150)	(0.1%)	18,776	5,429	23,614	11.4%	207,958
General Manager Operations Next Byte (previously Acting General Manager Next Byte)	*2008	171,272	-	20,463	27,900	13.6%	12,721	6,517	119,349	33.3%	358,222
Gordon Petterson (Resigned: 31 August 2007*)*	*2008	30,037	230,000	5,772	42,308	66.7%	27,623	(14,235)	-	0.0%	321,505
Chief Financial Officer											
Dave Rundle (*Start: 6 October 2008 - Resigned: 3 July 2009)*	2009	162,702	-	-	-	0.0%	13,947	419	-	0.0%	177,068
General Manager Mobile Phone											
Wayne Smith	2009	208,114	-	-	26,910	11.7%	22,400	2,830	-	0.0%	260,254
Chief Organisation Development Officer	*2008	206,460	-	-	40,000	17.8%	17,654	1,996	-	0.0%	266,110
Trevor Wulfse	2009	176,210	196,259	-	-	0.0%	20,193	(523)	-	0.0%	392,139
Start: 29 October 2007 Retired: 14 April 2009 Chief Financial Officer	*2008	177,410	-	-	40,000	20.7%	15,482	523	-	0.0%	233,415
	2009	1,989,910	196,259	71,077	144,454	6.4%	189,405	25,230	55,099	2.1%	2,671,434
TOTAL	*2008	1,550,988	230,000	197,876	204,239	10.5%	188,607	28,602	278,481	10.4%	2,678,793

* Disclosure for 2008 restated to accruals basis
(a) Other benefits include motor vehicles, fuel allowance, private and spouse travel, and corporate hospitality.
(b) Bonus payments to key managers are at the discretion of the executive directors who take into account the company and individual performance against key performance indicators.
(c) Short-term incentive includes commission and bonuses. Primary Remuneration includes primary salary, other benefits, and superannuation.
(d) Value of Options issued under the Employee Share Option Plan at the time of listing on the ASX. The fair value is determined by an external valuer using a binomial model. As at the date of this report all of the options have vested.
(e) Disclosed bonus relates to full year service including prior position.
(f) Annual bonuses for Mr McMahon and Mrs Horne are based upon a performance assessment against predetermined criteria. At the time of completion of this report, the Remuneration and Nomination Committee had not yet met to assess their entitlement for 2009.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Key Managers (continued)

Options granted as part of remuneration

	Total value of options at 30 June 2008	Value of options granted during the year	Value of options exercised during the year	Value of options forfeited during the year	Total value of options at 30 June 2009
Wendy Carruthers	-	-	-	-	-
Jim Collier	-	-	-	-	-
Peter Connors	-	-	-	-	-
Darren Gaunt	903,109	-	-	-	903,109
Maxine Horne	-	-	-	-	-
Christine Kelly	-	-	-	-	-
David McMahon	-	-	-	-	-
Lee Moore	225,778	-	-	-	225,778
Dave Rundle	-	-	-	-	-
Wayne Smith	-	-	-	-	-
Trevor Wulfse	-	-	-	-	-

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Employment Contracts

Chief Executive Officers

David McMahon and Maxine Horne are employed under Contracts of Employment which were reviewed and updated with effect 22 June 2009. These contracts replaced the former Executive Service Agreements that had been in place from 24 February 2003.

Under the terms of the Contracts:
- Each CEO is entitled to fixed remuneration and such performance bonus as Vita Group and each CEO may agree from time to time.
- Each CEO may resign their position and thus terminate the Contract by giving a minimum of six months notice.
- The Company may terminate the Contract by giving a minimum of six months notice or providing payment in lieu of the notice period.
- The company may terminate the Contract at any time without notice if serious misconduct has occurred.

Other Executives

KMPs are employed under a Contract of Employment, which was reviewed and updated with effect from 22 June 2009.

Under the terms of the Contracts:
- Each KMP is entitled to fixed remuneration and such performance bonus as Vita Group and the employee may agree from time to time.
- The employee may resign his position and thus terminate the Contract by giving a minimum of 13 weeks notice.
- The Company may terminate the Contract by giving a minimum of 13 weeks notice, (or 14 weeks notice if the employee has more than 2 years of service and is over 45 years old), or by providing payment in lieu of the notice period.
- The company may terminate the Contract at any time without notice if serious misconduct has occurred.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of Non-Executive Directors

Fees for Non-Executive Directors are based on the scope of Directors' responsibilities and on the relative size and complexity of Vita Group.

The Remuneration & Nomination Committee considers the level of remuneration required to attract and retain Directors with the necessary skills and experience for the Vita Group Board. This takes into account survey data on the level of Directors' fees being paid to Directors of companies of comparable size and complexity.

No equity incentives are offered to Non-Executive Directors. However, Non-Executive Directors may elect to take all or part of their remuneration as shares in Vita Group, in accordance with the Non-Executive Director Share Plan.

No retirement allowances are payable to Non-Executive Directors.

The remuneration details for Non-Executive Directors during the year are shown in the Directors' remuneration table below.

The maximum aggregate sum for the remuneration of Non-Executive Directors is $350,000, set when the constitution of the Company was adopted on its formation on 1 March 2005. This sum covers Directors' fees and superannuation contributions. The base Director's fee per year, inclusive of superannuation, and including committee work, is $54,500. The Chairman's fee is $109,000.

Name		**Directors' Fees**	**Superannuation (a)**	**Total**
		$	**$**	**$**
R.A. Simpson (b)	2009	-	89,813	89,813
Chairman	2008	50,000	4,500	54,500
T.B. Finn (c)	2009	51,386	4,625	56,011
Chairman	2008	-	109,000	109,000
N.A. Osborne	2009	12,500	42,000	54,500
Non-executive	2008	-	55,375	55,375
G.J. Robertson (d)	2009	-	-	-
Non-executive	2008	45,119	-	45,119
M. Snowden (e)	2009	38,269	3,444	41,713
Non-executive	2008	-	-	-
Total Non-Executive Directors	2009	102,155	139,882	242,037
	2008	95,119	168,875	263,994
D.L. McMahon	2009	Details are in the remuneration of key		564,495
Joint Chief Executive Officer	2008	managers table above		676,579
M.J. Horne	2009	Details are in the remuneration of key		333,970
Joint Chief Executive Officer	2008	managers table above		342,026
Total Directors	2009			1,140,502
	2008			1,282,599

(a) Superannuation includes cash and Vita Group shares issued under the Non-Executive Director Share Plan, contributed to complying superannuation funds.
(b) Appointed Chairman 6 November 2008
(c) Resigned 6 November 2008
(d) Resigned 28 April 2008
(e) Appointed 25 September 2008

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

SHARE OPTIONS

Prior to listing on the ASX, the Board approved the Employee Share Option Plan. At the time of listing, 5,634,000 options to acquire shares in Vita Group Limited were issued to key managers under the Plan. No options were exercised during the year (2008: 1,043,333 options exercised). Details of the options outstanding are shown in the table of directors and key manager's interests in shares in the Company above, and in the table below.

Number of options at 30 June 2009 held by members of KMP	Exercise price and date of issue	Earliest exercise date	Latest exercise date
1,565,000	$0.1876 2 November 2005	First third on the first anniversary of the date of issue	Fifth anniversary of the date of issue

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of Vita Group are not subject to any particular and significant environmental regulation under any law of Australia or of any State or Territory of Australia. Vita Group has not incurred any liability under any environmental legislation.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

Under clause 102 of Vita Group's constitution, the Company has agreed to indemnify to the extent permitted by law and the Corporations Act 2001:

- every person who is or has been an officer of the Company against any liability (other than for legal costs) incurred by that person as an officer of the Company (including liabilities incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment).
- every person who is or has been an officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by that person as an officer of the Company (including such legal costs incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment).

Insurance Premiums

During the financial year the Company paid insurance premiums in respect of Directors' and Officers' liability and legal expense insurance contracts, for current and former Directors and senior executives, including senior executives of its controlled entities. The current Directors are listed elsewhere in this report. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

It is a condition of the policies that premiums paid and terms and conditions of the policies are not to be disclosed.

During or since the end of the financial year the company has not indemnified or made a relevant agreement to indemnify an auditor of the company or of any related body corporate against a liability incurred as such an auditor. In addition the company has not paid, or agreed to pay a premium in respect of a contact insuring against a liability incurred by an auditor.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class order 98/0100. The Company is an entity to which the Class Order applies.

Directors' Report (continued)

AUDITOR'S INDEPENDENCE AND NON-AUDIT SERVICES

Independence

The declaration of independence from the auditor of Vita Group Limited is appended to this Directors' Report.

Non-Audit Services

The following non-audit services were provided by the entity's auditor, PricewaterhouseCoopers. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that the auditor independence was not compromised.

PricewaterhouseCoopers (2008: Ernst & Young) received or are due to receive the following amounts for the provision of non-audit services:

	2009 $	2008 $
PricewaterhouseCoopers		
Tax compliance	24,080	-
Other assurance services	600	64,534
Ernst & Young		
Tax compliance	27,890	82,844
Transaction advisory services	7,725	7,008

Signed in accordance with a resolution of the Directors. The Directors have the power to amend and reissue the financial report.

R.A. Simpson
Chairman

D.L. McMahon
Director and Joint Chief Executive Officer

Brisbane, 28 August 2009

Directors' Report (continued)

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Vita Group Limited for the year ended 30 June 2009, 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 audit; and

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

This declaration is in respect of Vita Group Limited and the entities it controlled during the period.

Robert Baker

Robert Baker
Partner
PricewaterhouseCoopers

Brisbane
28 August 2009

Liability limited by a scheme approved under Professional Standards Legislation

Corporate Governance Statement

This statement is organised under the headings in the ASX Corporate Governance Council's (ASXCGC) 8 Corporate Governance Principles and Recommendations, dated August 2007.

This statement and the following supporting documents are posted on the Company's website www.vitagroup.com.au.

- Board Charter
- Audit, Compliance & Risk Committee Charter
- Remuneration & Nomination Committee Charter
- Continuous Disclosure Policy
- Share Trading Policy
- Code of Business Practice & Ethics
- Performance Evaluation Process
- Director Selection, Appointment, and Re-election Policy and Procedures
- External Auditor Selection and Rotation of Audit Partner Policy and Procedures
- Shareholder Communication Policy
- Risk Management Policy

The Company complies with all the recommendations set out in the ASXCGC Corporate Governance Principles and Recommendations.

However, it should be noted that a number of tasks relating to the establishment of the risk management and internal control system have been undertaken during this financial year. The system is now in place and responsibilities have been assigned. Risk management is being integrated into the ongoing processes and culture of Vita Group. The system going forward is described below under the heading Principle 7: Risk Management

Principle 1: Lay solid foundations for management and oversight

Board Charter
The Board has adopted a Board Charter establishing the following:
- Board Responsibilities
- Board Composition
- Policy on Independence
- Policy relating to Meetings
- Board Committees
- Review of Board Effectiveness

The Board Charter is reviewed annually.

The responsibilities and functions reserved to the Board as set out in the Board Charter include:
- approving and monitoring strategies, budgets, and plans
- approving policies and codes of conduct
- reviewing and monitoring systems of risk management, internal control, and regulatory compliance
- approving and monitoring the progress of acquisitions and disposals, or the cessation of any significant asset, business, or function, and reviewing material transactions and changes to organisational structure
- approving annual and half-yearly financial statements, other published financial information, and dividends
- appointing and monitoring the performance of the Chief Executive Officers
- determining the levels of authority to be given to the Chief Executive Officers
- ratifying the appointment of Senior Managers, monitoring their performance, and approving succession plans for the management team
- approving the issue of any securities of the Company.

The day to day management of the Company is delegated to management, including the following:
- financial and capital management and reporting
- operations
- information technology
- marketing
- customer service
- relationships with investors, media, analysts and other industry participants
- human resources
- reporting to the Board on performance

Delegated Authorities
A formal statement of Delegated Authorities, setting out financial and other limits delegated to management, and matters requiring Board approval, has been adopted by the Board.

Corporate Governance Statement (continued)

Appointment of Non-Executive Directors
Letters of appointment are prepared for Non-Executive Directors, covering terms of employment, duties and responsibilities, time commitment expected, and requirements relating to disclosure of interests and trading in the Company's shares. An induction pack is provided at the time of appointment, and new Directors undergo an induction process.

Appointment and Evaluation of Senior Managers
The responsibilities and terms of employment, including termination entitlements, of the Chief Executive Officers, the Chief Financial Officer, and other Senior Managers, are set out in formal employment agreements.

Each Manager is formally inducted on appointment, and has a position description, and a set of Key Performance Objectives (KPOs), with annual goals. Each Managers' performance against his KPOs and goals is formally evaluated twice a year. The evaluation is used in determining future remuneration. The most recent performance evaluation of all Senior Managers in accordance with this process was conducted in July/August 2009.

Principle 2: Structure the Board to add value

The Board Charter sets out the structure of the Board and its committees, the framework for independence, and arrangements for performance evaluation.

The Board comprises three Non-Executive Directors (including the Chairman) and two Executive Directors (the Chief Executive Officers). The names, skills and experience of the Directors in office at the date of this statement, and the period of office of each Director, are set out on pages 3 and 4 in this Annual Report.

Independence of Directors
The Board distinguishes between the concept of independence, and the issues of conflict of interest or material personal interests which may arise from time to time.

If at any time the Board is required to make a decision on any matter in which a Director has or Directors have an actual or potential conflict of interest or material personal interest, the Board's policies and procedures require that:

- the interest is fully disclosed and the disclosure is recorded in the Board minutes
- the relevant Director is excluded from all considerations of the matter by the Board
- where possible, the relevant Director does not receive any segment of the Board papers or other documents in which there is any reference to the matter.

The determination of independence remains a matter for the Board's judgment in accordance with its policy on independence. Until the Board otherwise resolves, the policy is that a Director will be independent if they are independent of management and free of any business or other relationship that could materially interfere with - or could reasonably be perceived to interfere with - the independent exercise of their judgment.

The independence of each Director is assessed regularly, based on the interests disclosed by them. In assessing the independence of Non-Executive Directors, the Board will have regard to whether the Director has any of the following relationships:

- is a substantial shareholder (within the definition of section 9 of the Corporations Act) of Vita Group, or an officer of, or otherwise associated directly with, a substantial shareholder of Vita Group;
- has, within the last 3 years, been employed in an executive capacity by the Vita Group of companies;
- has, within the last 3 years, been directly involved in the provision of advice or consulting services (including audit services) to Vita Group where the average annual amount paid for that advice or services exceeded 5% of the total annual fees earned by that firm or 1% of Vita Group's annual consolidated group revenue;
- is directly involved with a supplier to Vita Group where the average annual amount paid by Vita Group to that supplier exceeds 5% of the annual consolidated group revenue of that supplier or 5% of Vita Group's annual consolidated group revenue;
- is directly involved with a customer of Vita Group where the average annual amount paid to Vita Group by that customer exceeds 5% of the annual consolidated group revenue of that customer or 5% of Vita Group's annual consolidated group revenue;
- has a contractual relationship with Vita Group which accounts for more than 10% of his/her annual gross income (other than as a director of Vita Group).

The Board will state its reasons if it considers a Director to be independent notwithstanding the existence of a relationship of the kind referred to above. At this stage none of the Directors considered to be independent has any of the above relationships.

The Board's policy is to have a majority of independent directors to the extent practicable. At this stage, a majority of the Board (3) (Messrs R.A. Simpson and N.A. Osborne, and Ms M.F. Snowden) is considered to be independent.

Corporate Governance Statement (continued)

Independent Professional Advice
Each Director has the right, at the Company's expense, to seek independent professional advice in relation to the execution of Board responsibilities. Prior notification to the Board is required and where appropriate, Directors are required to share such advice with the Company and the other Directors.

Directors' Interests
The relevant interests of the Directors in the shares of the Company are set out in the Director's Report on page 5 of this Annual Report.

The Chairman of the Company is an independent Non-Executive Director.

The roles of Chairman and Chief Executive Officer are exercised by separate individuals.

Remuneration and Nomination Committee
The Company has an established Remuneration and Nomination Committee operating under a written charter approved by the Board and reviewed annually.

The Remuneration and Nomination Committee comprises three independent Non-Executive Directors including the Committee Chairman.

The names and qualifications of members of the Remuneration and Nomination Committee and their attendance at meetings are set out on pages 3 to 5 of this Annual Report. The Chairman and/or any other Director is entitled to be present at all meetings of the Committee, whether or not they are a member of the Committee. Meetings of the Committee are attended, by invitation, by the Chief Executive Officers, the Group Organisation Development Manager, and such other senior staff or professional people as may be appropriate from time to time. The number of meetings of the Committee held during the year is set out on page 5 of this Annual Report.

The Committee regularly reviews the size, composition and effectiveness of the Board. This review includes an assessment of the necessary and desirable skills of Board members, Board succession plans, and consideration of appointments, re-elections and removals. The Committee also reviews the induction procedures for new directors. Evaluation of the Board's performance is carried out by the full Board.

When a Board vacancy occurs, the Remuneration and Nomination Committee identifies the particular skills, experience and expertise that will complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

In its deliberations, the Remuneration and Nomination Committee is focused on the number and nature of other directorships, and availability of time to commit to the Company's affairs, of all present and potential Directors.

When a Director is due to stand down at the next AGM, particular attention is paid to the Director's performance and contribution, preparation for meetings, and time availability. Prior to the Notice of Meeting for the AGM being sent out, the Remuneration & Nomination Committee reviews the performance of each Director due to stand down, and reviews the mix of skills and experience required by the Board. Each Director involved is asked to formally acknowledge that he/she has sufficient time available to carry out the duties of a Director of Vita Group. If it is considered that a Director due to stand down should be recommended for re-election, a formal recommendation is made by the Committee.

Minutes of all Committee meetings are provided to the Board, and the Chairman of the Committee also reports to the Board after each Committee meeting.

Board Performance
In line with the recommendations of the ASXCGC, the Board conducts evaluations of the Board every year. The Company's Performance Evaluation Process includes the evaluation of the Board, its Committees, and individual Directors. An evaluation of the Board and its Committees was not undertaken during the reporting period due to changes in Board and Committee membership. A performance evaluation of the Board, in accordance with this process, will be undertaken in September 2009. Both Committees of the Board will self-assess their performance against their charter at their last scheduled meeting in calendar 2009.

Directors are provided with comprehensive reports on the operations and financial performance of the Company at each scheduled Board Meeting and are entitled to request and receive further information if they consider such information necessary. All Directors have access to the Company Secretary who coordinates the preparation and despatch of Board Agendas and Board Papers. The appointment and removal of the Company Secretary is a Board responsibility. The Company Secretary attends all Board meetings, and is accountable to the Chief Executive Officers and, through the Chairman, the Board, on all corporate governance matters.

Corporate Governance Statement (continued)

Principle 3: Ethical and Responsible Decision-making

Code of Business Practice & Ethics
The Board has endorsed a Code of Business Practice & Ethics that formalises the obligations and responsibilities of all employees and Directors to act ethically, behave with integrity, avoid conflicts of interest, and obey the law, in all business activities.

The Code provides for employees who become aware of possible breaches of the Code to report this. Such reports are treated confidentially to the extent possible consistent with the Company's obligation to deal with the matter openly and according to applicable laws. No employee will be subject to retaliation or disadvantage by reason of a bona fide report of possible non-compliance, in accordance with the Company's Whistleblower Policy.

Appropriate training programs on the Company's internal policies including Code of Business Practice & Ethics, workplace health and safety, environmental law compliance, and trade practices legislation, support this process.

Trading in Company Securities by Directors, Officers and Employees
The Board has established written guidelines, set out in its Share Trading Policy, that restrict dealings by Directors and employees in the Company's shares.

The Share Trading Policy identifies certain periods when, in the absence of knowledge of unpublished price-sensitive information, Directors and senior management employees may, with the approval of the Chairman, buy or sell shares in the Company. These periods are the 30 days following the announcement of half year and full year results, and following the Annual General Meeting, or the issue of a Prospectus offering shares in the Company.

The entering into of all types of "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Company's listed securities that are held directly or indirectly by Directors or employees is prohibited at any time. This prohibition extends to vested and unvested shares or options in any share or option plan.

No Director or employee holding, or having an interest in, or having control of through family, associates, colleagues, a private company or a trust, more than 0.5% of the Company's listed securities, is permitted to enter into 'margin loan' or similar arrangements in respect of those listed securities. If any Director or employee who holds, or has an interest in, or has control of through family, associates, colleagues, a private company or a trust, any of the Company's listed securities, enters into a 'margin loan, or similar arrangements in respect of those listed securities, he or she must advise the Company of the existence and details of the arrangement.

Directors, senior managers, and employees having regular access to confidential information are required annually to sign a statement confirming that they have complied with the provisions of the Share Trading Policy.

Principle 4: Integrity in Financial Reporting

Audit, Compliance and Risk Committee
The Company has an established Audit, Compliance and Risk Committee operating under a written charter approved by the Board and reviewed annually.

The Audit, Compliance and Risk Committee comprises three independent Non-Executive Directors including the Chairman who is not also Chairman of the Board. This complies with the ASXCGC Recommendations as well as ASX Listing Rule 12.7.

The names and qualifications of members of the Audit, Compliance and Risk Committee and their attendance at meetings are set out on pages 3 to 5 of this Annual Report. The Chairman and/or any other Director is entitled to be present at all meetings of the Committee, whether or not they are a member of the Committee. Meetings of the Committee are attended, by invitation, by the Chief Executive Officers, the Chief Finance Officer, the engagement partner from the Company's external auditor, and such other senior staff or professional people as may be appropriate from time to time. The number of meetings of the Committee held during the year is set out on page 5 of this Annual Report.

The Committee assists the Board in fulfilling its responsibility to verify and safeguard the integrity of the Company's financial reporting, oversees and appraises the audits conducted by the Company's external auditors, monitors the adequacy of external reports for Shareholder needs, reviews the effectiveness of the Company's internal controls, and reviews the effectiveness of the risk management policies and practices of the Company.

The Committee has unlimited access to the external auditors, and to the senior management of the Company. The Committee may, with authority from the Chairman of the Board, consult with independent experts where they consider such consultation necessary to carry out their duties.

Minutes of all Committee meetings are provided to the Board, and the Chairman of the Committee also reports to the Board after each Committee meeting.

Corporate Governance Statement (continued)

Auditor Appointment
The Board has established an External Auditor Selection and Rotation of Audit Partner Policy and Procedures, and assesses the performance of the External Auditors annually. The position of External Auditor will be put to tender from time to time. PricewaterhouseCoopers were appointed External Auditors following a tender process in November 2008.

Auditor Independence
The external auditor, PricewaterhouseCoopers, has declared its independence to the Board. The engagement partner will be rotated every 5 years in accordance with the Corporations Act. The Audit, Compliance and Risk Committee has examined detailed material provided by the external auditor and by management and has satisfied itself that the standards for auditor independence and associated issues are fully complied with.

Principle 5: Timely and Balanced Disclosure

The Company has established a Continuous Disclosure Policy for timely disclosure of material information concerning the Company. This Policy includes internal reporting procedures in place to ensure that any material price sensitive information is reported to the Company Secretary, Chief Financial Officer, or Chief Executive Officers, in a timely manner. These policies and procedures are reviewed regularly to ensure that the Company complies with its obligations at law and under the ASX Listing Rules.

The Company Secretary is responsible for communications with the Australian Securities Exchange, including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules, and overseeing information going to the ASX, Shareholders and other interested parties. The matter of continuous disclosure is a permanent item on the agenda for all Board and senior management meetings and is specifically addressed by each Director and manager at those meetings.

Principle 6: Rights of Shareholders

Communications Strategy
The Company has established a Shareholder Communication Policy and aims to keep Shareholders informed of the Company's performance and all major developments in an ongoing manner. Information is communicated to shareholders through:

- the Annual Report which is posted on the Company's website, and mailed to Shareholders who have specifically requested it;
- the half-year Shareholders' report which is posted on the company's website, containing summarised financial information and a review of the operations during the period since the annual report; and
- other correspondence regarding matters impacting on Shareholders as required.

All half-year and annual reports, and all relevant announcements made to the market, for at least the last three years, are placed in the Investor's section of the Company's website after release to the ASX. Shareholders who have requested notification are notified by email when new announcements are released.

Shareholders are also encouraged to participate in the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategies and goals. The Company provides shareholders with the opportunity to submit written questions that can be dealt with at the meeting or by individual response.

Principle 7: Risk Management

The Board is responsible for overseeing the establishment and implementation by management of risk management systems, and reviewing the effectiveness of these systems. The board has assigned responsibility as follows:

- The Audit, Compliance & Risk Committee reviews and reports to the Board in relation to the company's financial reporting, internal control structure, risk management systems, and the internal and external audit functions.
- Management is responsible for identifying, managing, and reporting to the Board on risks in accordance with the Risk Management Policy, through a formal organisation-wide risk management framework.

A Risk Management Policy has been established and is reviewed annually by the Board.

A Risk Review of the Company has been completed this year, and material business risks have been documented and evaluated. A Risk Register has been established and the Group Operations Manager is responsible for its maintenance. The responsible manager for each risk has been identified, and is required to report through the management chain to the CEOs and the Audit, Compliance & Risk Committee on the maintenance of mitigating actions and the Residual Risk ranking of each risk within his area of responsibility.

Management of risk mitigation strategies forms part of the Key Performance Objectives (KPOs) of managers at all levels. Performance against KPOs is evaluated six monthly, and is taken into account in any salary movements.

Corporate Governance Statement (continued)

The Company does not have an Internal Audit function, but an Assurance Team, reporting to the CFO, conducts regular audits of each store, and, using a scoring system, provides feedback to the store and to management. Stores with unsatisfactory scores are followed up to ensure they bring their practices and controls up to the required standard. Managers associated with stores whose score is below Company benchmarks forfeit their commissions and bonuses until the required standards are met. Any instances of fraud are followed up by the Assurance Team. Where appropriate, perpetrators are prosecuted, and controls are reviewed to try and prevent future occurrences.

The CEOs report twice a year to the Audit, Compliance & Risk Committee on the status of risks with a high Residual Risk ranking, and on the effectiveness of the management of the Company's material risks. The Chairman of the Audit, Compliance & Risk Committee reports to the Board twice a year on the status of risks with a high Residual Risk ranking, and the status of risk management generally.

Certification of Risk Management Controls
In accordance with section 295A of the Corporations Act, the Chief Executive Officer and Chief Financial Officer have stated in writing to the Board each reporting period that:

- the reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The statements from the Chief Executive Officer and Chief Financial Officer are based on formal sign off procedures reviewed by the Audit, Compliance & Risk Committee as part of the annual financial reporting process.

Principle 8: Remuneration

The Remuneration and Nomination Committee of the Board is responsible for recommending and reviewing remuneration arrangements for the Directors, the Chief Executive Officers, and senior managers. The Remuneration and Nomination Committee assesses the appropriateness of the composition and amount of their remuneration on an annual basis. Where appropriate the Committee considers independent advice on policies and practices to attract, motivate, reward and retain strong performers.

The Committee recommends and reviews the terms and conditions of appointment of Directors, the Chief Executive Officers, and senior managers, and reviews the operation and effectiveness of the Non-Executive Director Share Plan, the Employee Bonus Share Plan, and the Employee Share Option Plan.

The Company's remuneration policy links the nature and amount of the Chief Executive Officers' and senior managers' remuneration to the executives' personal performance, and the Company's long term financial and operational performance.

Non-Executive Directors receive an agreed annual fee, within the limits approved by Shareholders, and do not receive incentive payments or retirements benefits other than superannuation contributions.

Further details on the Remuneration and Nomination Committee are set out in Principle 2 above.

Further details of the remuneration of Non-Executive Directors, Executive Directors, and senior managers are contained in the Company's Remuneration Report on pages 9 to 17 of this Annual Report.

The Company's policy with regard to all types of "protection arrangements" (including hedges, derivatives and warrants) in connection with any of the Company's securities that are held directly or indirectly by Directors or employees is referred to under Principle 3 above, and included in the Company's Share Trading Policy.

Income Statement
FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED		PARENT	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Continuing Operations					
Sale of goods		252,037	266,138	-	-
Fee revenue		23,170	21,073	-	-
Commission revenue		22,213	22,270	-	-
Finance revenue		428	756	1	7
Revenue	5(a)	**297,848**	**310,237**	**1**	**7**
Cost of sales		(194,175)	(200,724)	-	-
Gross profit		**103,673**	**109,513**	**1**	**7**
Other income	5(b)	4,974	7,973	-	4,000
Employment expenses	5(e)	(60,323)	(59,934)	(78)	(55)
Marketing and advertising expenses		(5,566)	(3,853)	-	-
Operating lease rental expenses	5(f)	(15,497)	(17,309)	-	-
Depreciation and amortisation expenses	5(d)	(5,875)	(6,574)	(60)	(360)
Other expenses	5(g)	(12,907)	(18,044)	(459)	(481)
Finance costs	5(c)	(1,619)	(2,009)	(990)	(1,220)
Profit from continuing operations before income tax		**6,860**	**9,763**	**(1,586)**	**1,891**
Income tax expense	6	(1,442)	(2,214)	552	547
Net profit for the year		**5,418**	**7,549**	**(1,034)**	**2,438**
Earnings per share from continuing operations attributable to the ordinary equity holders of the company	7				
- basic (cents per share)		3.84	5.45		
- diluted (cents per share)		3.84	5.37		

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

Balance Sheet
AS AT 30 JUNE 2009

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	9	9,850	9,908	55	107
Trade and other receivables	10	19,849	14,345	1,990	5,914
Inventories	11	10,106	11,882	-	-
Prepayments		1,467	1,537	150	63
Income tax receivable		1,573	3,985	1,573	4,024
Total Current Assets		**42,845**	**41,657**	**3,768**	**10,108**
Non-current Assets					
Term Deposits	12	252	249	-	-
Investments in controlled entities	24	-	-	51,089	51,089
Deferred tax asset	6	4,943	4,828	182	227
Plant and equipment	13	12,251	13,394	-	-
Intangible assets and goodwill	14	54,399	54,773	-	60
Total Non-current Assets		**71,845**	**73,244**	**51,271**	**51,376**
TOTAL ASSETS		**114,690**	**114,901**	**55,039**	**61,484**
LIABILITIES					
Current Liabilities					
Trade and other payables	17	40,560	40,687	-	77
Interest bearing loans and borrowings	18	6,591	6,841	4,000	4,000
Income tax payable		-	-	-	-
Provisions	19	3,840	3,601	-	-
Total Current Liabilities		**50,991**	**51,129**	**4,000**	**4,077**
Non-current Liabilities					
Trade and other payables	17	2,469	2,820	-	-
Interest bearing loans and borrowings	18	18,554	22,958	12,000	16,000
Provisions	19	2,899	2,301	-	-
Total Non-current Liabilities		**23,922**	**28,079**	**12,000**	**16,000**
TOTAL LIABILITIES		**74,913**	**79,208**	**16,000**	**20,077**
NET ASSETS		**39,777**	**35,693**	**39,039**	**41,407**
EQUITY					
Contributed equity	20	12,844	12,844	22,654	22,654
Retained earnings	20	24,183	20,177	13,635	16,081
Reserves	20	2,750	2,672	2,750	2,672
TOTAL EQUITY		**39,777**	**35,693**	**39,039**	**41,407**

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

Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2009

Consolidated	Contributed equity $'000	Retained earnings $'000	Employee equity benefits reserve $'000	Total equity $'000
	Attributable to equity holders of the parent			
At 1 July 2007	**2,885**	**19,408**	**2,617**	**24,910**
Income and expenses recognised directly in equity	-	-	-	-
Total income / expense for the year recognised directly in equity	-	-	-	**-**
Profit for the year	-	7,549	-	**7,549**
Total income / expense for the year	**-**	**7,549**	**-**	**7,549**
Equity Transactions				
Ordinary shares issued	10,465	-	-	**10,465**
Dividends paid	-	(6,780)	-	**(6,780)**
Cost of share-based payment	-	-	55	**55**
Treasury shares bought from the market	(702)	-	-	**(702)**
Shares issued for options exercised	196	-	-	**196**
At 1 July 2008	**12,844**	**20,177**	**2,672**	**35,693**
Income and expenses recognised directly in equity	-	-	-	-
Total income / expense for the year recognised directly in equity	-	-	-	**-**
Profit for the year	-	5,418	-	**5,418**
Total income / expense for the year	**-**	**5,418**	**-**	**5,418**
Equity Transactions				
Dividends paid	-	(1,412)	-	**(1,412)**
Cost of share-based payment	-	-	78	**78**
At 30 June 2009	**12,844**	**24,183**	**2,750**	**39,777**

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

Statement of Changes in Equity
FOR THE YEAR ENDED 30 JUNE 2009

	Attributable to equity holders of the parent			
Parent	**Contributed equity $'000**	**Retained earnings $'000**	**Employee equity benefits reserve $'000**	**Total equity $'000**
At 1 July 2007	**12,695**	**20,423**	**2,617**	**35,735**
Income and expenses recognised directly in equity	-	-	-	-
Total income / expense for the year recognised directly in equity	-	-	-	**-**
Profit for the year	-	2,438	-	**2,438**
Total income / expense for the year	**-**	**2,438**	**-**	**2,438**
Equity Transactions				
Ordinary share issued	10,465	-		**10,465**
Dividends paid	-	(6,780)	-	**(6,780)**
Cost of share-based payment	-	-	55	**55**
Treasury shares bought from the market	(702)			**(702)**
Shares issued for options exercised	196			**196**
At 1 July 2008	**22,654**	**16,081**	**2,672**	**41,407**
Income and expenses recognised directly in equity	-	-	-	-
Total income / expense for the year recognised directly in equity	-	-	-	**-**
Profit for the year	-	(1,034)	-	**(1,034)**
Total income / expense for the year	**-**	**(1,034)**	**-**	**(1,034)**
Equity Transactions	-	-	-	**-**
Dividends paid	-	(1,412)	-	**(1,412)**
Cost of share-based payment	-	-	78	**78**
At 30 June 2009	**22,654**	**13,635**	**2,750**	**39,039**

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

Cash Flow Statement
FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Cash flows from operating activities					
Receipts from customers		323,012	347,585	-	-
Payments to suppliers and employees		(305,777)	(313,190)	(540)	(491)
Post acquisition settlement		-	4,000	-	4,000
Interest received		428	756	1	7
Finance costs		(1,619)	(2,009)	(990)	(1,220)
Income tax paid/(received)		735	(8,977)	735	(4,677)
Net GST remitted		(7,287)	(6,350)	22	24
Net cash flows from/(used in) operating activities	9	**9,492**	**21,815**	**(772)**	**(2,357)**
Cash flows from investing activities					
Proceeds from sale of plant and equipment		19	97	-	-
Purchase of plant and equipment		(1,035)	(4,556)	-	-
Purchase of intangibles		(143)	(576)	-	-
Acquisition of subsidiary, net of cash acquired	22	-	(19,047)	-	(21,331)
Payments for business acquired	22	-	(3,284)	-	-
Purchase of interest bearing deposits		-	-	-	-
Net cash flows from/(used in) investing activities		**(1,159)**	**(27,366)**	**-**	**(21,331)**
Cash flows from financing activities					
Proceeds on exercise of options		-	196	-	196
Payment for ordinary shares on exercise of options		-	(702)	-	(702)
Proceeds from borrowings		-	23,000	-	23,000
Repayment of borrowings		(5,254)	(4,482)	(4,000)	(3,000)
Repayment of finance lease principal		(1,725)	(1,693)	-	-
Inter-company loan		-	-	6,132	11,080
Equity dividends paid		(1,412)	(6,780)	(1,412)	(6,780)
Net cash flows from/(used in) financing activities		**(8,391)**	**9,539**	**720**	**23,794**
Net increase/(decrease) in cash and cash equivalents		(58)	3,988	(52)	106
Cash and cash equivalents at beginning of year		9,908	5,920	107	1
Cash and cash equivalents at end of year	9	**9,850**	**9,908**	**55**	**107**

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

1. CORPORATE INFORMATION

The financial report of Vita Group Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of directors on 28 August 2009.

Vita Group Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Whilst the Group has a net current liability position, there is no going concern issue as the Group has access to sufficient unused credit facilities as detailed in Note 18.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Interpretations. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Except for the amendments arising from AASB 2008-7: *Amendments to Australian Accounting Standards – Cost of an Investment in a subsidiary, Jointly controlled entity or* Associate, which the group has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Group for the annual reporting period ending 30 June 2009. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 101 (Revised) and AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group has not yet assessed the impact of this revised standard, including which accounting policy to adopt.	1 July 2009

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group Financial Report	Application date for Group
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
AASB 2008-5 & AASB 2008-6	Amendments to Australian Accounting Standards arising from the Annual Improvements Project Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 1 July 2009	No adjustments are currently expected from the application of these amendments.	1 July 2009
AASB 7	Amendments to Financial Instrument Disclosures	The amendments introduce a new disclosure and refines an existing disclosure on financial instruments.	1 January 2009	The amendments are not expected to have any impact on the Group's financial report based on the Group's current activities.	1 July 2009
AASB 2008-8	Amendments to accounting for eligible hedged items	The amendments mean that entities cannot include changes in the time value of an option in hedging relationship.	1 July 2009	The amendments are not expected to have any impact on the Group's financial report based on the Group's current activities.	1 July 2009
Interpretation 17 and AASB 2008-13	Distribution of Non-cash Assets to Owners and consequential amendments to other Australian Accounting standards	The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. In addition, where a non-cash asset is distributed, it is measured at fair value and the entity will need to recognise the difference between fair value and the carrying amount of the distributed assets in the income statement on distribution.	1 July 2009	The amendments are not expected to have any impact on the Group's financial report based on the Group's current activities.	1 July 2009

Adoption of new accounting standard
The Group elected to early adopt AASB 2008-7 *Amendments to Australian Accounting Standards – cost of an Investment in a Subsidiary, Jointly controlled Entity or Associate* for the 30 June 2008 reporting. The impact on the results for both the 2008 and 2007 years was disclosed at that time.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Vita Group Limited and its subsidiaries ('the Group').

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Vita Group Limited are accounted for at cost in the separate financial statements of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition (see note 22).

(d) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating business segments. Management has assessed the reportable business segments under AASB 114 Segment Reporting and have determined that on adoption of AASB 8 Segment Reporting (applicable from 1 January 2009), additional operating segments may be reported. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(f) Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made no judgements, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Significant accounting judgements, estimates and assumptions (continued)

(ii) Significant accounting estimates and assumptions
The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill
The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Refer to Notes 2(p) and 15 for further detail.

Impairment of intangible with finite life
The Group determines whether the intangible with finite life is impaired on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the intangible with finite life is allocated. Refer to Note 2(q) for further detail.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the binomial model.

Lease-make good
The Group estimates its liability to provide for the restoration of leased premises by reference to historical data and by specific estimates on a premise by premise basis.

(g) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measureable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Sale of warranty products
Consideration received is recognised over the period each component is provided.

Fees
Fee income from the telecommunications provider is recognised when a customer contracts to an eligible plan with the telecommunications provider using the Group as an agent for the telecommunications provider.

Commissions
Ongoing commissions payable are recognised based on eligible monthly billings made by the telecommunications provider to the end customer over the life of the plan where the Group was the agent of the telecommunications provider in selling the plan to the customer.

Cooperative Advertising
Revenue is recognised either as a set percentage of purchases in accordance with supplier trading terms or as negotiated for specific advertising activity, adjusted for the assessed likelihood of a successful claim.

Finance revenue
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends
Revenue is recognised when the Group's right to receive the payment is established.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Finance costs

Expense is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial liability and allocating the interest expense over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the financial liability.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a rights to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are amortised over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments, which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are recognised as an expense in the income statement on a straight-line basis over the lease term.

Incentives for entering into operating leases are recognised evenly over the term of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

(j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(k) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Finished goods – purchase cost on a first in, first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(n) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences, using the liability method, at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Vita Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2004. The head entity, Vita Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Vita Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income tax and other taxes (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in note 6.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

• when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
• receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the item. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation is calculated over the estimated useful life of the assets as follows:

	Telecommunications	Computing
Plant and equipment	Diminishing value 20%-40%	Straight line over 4 to 5 years
Plant and equipment under lease	Straight line over 3 to 5 years	Straight line over 3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are then written down to their recoverable amount.

Derecognition
An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Goodwill

Goodwill acquired on a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that are expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. This impairment loss is recorded in Other Expenses.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(q) Intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement in the expense category 'depreciation and amortisation'.

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following initial recognition of the development expenditure, the cost model is applied.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash-generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

	Customer Database	**Software**
Useful lives	Finite	Finite
Method used	2 years – straight line	2 ½ years – straight line
Internally generated / acquired	Acquired	Acquired
Impairment test / recoverable amount testing	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of non-financial assets, other than goodwill

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. 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.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(s) Trade and other payables

Trade and other payables are carried at original invoice amount and represent liabilities for goods and services provided to the Group to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and are paid within terms ranging from 14 to 90 days from recognition

(t) Interest –bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(v) Employee Benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries including non-monetary benefits, expected to be settled within 12 months of the reporting period are recognised in other payables and accruals in respect of employees' services up to the reporting date. Liabilities for annual leave and accumulated sick leave expected to be settled within 12 months of the reporting period are recognised in provision for employee benefits in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulated sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Employee Benefits (continued)

(ii) Long Service Leave
Liabilities for long service leave are recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations
Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

(iv) Bonus plans
The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(w) Share-based payment transactions
The Group provides benefits to employees of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

There is currently the Employee Share Option Plan (‘ESOP’) in place to provide these benefits to senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Vita Group Limited (‘market conditions’).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects
(i) the extent to which the vesting period has expired and
(ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest.
This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is forfeited, it is treated as if it had not vested on the date of forfeiture. However, if a new award is substituted for the forfeited award, and designated as a replacement award on the date that it is granted, the forfeited and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares are only purchased when required to satisfy the Board's policy that all options exercised will be satisfied by the purchase of shares on-market. They are purchased in the recipient's name.

(y) Dividends

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 financial year but not distributed at balance dates.

(z) Earnings per share

Basic earnings per share are calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number or ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result form the dilution of potential ordinary shares;

divided by the weighted average number or ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. ADJUSTMENT OF COMPARATIVES

Sales of extended warranties were treated as follows under Vita's previous accounting policy: revenue was recognised at the time the warranty was sold and a provision was also recognised at this time to reflect estimated future warranty costs. The correct treatment of these obligations is to recognise the consideration received over the period each warranty component is provided. Costs should be expensed as incurred and no provision recognised for future costs.

The adjustment had the following effects on the Consolidated Income Statement for the year ended 30 June 2008 and the Balance Sheet at 30 June 2008:

- Profit before income tax overstated by $571,075, Income tax expense overstated by $171,323 and Profit after income tax overstated by $399,752
- Deferred tax asset and Total Assets understated by $1,702,258
- Other payables and accruals understated by $7,324,800, Provisions overstated by $1,650,608 and Total Liabilities understated by $5,674,192
- Retained earnings and Total Equity overstated by $3,971,934

Each affected financial statement line item for the prior year has been adjusted as described above.

Basic and diluted earnings per share for the prior year have also been restated. The amount of the adjustment for both basic and diluted earnings per share was a reduction of 0.30 cents per share.

4. SEGMENT REPORTING

The Group's primary segment reporting format is business segments. The Group has two segments, telecommunications and computing. The Group has two different business units, telecommunications and computing, that sell different products and as a result have a different risk profile.

The products sold in the telecommunications segment comprise mobile phones and related accessories as well as voice and data services through a third party service provider partner.

The products sold in the computing segment comprise laptop and desktop computers, associated accessories and peripheral equipment as well as service and rental contracts.

The Group's secondary segment is geographical – the Group operates predominantly in Australia.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

4. SEGMENT REPORTING (continued)

Business segments

The following table presents revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2009 and 30 June 2008.

	Telecomm-unications $'000	Computing $'000	Total Segments $'000	Unallocated (a) $'000	Consolidated Operations $'000
Year ended 30 June 2009					
Revenue					
Sales of goods	123,638	128,399	252,037		
Fee revenue	23,170	-	23,170		
Commission revenue	22,213	-	22,213		
Finance revenue	326	102	428		
Total revenue	169,347	128,501	297,848	-	297,848
Result					
Profit before tax and finance costs	23,625	(1,054)	22,571	(14,092)	8,479
Finance costs					(1,619)
Net profit before income tax					6,860
Income tax expense					(1,442)
Net profit for the year					5,418
Assets and liabilities					
Assets	85,203	21,176	106,379	8,311	114,690
Liabilities	(29,872)	(18,550)	(48,422)	(26,491)	(74,913)
Other segment information					
Capital Expenditure	2,187	1,580	3,767	796	4,563
Depreciation and amortisation	3,741	1,239	4,980	895	5,875
Impairment losses	48	19	67	-	67
Other non-cash expenses	-	-	-	78	78
Cash flow information					
Net cash flows from operating activities	11,625	(732)	10,893	(1,401)	9,460
Net cash flows from investing activities	(769)	(390)	(1,159)	-	(1,159)
Net cash flows from financing activities	-	-	-	(8,391)	(8,391)

(a) Included in the unallocated disclosure are central administration costs that cannot be reasonably allocated.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

4. SEGMENT REPORTING (continued)

Year ended 30 June 2008	Telecomm-unications $'000	Computing $'000	Total Segments $'000	Unallocated (a) $'000	Consolidated Operations $'000
Revenue					
Sales of goods	145,177	120,961	266,138	-	266,138
Fee revenue	21.073	-	21,073	-	21,073
Commission revenue	22,270	-	22,270	-	22,270
Finance revenue	550	206	756	-	756
Total revenue	189,070	121,167	310,237	-	310,237
Result					
Profit before tax and finance costs	27,066	2,414	29,480	(17,708)	11,772
Finance costs					(2,009)
Net profit before income tax					9,763
Income tax expense					(2,214)
Net profit for the year					7,549
Assets and liabilities					
Assets	85,142	18,660	103,802	11,099	114,901
Liabilities	(31,908)	(16,418)	(48,326)	(30,882)	(79,208)
Other segment information					
Capital Expenditure (b)	4,499	3,401	7,900	724	8,624
Depreciation and amortisation	4,329	940	5,269	1,305	6,574
Impairment losses	1,626	-	1,626	-	1,626
Other non-cash expenses	-	-	-	55	55
Cash flow information					
Net cash flows from operating activities	17,747	11,513	29,260	(7,445)	21,815
Net cash flows from investing activities	(3,565)	(23,801)	(27,366)	-	(27,366)
Net cash flows from financing activities	-	-	-	9,539	9,539

The 2008 Segment Reporting comparative has been restated to match the classifications applied to the 2009 disclosure. In addition the disclosure has been restated for the adjustment of comparatives as detailed in Note 3.

(a) Included in the unallocated disclosure are central administration costs that cannot be reasonably allocated.

(b) To comply with the requirements of AASB 114.57, the Group has included the cost of segment assets acquired by way of business combinations.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

	Note	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
5. REVENUE AND EXPENSES					
Revenue and Expenses					
(a) Revenue					
Sale of goods		252,037	266,138	-	-
Fee revenue		23,170	21,073	-	-
Commission revenue		22,213	22,270	-	-
Finance revenue		428	756	1	7
		297,848	310,237	1	7
Breakdown of finance revenue:					
Bank interest		428	756	1	7
(b) Other income					
Cooperative marketing revenue		4,319	3,502	-	-
Dividend income		-	-	-	-
Post acquisition settlement		-	4,000	-	4,000
Other miscellaneous income		655	471	-	-
		4,974	7,973	-	4,000
(c) Finance costs					
Bank loans		1,266	1,644	990	1,220
Finance charges under finance leases		289	293	-	-
Finance charges under hire purchase contracts		22	54	-	-
Other interest		42	18	-	-
		1,619	2,009	990	1,220
(d) Depreciation and amortisation included in income statement					
Depreciation of plant and equipment	13	4,108	4,249	-	-
Amortisation of plant and equipment	13	1,268	1,462	-	-
Amortisation of intangibles	14	499	863	60	360
		5,875	6,574	60	360
(e) Employee expenses					
Wages and salaries		53,063	52,439	-	-
Defined contribution superannuation expense		4,273	4,215	-	-
Employee entitlements		2,909	3,225	-	-
Employee share plan		-	-	-	-
Share-based payments expense		78	55	78	55
		60,323	59,934	78	55
(f) Lease payments included in income statement					
Minimum lease payments – operating lease		15,497	17,309	-	-
(g) Other expenses					
Loss on the disposal of plant and equipment		74	164	-	-
Impairment of plant and equipment	13	67	1,626	-	-
Consulting		779	870	144	79
Communications		1,930	2,181	-	-
Travel		1,186	1,399	-	-
Bank Fees		1,502	1,397	270	-
Supplier settlement		-	2,809	-	-
Other expenses		7,369	7,598	45	402
		12,907	18,044	459	481

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
6. INCOME TAX				
Income tax expense				
The major components of income tax expense are:				
Income statement				
Current income tax				
Current income tax charge	1,724	3,648	(573)	(562)
Adjustment in respect of current income tax of previous years	(167)	39	(24)	-
Deferred income tax				
Relating to origination and reversal of temporary differences	(115)	(1,473)	45	15
Income tax expense reported in the income statement	1,442	2,214	(552)	(547)

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Accounting profit before income tax	6,860	9,763	(1,586)	1,891
At the Group's statutory income tax rate of 30% (2008: 30%)	2,058	2,929	(476)	567
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Share-based payment expense not allowable for income tax purposes	24	17	24	17
Miscellaneous income not assessable for income tax purposes	-	(1,200)	-	(1,200)
Other expenditure not allowable for income tax purposes	(473)	429	(76)	69
	1,609	2,175	(528)	(547)
Adjustment in respect of current income tax of previous years	(167)	39	(24)	-
Aggregate income tax expense	1,442	2,214	(552)	(547)

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

6. INCOME TAX (continued)

	Balance sheet 2009 $'000	Balance sheet 2008 $'000	Income statement 2009 $'000	Income statement 2008 $'000
Deferred income tax				
Consolidated				
Deferred tax assets				
Provisions and expenses not yet deductible	5,423	5,367	(56)	(1,171)
Difference tax to accounting depreciation /amortisation	333	103	(230)	(159)
IPO Costs deductible	123	245	122	123
Intangible asset value not deductible	-	(18)	(18)	(108)
Accrued income assessable in year of receipt	(936)	(869)	67	(158)
	4,943	4,828		
Deferred income tax (income)/expense			(115)	(1,473)
Parent				
Deferred tax assets				
Provisions and expenses not yet deductible	59	-	(59)	-
IPO Costs deductible	123	245	122	123
Intangible asset value not deductible	-	(18)	(18)	(108)
	182	227		
Deferred income tax (income)/expense			45	15

Tax consolidation

Vita Group Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 2 November 2005. Vita Group Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Allocations under the tax funding agreement are made at the end of each quarter.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Vita Group Limited.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

7. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000
Net profit attributable to ordinary equity holders of the parent	5,418	7,549
	2009 Thousands	**2008 Thousands**
Weighted average number of ordinary shares for basic earnings per share	141,248	138,564
Effect of dilution : Share options	* -	1,556
Weighted average number of ordinary shares adjusted for the effect of dilution	141,248	140,120

* The current year effect of share options had an anti-dilutive impact thus has been excluded from the diluted earnings per share calculation

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
8. DIVIDENDS PAID AND PROPOSED				
Declared and paid during the year:				
Dividends on ordinary shares:				
Final franked dividend for 2008: 1.0 cent (2007: 2.3 cents)	1,412	3,249	1,412	3,249
Interim franked dividend for 2009: Nil (2008: 2.5 cent)	-	3,531	-	3,531
	1,412	6,780	1,412	6,780
Approved by the board of directors on 24 August 2009 *(not recognised as a liability as at 30 June 2009)*				
Dividends on ordinary shares:				
No final franked dividend for 2009 (2008: 1.0 cents)	-	1,412	-	1,412
Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
• franking account balance as at the end of the financial year at 30% (2008: 30%)			25,218	25,953
• franking credits that will arise from the payment/(receipt) of income tax payable/(receivable) as at the end of the financial year			(1,475)	(3,985)
The amount of franking credits available for future reporting periods			23,743	21,968
• impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period			-	(605)
			23,743	**21,363**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
9. CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	**9,850**	**9,908**	**55**	**107**

Cash at bank earns interest at floating rates based on daily bank deposit rates: 2009: 3.0% (2008: 7.25%).

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Reconciliation of net profit after tax to net cash flows from operations				
Net profit/(loss)	5,418	7,549	(1,034)	2,438
Adjustments for:				
Depreciation	4,108	4,249	-	-
Amortisation	1,767	2,325	60	360
Net loss on disposal of plant and equipment	74	164	-	-
Share-based payment expensed	78	55	78	55
Employee share plan expensed	-	-	-	-
Make good provision accretion	152	145	-	-
Impairment of non-current assets	67	1,626	-	-
Doubtful debt provision	9	375	-	-
Inventory obsolescence provision	(52)	45	-	-
Release of lease make good provision	(693)	(39)	-	-
Inter-company dividend	-	-	-	-
Changes in operating assets and liabilities				
(Increase)/decrease in trade and other receivables	(6,548)	493	(2,208)	-
Decrease in inventory	1,828	3,376	-	-
Decrease/(increase) in prepayments	70	(1,190)	(87)	(63)
(Increase)/decrease in deferred tax assets	(116)	(1,472)	45	15
Increase/(decrease) in current tax liability	2,412	(5,290)	2,451	(5,239)
Increase in trade and other payables	(1,672)	2,958	-	-
Increase/(decrease) in other creditors and accruals	2,495	6,535	(77)	77
Increase in provisions	95	(89)	-	-
Net cash flow from operating activities	**9,492**	**21,815**	**(772)**	**(2,357)**

Disclosure of financing facilities
Refer to note 21.

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Non-cash financing and investing activities				
Acquisition of assets by means of finance leases (note 13)	2,332	1,105	-	-
Settlement of subsidiary acquisition with shares (note 20)	-	10,465	-	10,465
Share based payments (note 16 and 5(e))	78	55	78	55

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
10. TRADE AND OTHER RECEIVABLES				
Trade receivables (i)	18,563	13,044	-	-
Allowance for doubtful debts	(417)	(408)	-	-
	18,146	12,636	-	-
Other receivables	1,703	1,709	43	-
Amounts other than trade receivables due to related parties:				
Controlled entities (ii)	-	-	1,947	5,914
	19,849	**14,345**	**1,990**	**5,914**

(i) Trade receivables are non-interest bearing. They include an assessment of amounts owing by Telstra as well as regular debtors. These receivables are generally on terms ranging from 30 to 90 days, however Telstra claims can take up to 12 months to finalise.
(ii) Related party receivables are non-interest bearing.

Allowance for doubtful debts

As at 30 June 2009 current trade receivables of the Group with a nominal value of $417,299 (2008: $407,631) were impaired. The amount of the provision was $417,299 (2008: $407,631). An allowance for doubtful debts is made when there is objective evidence that a receivable is impaired. The amount of the allowance has been measured as the difference between the carrying amount of the receivables and the estimated future cash flows expected to be received from the relevant debtor. There were no impaired trade receivables for the parent in 2009 or 2008.

The ageing of these receivables is as follows:

0-30 days	-	115	-	-
61-90 days	-	20	-	-
91+ days	417	273	-	-
Balance at 30 June	417	408	-	-

Movements in provision for doubtful debts were as follows:

At 1 July	408	29	-	-
Charge/(release) for the year	9	375	-	-
Amounts written off	-	1	-	-
Movements through acquisitions of entities	-	3	-	-
Balance at 30 June	417	408	-	-

As of 30 June 2009, trade receivables of $2,584,195 (2008: $1,163,168) were past due but not impaired. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full. There is not considered to be any additional credit risk relating to the Telstra specific debtors.

The ageing analysis of these receivables is as follows:

61-90 days	784	685	-	-
91+ days	1,800	478	-	-
Balance at 30 June	2,584	1,163	-	-

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Fair value and credit risk
Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivable. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purposes entities.

Interest rate risk
Detail regarding interest rate risk exposure is disclosed in note 21.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

11. INVENTORIES

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Finished goods	10,359	12,187	-	-
Provision for diminution in value	(253)	(305)	-	-
Total inventories at the lower of cost or net realisable value	**10,106**	**11,882**	**-**	**-**

Inventories recognised as an expense for the year ended 30 June 2009 totalled $187,520,572 (2008: $196,346,032) for the Group and $nil (2008: $nil) for the Company. This expense has been included in the cost of sales line item as a cost of inventories.

Inventory write-downs recognised as an expense totalled $146,392(2008: $45,645) for the Group and $nil (2008: $nil) for the Company.

At 30 June 2008, in addition to the inventory value noted above, the company had committed to purchase inventory, which was in transit with a value of $230,686. The terms and conditions of supply for this inventory results in the risk of ownership passing to the company on despatch from the supplier. At 30 June 2009 the value of this inventory in transit has been included in the inventory value noted above.

12. TERM DEPOSITS

Term deposits	**252**	**249**	**-**	**-**

The term deposits are held as security over bank guarantees and are held for the duration of the guarantee to which they relate. The interest rate on term deposits is 2.9% (2008: 7.3%).

13. PLANT AND EQUIPMENT

Plant and equipment under lease	7,930	7,126	-	-
Accumulated amortisation and impairment	(4,097)	(4,135)	-	-
	3,833	2,991	-	-
Plant and equipment	32,194	29,727	-	-
Accumulated depreciation and impairment	(23,776)	(19,324)	-	-
	8,418	10,403	-	-
Total plant and equipment – at cost	40,124	36,853	-	-
Accumulated amortisation, depreciation and impairment	(27,873)	(23,459)	-	-
	12,251	**13,394**	**-**	**-**
Plant and equipment under lease				
At 1 July, net of accumulated amortisation and impairment	2,991	3,911	-	-
Additions	2,332	1,105	-	-
Disposals	(43)	-	-	-
Additions through the acquisition of entities/businesses	-	45	-	-
Transfer to plant and equipment	(375)	(162)	-	-
Amortisation charge for the year	(1,268)	(1,462)	-	-
Impairment	196	(446)	-	-
At 30 June, net of accumulated amortisation and impairment	3,833	2,991	-	-
Plant and equipment				
At 1 July, net of accumulated depreciation and impairment	10,403	9,044	-	-
Additions	2,105	5,005	-	-
Disposals	(94)	(278)	-	-
Additions through the acquisition of entities/businesses	-	1,899	-	-
Transfer from plant and equipment under lease	375	162	-	-
Depreciation charge for the year	(4,108)	(4,249)	-	-
Impairment	(263)	(1,180)	-	-
At 30 June, net of accumulated depreciation and impairment	8,418	10,403	-	-

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

13. PLANT AND EQUIPMENT (continued)

Leased assets and assets under hire purchase agreements are pledged as security for the related finance lease and hire purchase liabilities.

Additions during the year of $2,332,049 (2008: $1,105,015) of plant and equipment were financed under finance lease agreements.

Additions of $1,232,277 (2008: $1,079,053) relate to the lease make good asset recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.* This amount is offset by the corresponding provision for make good in note 19 Provisions.

Impairment of plant and equipment
An assessment of the recoverable amount of plant and equipment, based on value in use and determined at the cash-generating unit level, resulted in certain items being reduced to this carrying value.

In the 2009 year this impairment resulted from further strategic store optimisation review including reassessment of stores to be closed, relocated or refurbished. The value impaired/(written back) reflects the net written down value of specific items of plant and equipment that would be disposed of as part of this program or that are no longer required to be impaired based on current adjusted plans. As all of these closures, relocations and refurbishments are to be actioned within the next financial year, no discount rate has been applied.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
14. INTANGIBLE ASSETS AND GOODWILL				
Customer database	720	720	720	720
Accumulated amortisation	(720)	(660)	(720)	(660)
	-	**60**	**-**	**60**
Software	3,322	3,193	-	-
Accumulated amortisation	(3,010)	(2,567)	-	-
	312	**626**	**-**	**-**
Goodwill	61,489	61,489	-	-
Accumulated amortisation	(7,402)	(7,402)	-	-
	54,087	**54,087**	**-**	**-**
Customer database, software and goodwill	65,531	65,402	720	720
Accumulated amortisation	(11,132)	(10,629)	(720)	(660)
	54,399	**54,773**	**-**	**60**
Customer database				
At 1 July net of accumulated amortisation	60	420	60	420
Additions through the acquisition of entities	-	-	-	-
Amortisation charge for the year	(60)	(360)	(60)	(360)
At 30 June net of accumulated amortisation	**-**	**60**	**-**	**60**
Software				
At 1 July net of accumulated amortisation	626	559	-	-
Additions through the acquisition of entities/businesses	-	46	-	-
Additions	126	524	-	-
Disposals	(1)	-	-	-
Amortisation charge for the year	(439)	(503)	-	-
At 30 June net of accumulated amortisation	**312**	**626**	**-**	**-**
Goodwill				
At 1 July net of accumulated amortisation	54,087	20,275	-	-
Additions	-	33,812	-	-
At 30 June net of accumulated amortisation	**54,087**	**54,087**	**-**	**-**
Total	**54,399**	**54,773**	**-**	**60**

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

15. IMPAIRMENT TESTING OF GOODWILL

The recoverable amount of the cash generating units has been determined based on financial budgets set for the next financial year and management cashflow projections for subsequent years.

	2009		2008	
	Telecommunication	Computing	Telecommunication	Computing
Pre tax discount rate applied to the cash flow projection	14.84%	14.84%	13.84%	13.84%
Cash flows beyond the next financial year up to year 5, are extrapolated using a growth rate of:				
Revenue	5.0%	8.0%	6.9%	8.0%
Operating costs	3.7-5.0%	3.7-6.0%	4.5%	4.5%

For the purposes of impairment testing a cash generating unit has been defined as a store, or group of stores, where individual cash flows can be ascertained for the purposes of discounting future cash flows.

Where some, or the entire carrying amount of goodwill is allocated across multiple cash generating units, the amount allocated to each unit is not significant in comparison with the entity's total carrying amount of goodwill.

	CONSOLIDATED		PARENT	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Carrying amount of Goodwill allocated to each of the cash generating units or groups of cash generating units:				
Telecommunications	20,275	20,275	-	-
Computing	33,812	33,812	-	-
	54,087	54,087	-	-

Key assumptions used in value in use calculations for the years ended 30 June 2009 and 30 June 2008

The following describes each key assumption on which management has based its cash flow projections when determining the value in use.

- Budgeted sales values – the basis used to determine the value assigned to the budgeted sales volume is the average achieved in the year immediately before the budgeted year, adjusted for known circumstances.
- Budgeted cost of sales values – the basis used to determine the value assigned to the budgeted cost of sales is the average achieved in the year immediately before the budgeted year, adjusted for known circumstances.
- Budgeted operating expenses – the basis used to determine the value assigned to the budgeted costs is the average achieved in the year immediately before the budgeted year, adjusted for known circumstances.
- Terminal value – calculated based on a multiple of estimated Year 5 Earnings before interest, tax, depreciation and amortisation.

Sensitivity to changes in assumptions

Management recognises that there are various reasons that the estimates used in the above assumptions may vary. For all cash generating units, there are reasonably possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. The change required to each of the key assumptions to cause the carrying value of a unit to exceed its recoverable amount are shown below:

		Change required to cause carrying value of unit to materially exceed its recoverable amount	
Assumption	Possible change considered	Telecommunications	Computing
Discount rate	Market related rate variations	Increase 22.1%	Increase 18.5%
Growth rates:			
Revenue	New products on the market, possible new entrants	Decrease 2.6%	Decrease 3.0%
Operating costs	Higher occupancy and/or labour costs	Increase 2.6%	Increase 6.6%

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

16. SHARE BASED PAYMENT PLAN

Employee Share Option Plan
On 2 November 2005 share options were granted to senior executives under the Employee Share Option Plan and the exercise price is $0.1876 per option. The vesting conditions for the options granted relate to the employment status of the grantee as well as the discretion of the directors to accelerate the vesting timelines.

The contractual life of each option granted is five years.

The expense recognised in the income statement in relation to share-based payments is disclosed in note 5(e).

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2009 No.	2009 WAEP (cents)	2008 No.	2008 WAEP (cents)
Outstanding at the beginning of the year	2,504,000	18.76	4,173,333	18.76
Granted during the year	-	-	-	-
Exercised during the year	-	-	(1,043,333)	18.76
Forfeited during the year	939,000	18.76	(626,000)	18.76
Outstanding at the end of the year	1,565,000	18.76	2,504,000	18.76

The outstanding balance as at 30 June 2009 is represented by:

- 417,333 options over ordinary shares with an exercise price of $0.1876 each, exercisable on 2 November 2006 and until 2 November 2010;
- 417,334 options over ordinary shares with an exercise price of $0.1876 each, exercisable on 2 November 2007 and until 2 November 2010; and
- 730,333 options over ordinary shares with an exercise price of $0.1876 each, exercisable on 2 November 2008 and until 2 November 2010.

The exercise price for options outstanding at the end of the year was $0.1876 (2008: $0.1876).

The weighted average remaining contractual life for the share options outstanding at the end of the year was 1.3 years (2008: 2.3 years)

Employee Bonus Share Plan
The Remuneration and Nomination Committee is responsible for reviewing the operation of the company's Employee Bonus Share Plan which was approved by the board on 4 April 2005.

This share plan has been established by the company to enable employees to acquire shares in the company up to the value of $1,000, depending on length of service.

The plan is administered by the Remuneration and Nomination Committee of the company. The committee may from time to time issue offers on behalf of the company to employees. These employees may apply to acquire the number of shares specified in the invitation. The initial value of the shares to Australian tax residents is intended to be free of income tax (under current tax laws) provided the requisite tax election is made.

Shares may be acquired for participants by way of an issue of shares by the company, by acquiring shares in the ordinary course of trading, or by off-market purchases. The company may issue shares for no consideration. The board may also decide that an offer will involve a salary sacrifice.

Participants are prevented from disposing of shares acquired under the plan until the earlier of:

- three years after the date of acquisition of the shares; or
- the day after the date on which the participant ceased, or first ceased, to be employed by the company because of death or other special circumstances.

The number of shares acquired during the previous five years from new issues by the company under the plan and all other employee share schemes established by the company must not exceed 5% of the total number of issued shares.

Shares will rank equally with all existing shares on and from the date of issue.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

16. SHARE BASED PAYMENT PLAN (continued)

The Remuneration and Nomination Committee has power to terminate or suspend the operation of the plan at any time, provided that the termination or suspension does not adversely affect or prejudice the rights of participants holding shares at that time.

Directors are eligible to participate in the plan, but, under Listing Rule 10.14, Shareholders must approve any allocations to directors.

During the financial year the company did not issue ordinary shares under this plan (2008: $nil).

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
17. TRADE AND OTHER PAYABLES				
Current				
Trade payables (i)	22,741	24,414	-	-
Other payables and accruals	17,819	16,273	-	77
Amounts other than trade payables due to related parties:				
Controlled entities (ii)	-	-	-	-
	40,560	**40,687**	**-**	**77**
Non-current				
Other payables and accruals	2,469	2,820	-	-
	2,469	**2,820**	**-**	**-**

(i) Trade payables are non-interest bearing and are normally settled on terms ranging from 14 to 90 days.
(ii) Related party payables are non-interest bearing.

Fair value
Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Interest rate and liquidity risk
Information regarding interest rate and liquidity risk exposure is set out in note 21.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

	Maturity	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2008 $'000	PARENT 2007 $'000
18. INTEREST-BEARING LOANS AND BORROWINGS					
Current					
Obligations under finance leases (i)	2010	1,495	1,589	-	-
Obligations under hire purchase contracts (i)	2010	96	252	-	-
Commercial bills (ii)	2010	5,000	5,000	4,000	4,000
		6,591	**6,841**	**4,000**	**4,000**
Non-Current					
Obligations under finance leases (i)	2011-2014	2,836	2,142	-	-
Obligations under hire purchase contracts (i)	2011	68	166	-	-
Commercial bills (ii)	2011	15,650	20,650	12,000	16,000
		18,554	**22,958**	**12,000**	**16,000**

(i) Finance leases
The finance leases and hire purchase contracts are secured by a charge over the specific assets being financed. The assets under finance lease are disclosed in note 13.

(ii) Commercial bills
The commercial bills have been drawn under an amortising facility with a quarterly repayment schedule. The interest rate and facility fees total 8.2% (2008: 8.7%).

The Group's loan and lease facilities are secured under the Group's Deed of Cross Guarantee which is detailed in Note 23(ii).

Fair values
Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates varying from 8.0% to 9.0% (2008: 9.0% to 10.0%), depending on the type of borrowing.

	Carrying amount 2009 $'000	Carrying amount 2008 $'000	Fair value 2009 $'000	Fair value 2008 $'000
Obligations under finance leases and hire purchase contracts	4,495	4,149	3,823	3,490
Commercial bills	20,650	25,650	20,650	25,650
	25,145	29,799	24,473	29,140

Interest rate and liquidity risk
Details regarding interest rate and liquidity risk are disclosed in note 21.

Financial facilities
The Group has established facilities with the National Australia Bank Limited that are secured by a first registered mortgage debenture over Vita Group Limited and its subsidiaries and an interlocking guarantee and indemnity given by Vita Group Limited and its subsidiaries. In addition the facilities are subject to financial and reporting covenants.

At balance date, the Group has available approximately $4.7 million of unused credit facilities available for its immediate use.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

19. PROVISIONS

	Employee entitlements $'000	Make good provision $'000	Total $'000
CONSOLIDATED			
At 1 July 2008	**4,101**	**1,801**	**5,902**
Arising during the year	2,438	1,372	3,810
Utilised	(2,343)	(630)	(2,973)
	4,196	**2,543**	**6,739**
Current 2009	2,875	965	3,840
Non-current 2009	1,321	1,578	2,899
	4,196	**2,543**	**6,739**
Current 2008	2,714	887	3,601
Non-current 2008	1,387	914	2,301
	4,101	**1,801**	**5,902**

	Employee entitlements $'000	Make good provision $'000	Total $'000
PARENT			
At 1 July 2008	-	-	-
Arising during the year	-	-	-
Utilised	-	-	-
	-	-	-
Current 2009	-	-	-
Non-current 2009	-	-	-
	-	-	-
Current 2008	-	-	-
Non-current 2008	-	-	-
	-	-	-

Make Good Provision
In accordance with our contractual obligations under tenancy lease agreements, we are required to restore the leased premises on the expiry of the lease term.

Assumptions used to calculate the provision were based on current assessments of the possible timing of the restoration liability crystallising and on current restoration costs being accreted at rates of 1.5% to 5.0% (2008: 5.0 to 6.8%).

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
20. CONTRIBUTED EQUITY, RETAINED EARNINGS AND RESERVES				
Contributed equity				
Ordinary shares				
Issued and fully paid	**12,844**	**12,844**	**22,654**	**22,654**

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares.

Ordinary shares have 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.

	CONSOLIDATED		PARENT	
	Number of shares	$'000	Number of shares	$'000
At 1 July 2007	**125,147,800**	**2,885**	**125,147,800**	**12,695**
Ordinary shares issued for the Next Byte purchase	16,100,000	10,465	16,100,000	10,465
Treasury shares bought from the market	(1,043,333)	(702)	(1,043,333)	(702)
Ordinary shares issued for options exercised	1,043,333	196	1,043,333	196
At 30 June 2008	**141,247,800**	**12,844**	**141,247,800**	**22,654**
Treasury shares bought from the market	-	-	-	-
Ordinary shares issued for options exercised	-	-	-	-
At 30 June 2009	**141,247,800**	**12,844**	**141,247,800**	**22,654**

Share options

The company has a share based payment option scheme under which the options to subscribe for the company's shares have been granted to certain executives (refer note 16).

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

20. CONTRIBUTED EQUITY, RETAINED EARNINGS AND RESERVES (continued)

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Retained earnings				
Movements in retained earnings were as follows:				
Balance 1 July	20,177	19,408	16,081	20,423
Net profit/(loss) for the year	5,418	7,549	(1,034)	2,438
Dividends	(1,412)	(6,780)	(1,412)	(6,780)
Balance 30 June	**24,183**	**20,177**	**13,635**	**16,081**
Employee equity benefits reserve				
Movements in employee equity benefits reserve were as follows:				
Balance 1 July	2,672	2,617	2,672	2,617
Share-based payments	78	55	78	55
Share options exercised during the financial year	-	-	-	-
Balance 30 June	**2,750**	**2,672**	**2,750**	**2,672**

Nature and purpose of reserve

Employee equity benefits reserve

The reserve is used to record the value of equity benefits provided to employees as part of their remuneration.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2009, management paid dividends of $1,412,478 (2008: $6,779,895).

Management has no current plans to issue further shares on the market, nor to reduce the capital structure.

Management monitor capital through the gearing ratio (net debt / total capital). The current target for the Group's gearing ratio is below 50%. The gearing ratios based on continuing operations at 30 June 2009 and 2008 were as follows:

	CONSOLIDATED	
	2009 $'000	2008 $'000
Total borrowings *	25,145	29,799
Less cash and cash equivalents	(9,850)	(9,908)
Net debt	15,295	19,891
Total equity	39,777	35,693
Total capital	**55,072**	**55,584**

* Comprises interest bearing loans and borrowings

The Group is not subject to any externally imposed capital requirements.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise commercial bills, finance leases and hire purchase contracts, and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The Group is not exposed to foreign exchange or commodity and equity price risks.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate and the Group's policy is to manage its interest cost using a mix of the financial instruments described above. The level of debt is disclosed in note 18.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges:

	CONSOLIDATED		PARENT	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Financial Assets				
Cash	9,850	9,908	55	107
Term deposits	252	249	-	-
	10,102	10,157	55	107
Financial Liabilities				
Commercial bills	(20,650)	(25,650)	(16,000)	(20,000)
	(20,650)	(25,650)	(16,000)	(20,000)
Net exposure	**(10,548)**	**(15,493)**	**(15,945)**	**(19,893)**

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	CONSOLIDATED		PARENT	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Judgements of reasonably possible movements:				
+1% (100 basis points)	(74)	(108)	(112)	(139)
- 1% (100 basis points)	74	108	112	139

These movements in profit are due to higher/lower interest costs from variable rate debt and cash balances.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk
The Group trades only with recognised, creditworthy third parties and it is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures and risk limits are set for each individual customer in accordance with the Group's policies.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The accounts receivable of the Group is predominantly represented by amounts owed by the Dealership Principal (of the Fone Zone operations of the Group), namely Telstra Corporation Limited, and the level of credit risk on the account is considered to be low. There are no other significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayment and interest resulting from recognised financial assets and liabilities as at 30 June 2009. No derivative financial instruments are held and for other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2009.

The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
1 year or less	31,123	33,541	5,172	5,588
1-5 years	19,035	24,769	12,164	17,241
Over 5 years	-	-	-	-
	50,158	58,310	17,336	22,829

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

22. BUSINESS COMBINATIONS

On 31 August 2007, Fone Zone Group Limited acquired 100% of the voting shares of Next Byte Holdings Pty Ltd, an unlisted company based in Australia specialising in the sale and service of Apple Products.

The total cost of the combination was $31,795,423 and comprised an issue of equity instruments, the payment of cash and costs directly attributable to the combination. The Group issued 16,100,000 ordinary shares with a fair value of $0.65 each, based on the quoted price of the shares of Fone Zone Group Limited at the date of exchange.

The fair value of the assets and liabilities of Next Byte Holdings Pty Ltd as at the date of acquisition were:

	Recognised on acquisition $'000	Carrying value $'000
Cash and cash equivalents	2,284	2,284
Trade and other receivables	3,828	3,828
Inventories	5,638	5,638
Deferred income tax asset	332	332
Plant and equipment	1,425	1,425
Intangible assets	46	46
Total assets	**13,553**	**13,553**
Trade and other payables	12,193	12,193
Interest bearing loans and borrowings	38	38
Provisions	1,038	1,038
Total liabilities	**13,269**	**13,269**
Fair Value of net assets	**284**	**284**
Goodwill arising on acquisition	**31,512**	
	31,796	
Cost of the combination:		
Cash paid	21,053	
Shares issued at fair value	10,465	
Direct costs of acquisition	278	
	31,796	
The cash outflow on acquisition is as follows:		
Net cash acquired with subsidiary	2,284	
Cash paid	(21,331)	
	(19,047)	

From the date of acquisition, Next Byte Holdings Pty Ltd has contributed $2,885,000 to the net profit before tax of the group for the year ending 30 June 2008.

If the combination had taken place at the beginning of the year ending 30 June 2008, the profit before tax for the Group would have been $10,912,000 and revenue from continuing operations would have been $331,736,000 for that year.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

22. BUSINESS COMBINATIONS (continued)

On 3 September 2007, Next Byte Holdings Pty Limited acquired the net assets of The Smart Shop Enterprise Pty Ltd an unlisted company based in Australia specialising in the sale and service of Apple Products. There were no voting shares attached to this acquisition.

The fair value of the assets and liabilities of The Smart Shop Enterprise Pty Ltd as at the date of acquisition were:

	Recognised on acquisition $'000	Carrying value $'000
Cash and cash equivalents	1	1
Inventories	221	221
Plant and equipment	119	119
Total assets	**341**	**341**
Trade and other payables	25	25
Provisions	7	7
Total liabilities	**32**	**32**
Fair Value of net assets	**309**	**309**
Goodwill arising on acquisition	**646**	
	955	
Cost of the combination:		
Cash paid	940	
Direct costs of acquisition	15	
	955	
Net cash outflow on acquisition is as follows:		
Net cash acquired	1	
Cash paid	(955)	
	(954)	

From the date of acquisition, The Smart Shop Enterprise Pty Ltd has contributed a loss of $32,000 to the net profit before tax of the group for the year ending 30 June 2008.

If the combination had taken place at the beginning of the year ending 30 June 2008, the profit before tax for the Group would have been $10,342,000 and revenue from continuing operations would have been $312,106,000 for that year.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

22. BUSINESS COMBINATIONS (continued)

On 18 October 2007, Next Byte Holdings Pty Limited acquired the net assets of Smart Bomb Productions Pty Ltd (trading as Frequency) an unlisted company based in Australia specialising in the sale and service of Apple Products. There were no voting shares attached to this acquisition.

The fair value of the assets and liabilities of Smart Bomb Productions Pty Ltd as at the date of acquisition were:

	Recognised on acquisition $'000	Carrying value $'000
Cash and cash equivalents	-	-
Trade and other receivables	6	6
Inventories	449	449
Plant and equipment	300	300
Total assets	**755**	**755**
Trade and other payables	32	32
Interest bearing loans and borrowings	25	25
Provisions	22	22
Total liabilities	**79**	**79**
Fair Value of net assets	**676**	**676**
Goodwill arising on acquisition	**874**	
	1,550	
Cost of the combination:		
Cash paid	1,495	
Direct costs of acquisition	55	
	1,550	
Net cash outflow on acquisition is as follows:		
Net cash acquired	-	
Cash paid	(1,550)	
	(1,550)	

From the date of acquisition, Smart Bomb Productions Pty Ltd has contributed $113,000 to the net profit before tax of the group for the year ending 30 June 2008.

If the combination had taken place at the beginning of the year ending 30 June 2008, the profit before tax for the Group would have been $10,383,000 and revenue from continuing operations would have been $313,839,000 for that year.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

22. BUSINESS COMBINATIONS (continued)

On 10 December 2007, Next Byte Holdings Pty Limited acquired the net assets of Infinite Systems Group Pty Ltd an unlisted company based in Australia specialising in the sale and service of Apple Products. There were no voting shares attached to this acquisition.

The fair value of the assets and liabilities of Infinite Systems Group Pty Ltd as at the date of acquisition were

	Recognised on acquisition $'000	Carrying value $'000
Cash and cash equivalents	1	1
Trade and other receivables	6	6
Inventories	419	419
Plant and equipment	100	100
Total assets	**526**	**526**
Trade and other payables	77	77
Provisions	50	50
Total liabilities	**127**	**127**
Fair Value of net assets	**399**	**399**
Goodwill arising on acquisition	**779**	
	1,178	
Cost of the combination:		
Cash paid	750	
Deferred Cash Payment	397	
Direct costs of acquisition	31	
	1,178	
Net cash outflow on acquisition is as follows:		
Net cash acquired	1	
Cash paid	(781)	
	(780)	

From the date of acquisition, Infinite Systems Group Pty Ltd has contributed $171,000 to the net profit before tax of the group for the year ending 30 June 2008.

If the combination had taken place at the beginning of the year ending 30 June 2008, the profit before tax for the Group would have been $10,469,000 and revenue from continuing operations would have been $316,516,000 for that year.

If the acquisitions of Next Byte Holdings Pty Ltd, The Smart Shop Enterprise Pty Ltd, Smart Bomb Productions Pty Ltd (trading as Frequency) and Infinite Systems Group Pty Ltd had taken place on the 1 July 2007 the profit before tax for the Group would have been $11,101,000 and revenue from continuing operations would have been $340,708,000 for the year ending 30 June 2008.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

23. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee
The Group has entered into commercial leases on certain computer and office equipment and rental of store outlets and head office premises. These leases have an average life of between 1 and 5 years. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Within one year	8,168	11,426	-	-
After one year but not more than five years	14,119	20,611	-	-
More than five years	1,045	2,272	-	-
	23,332	**34,309**	**-**	**-**

Finance lease commitments
The Group has finance leases for various items of plant and equipment with a carrying amount of $3,883,000 (2008: $2,991,000). These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases contracts are as follows:

Within one year	1,771	1,827	-	-
After one year but not more than five years	3,104	2,351	-	-
Total minimum lease payments	4,875	4,178	-	-
Less amounts representing finance charges	(547)	(447)	-	-
Present value of minimum lease payments	**4,328**	**3,731**	**-**	**-**

Other Loan Commitments
The Group has hire purchases contracts for various items of plant and equipment.

Future minimum payments under the hire purchases contracts are as follows:

Within one year	105	275	-	-
After one year but not more than five years	70	176		
Total mimimum lease payments	175	451	-	-
Less amounts representing finance charges	(11)	(33)	-	-
Present value of minimum lease payments	**164**	**418**	**-**	**-**

Capital Commitments
There were $1,153,700 of capital commitments as at reporting date (2008 - $nil).

Contingencies

Guarantees
The Group has guarantees in relation to leasing commitments as well as other supplier arrangements. The guarantees held by the parent are held on behalf of other group entities.

Guarantees held for:

Leasing commitments	3,759	2,915	45	45
Other supplier arrangements	4,000	4,000	-	-
	7,759	**6,915**	**45**	**45**

There were no other contingencies as at reporting date (2008 - $nil).

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

24. RELATED PARTY DISCLOSURES

(i) Controlled Entities
The consolidated financial statements include the financial statements of Vita Group Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	Percentage of Equity Interest Held		Investment	
		2009 %	2008 %	2009 $'000	2008 $'000
Fone Zone Pty Ltd	Australia	100	100	13,938	13,938
Communique Holdings Pty Ltd	Australia	100	100	5,355	5,355
Next Byte Holdings Pty Ltd	Australia	100	100	31,796	31,796
Vita People Pty Ltd	Australia	100	100	-	-
The Learning Academy Pty Ltd (previously Heaton Corp Pty Ltd)	Australia	100	100	-	-
Total investments in controlled entities – at cost				**51,089**	**51,089**
Subsidiaries of Fone Zone Pty Ltd:					
Fone Zone Queensland Pty Ltd	Australia	100	100		
Fone Zone NSW Pty Ltd	Australia	100	100		
Fone Zone Victoria Pty Ltd	Australia	100	100		
The Mobile Phone Shop Pty Ltd	Australia	100	100		
Gould Holdings Pty Ltd	Australia	100	100		
Let's Talk Communications Pty Ltd	Australia	100	100		
In Touch Communications (Australia) Pty Ltd	Australia	100	100		
Call Direct Telecommunications Pty Ltd	Australia	100	100		
One Zero Communications Pty Ltd	Australia	100	100		
One Xerro TLS (Bundaberg) Pty Ltd	Australia	100	100		
One Xerro TLS (Gladstone) Pty Ltd	Australia	100	100		
One Xerro TLS (Morayfield) Pty Ltd	Australia	100	100		
One Xerro TLS (Werribee) Pty Ltd	Australia	100	100		
One Zero TCS (Warwick) Pty Ltd	Australia	100	100		
One Zero Suncoast Pty Ltd	Australia	100	100		
Subsidiaries of Communique Holdings Pty Ltd:					
Sansertel Pty Ltd	Australia	100	100		
Quo Vadis (Aust) Pty Ltd	Australia	100	100		
Qibbus (Aust) Pty Ltd	Australia	100	100		
Subsidiaries of Next Byte Holdings Pty Ltd:					
Next Byte Pty Ltd	Australia	100	100		

Vita Group Limited, a company listed on the Australian Securities Exchange is the ultimate parent entity. Refer to Notes 2(a) and 2(c) with respect to the basis of preparation and basis of consolidation accounting policies.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

24. RELATED PARTY DISCLOSURES (continued)

(ii) Deed of Cross Guarantee

Entities subject to class order relief
Pursuant to Class order 98/1418, relief has been granted to Fone Zone Pty Ltd, Next Byte Holdings Pty Ltd and Next Byte Pty Ltd from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Vita Group Limited and Fone Zone Pty Ltd, entered into a Deed of Cross Guarantee on 18 April 2007. Next Byte Holdings Pty Ltd and Next Byte Pty Ltd were added under an Assumption Deed dated 21 December 2007 and Vita People Pty Ltd was added under an Assumption Deed dated 29 July 2009.

The effect of the deed is that Vita Group Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Vita Group Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

Closed Group Class Order Disclosures
Vita Group Limited and all of its Controlled Entitles, as shown above, are party to the above Deed of Cross Guarantee and represent a ‘Closed Group’ for the purposes of the Class Order.

As the consolidated financial statements cover all parties to the Deed of Cross Guarantee, no separate disclosure of consolidated information of the Closed Group has been shown.

(iii) Transactions with directors and director related entities
Director’s fees for Gregory Robertson of $Nil (2008: $45,119) were paid to Investec Wentworth Private Equity Pty Ltd, a company associated with Greg Robertson.

Melinda Snowden is currently a Director of Grant Samuel Debt Structuring & Advisory Pty Limited. No fees (2008: $Nil) were paid to Grant Samuel Debt Structuring & Advisory Pty Limited during the year ending 30 June 2009, however they were engaged and performed work that was invoiced following the 30 June 2009 year end totalling $45,000.

(iv) Other related party transactions
During the year Vita Group Limited has received from and provided to its wholly owned subsidiaries, interest free loans as shown below.

These loans are repayable on call. No allowance has been made for impairment relating to amounts owed to or by related parties as payment is expected in full. An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

	PARENT	
Receivables from wholly owned subsidiaries	**2009 $**	**2008 $**
Balance 1 July	**5,914,307**	**16,994,694**
Loans advanced to subsidiaries (includes cash advances to and payments made by parent on behalf of subsidiaries)	4,255,896	7,098,338
Loans received from subsidiaries (includes cash advances from and payments made by subsidiaries on behalf of parent)	(10,388,240)	(22,388,615)
Income tax payable assumed from wholly-owned tax consolidated entities due to tax consolidation legislation	2,164,725	4,209,890
Balance 30 June	**1,946,688**	**5,914,307**

Financial Guarantees held by the parent on behalf of other group entities are detailed in note 23.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
25. AUDITORS' REMUNERATION				
The auditor of Vita Group Limited is PricewaterhouseCoopers (2008: Ernst & Young)				
Amounts received or due and receivable by PricewaterhouseCoopers for:				
• an audit or review of the financial report of the entity and any other entity in the consolidated group	276,329	-	-	-
• other services in relation to the entity and any other entity in the consolidated group:				
- tax compliance	24,080	-	-	-
- other assurance services	600	-	-	-
- transaction advisory services	-	64,534		
	301,009	64,534	-	-
Amounts received or due and receivable by Ernst & Young for:				
• an audit or review of the financial report of the entity and any other entity in the consolidated group	57,061	407,155	-	-
• other services in relation to the entity and any other entity in the consolidated group:				
- tax compliance	27,690	82,844	-	-
- transaction advisory services	7,725	7,008	-	-
	92,476	497,007	-	-
	393,485	**561,541**	-	-

26. EVENTS AFTER THE BALANCE SHEET DATE

On 27 August 2009, Fone Zone renewed its dealer agreement with Telstra for another five years with potential for up to four additional one year extensions.

In addition to renewing Fone Zone's exclusive dealer agreement with Telstra, Vita Group has been appointed the first Master Licensee for Telstra's T[life]™ stores. The T[life] Master License Agreement allows Vita Group to roll-out T[life] stores in a phased approach, subject to meeting both performance and expandability criteria. The location of the first 25 stores has been agreed and will open throughout the next twelve months.

Under the new dealer agreement, the trailing commission component of the existing commission structure will be replaced by higher upfront payments from 1st November 2009.

As a result of entering into the new dealer agreement and the revised commission structure, Telstra will pay $23.6 million to Vita Group over the next 18 months for trailing commission entitlements under the old agreement, subject to certain conditions being met. Vita expects that the proceeds from this payment will be used for its future funding needs including partially funding the rollout of the new T[life] stores.

The renewal of the Telstra agreement is a non-adjusting event for the purposes of 30 June 2009 reporting.

There have been no other matters or circumstances not otherwise dealt with in this report, that will significantly affect the operation of the company, the results of those operations or the state of affairs of the company or subsequent financial years.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

27. DIRECTOR AND EXECUTIVE DISCLOSURES

a) Details of Key Management Personnel

(i) Directors	
R.A. Simpson	Chairman (appointed 6 November 2008 (previously Director (non-executive))
T.B. Finn	Chairman (resigned 6 November 2008)
D.L. McMahon	Joint Chief Executive Officer
M.J. Horne	Joint Chief Executive Officer
N.A. Osborne	Director (non-executive)
M. Snowden	Director (non-executive) (Appointed 25 September 2008)
(ii) Executives	
Wendy Carruthers	General Manager Business Solutions (appointed 2 February 2009)
Jim Collier	Genera Manager Mobile Phones (appointed 29 June 2009)
Peter Connors	Chief Product, Marketing and Technical Officer (appointed 25 August 2008)
Darren Gaunt	General Manager Retail Next Byte (previously General Manager Mobile Sales)
Christine Kelly	Chief Financial Officer (appointed 15 April 2009)
Lee Moore	General Manager Operations Next Byte (previously Acting General Manager Next Byte) (resigned 31 July 2009)
Dave Rundle	General Manager Mobile Phones (appointed 6 October 2008, resigned 3 July 2009)
Wayne Smith	Chief Organisation Development Officer
Trevor Wulfse	Chief Financial Officer (retired 14 April 2009)

Mr Dave Rundle resigned from Vita Group on 3 July 2009 as General Mobile Phones and Mr Lee Moore resigned from Vita Group on 31 July 2009 as General Manager Operations Next Byte. Other than those resignations, there were no changes in Key Management Personnel after reporting date and before the date the financial report was authorised for issue.

b) Compensation of Key Management Personnel

Compensation by Category: Key Management Personnel

	2009 $	2008 $
Short-term	2,307,595	2,048,222
Post employment	354,518	386,084
Share-based payments	55,099	278,481
Long-term benefits	-	-
Termination benefits	196,259	230,000
	2,913,471	**2,942,787**

Detailed remuneration disclosures are provided in sections *Remuneration of Key Managers* and *Remuneration of Non-Executive Directors* of the remuneration report on pages 9 to 17.

c) Compensation options: Granted during the year

During the financial year no share options were granted as equity compensation benefits (2008: nil).

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

27. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

d) Options holdings of Key Management Personnel (Consolidated)

	Balance at 1 July 2008	Granted as remuneration	Options exercised	Options forfeited	Balance at 30 June 2009	Vested and exerciseable at 30 June 2009
Executives						
Lee Moore	313,000	-	-	-	313,000	313,000
Darren Gaunt	1,252,000	-	-	-	1,252,000	1,252,000
	1,565,000	**-**	**-**	**-**	**1,565,000**	**1,565,000**

	Balance at 1 July 2007	Granted as remuneration	Options exercised	Options forfeited	Balance at 30 June 2008	Vested and exerciseable at 30 June 2008
Executives						
Lee Moore	626,000	-	313,000	-	313,000	-
Darren Gaunt	1,252,000	-	-	-	1,252,000	834,667
Gordon Petterson	417,333	-	417,333	-	-	-
	2,295,333	**-**	**730,333**	**-**	**1,565,000**	**834,667**

(i) Under the companies share option plan once shares have vested they are exerciseable.

At 30 June 2009 730,333 (2008: 1,565,000) share options had vested of which Nil (2008: 730,333) were exercised. There were no unexercisable vested options at 30 June 2009 (2008: Nil).

The options were granted on 2 November 2005 and the weighted average fair value of options on issue during the year was $0.72 (2008: $0.72).

e) Shareholdings of Key Management Personnel (Consolidated)

Shares held in Vita Group Limited

	Balance at 1 July 2008	Purchased	Acquired under non-executive director share plan	On exercise of options	Sold	Balance at 30 June 2009
Directors						
R.A. Simpson	42,204	55,555	-	-	-	97,759
D.L. McMahon *	51,582,000	4,214,535	-	-	-	55,796,535
M.J. Horne *	51,582,000	4,214,535	-	-	-	55,796,535
N.A. Osborne	64,200	37,000	-	-	-	101,200
M.F. Snowden	-	-	-	-	-	-
Executives						
Wendy Carruthers	-	-	-	-	-	-
Jim Collier	-	-	-	-	-	-
Peter Connors	-	-	-	-	-	-
Darren Gaunt	1,000	21,000	-	-	-	22,000
Christine Kelly	-	-	-	-	-	-
Lee Moore	627,000	-	-	-	-	627,000
Dave Rundle	-	-	-	-	-	-
Wayne Smith	-	-	-	-	-	-

* D.L. McMahon and M.J. Horne have a beneficial interest in a holding of 55,796,535

T.B. Finn purchased 182,750 shares in the period and held 889,017 shares at the time of his departure. Trevor Wulfse held 120,000 shares at the time of his departure.

Notes to the Financial Statements (continued)
FOR THE YEAR ENDED 30 JUNE 2009

27. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

e) Shareholdings of Key Management Personnel (Consolidated) (continued)

Shares held in Vita Group Limited (continued)

	Balance at 1 July 2007	Purchased	Acquired under non-executive director share plan	On exercise of options	Sold	Balance at 30 June 2008
Directors						
T.B. Finn	541,362	-	164,905	-	-	706,267
D.L. McMahon *	50,082,000	1,500,000	-	-	-	51,582,000
M.J. Horne *	50,082,000	1,500,000	-	-	-	51,582,000
N.A. Osborne	-	64,200	-	-	-	64,200
R.A. Simpson	-	42,204	-	-	-	42,204
Executives						
Darren Gaunt	1,000	-	-	-	-	1,000
Lee Moore	314,000	-	-	313,000	-	627,000
Wayne Smith	-	-	-	-	-	-
Trevor Wulfse	-	120,000	-	-	-	120,000

* D.L. McMahon and M.J. Horne have a beneficial interest in a holding of 51,582,000

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

f) Loans to Key Management Personnel

There were no loans provided to Key Management Personnel during the financial year (2008: $nil).

g) Other transactions and balances with Key Management Personnel

Details of other transactions with Key Management Personnel are in Note 24 Related party disclosure.

h) Disclosure statement

The company has applied the exemption under Corporations Amendments Regulation 2006 to transfer Key Management Personnel remuneration disclosures required by AASB 124 Related Party Disclosures paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section within the Directors' Report. These transferred disclosures have been audited.

Directors' Declaration

In accordance with a resolution of the directors of Vita Group Limited, I state that:

1 In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; 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.

(c) there are reasonable grounds to believe that the members of the Closed Group identified in Note 24 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

2 This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.

On behalf of the Board

R.A. Simpson
Chairman

D.L. McMahon
Director and Joint Chief Executive Officer

Brisbane, 28 August 2009

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Independent auditor's report to the members of Vita Group Limited

Report on the financial report

We have audited the accompanying financial report of Vita Group Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both the company and Vita Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.
Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Liability limited by a scheme approved under Professional Standards Legislation

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Vita Group Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001* .

Auditor's opinion

In our opinion:

(a) the financial report of Vita Group Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 17 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Vita Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Vita Group Limited (the company) for the year ended 30 June 2009 included on Vita Group Limited web site. The company's directors are responsible for the integrity of the Vita Group Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Robert Baker

Robert Baker
Partner

Brisbane
28 August 2009

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 1 August 2009.

(a) Distribution of equity securities

(i) Ordinary Share Capital

141,247,800 fully paid ordinary shares are held by 2,060 individual Shareholders.

All issued shares carry one vote per share and carry the rights to dividends.

(ii) Options

1,565,000 options are held by 2 individual option holders.

Options are not listed on ASX and do not carry the right to vote.

Distribution of Shareholders

Size of Shareholding	Total Holders	No. of ordinary shares	Percentage
1 – 1,000	460	266,011	0.19
1,001 – 5,000	565	1,864,094	1.32
5,001 – 10,000	383	3,234,797	2.29
10,001 – 100,000	561	18,473,948	13.08
100,001 and over	91	117,408,950	83.12
	2,060	141,247,800	100.00
Shareholdings of less than a marketable parcel			
Holdings of 4,546 or less shares	874	1,378,278	0.98

(b) Twenty largest holders of quoted equity securities

	Fully paid	
Ordinary Shareholders	**Number**	**Percentage**
FZIC Pty Ltd	50,330,178	35.63
HSBC Custody Nominees (Australia) Limited	9,185,159	6.50
RBC Dexia Investor Services Australia Nominees Pty Limited PIIC A/C	7,183,042	5.09
UBS Wealth Management Australia Nominees Pty Ltd	5,502,885	3.90
Crawford Giles Pty Ltd The Giles Family A/C	5,366,667	3.80
Kavel Pty Ltd The Kleemann Family A/C	5,366,666	3.80
RBC Dexia Investor Services Australia Nominees Pty Limited PIPOOLED A/C	5,029,733	3.56
Desktop Power Pty Ltd The Desktop Power A/C	3,220,000	2.28
IWPE Nominees Pty Ltd MZL Opportunity Fund A/C	2,978,950	2.11
NPBC Pty Ltd Next Byte Property Unit A/C	2,146,667	1.52
Mrs Paula Staal	1,322,350	0.94
Mr P J Stirling & Mrs R V Stirling	1,252,200	0.89
Jamber Investments Pty Ltd The Amber Schwarz Fam A/C	1,117,520	0.79
Bell Co Pty Ltd Richard Bell Family A/C	825,000	0.58
Mr T B Finn & Mrs I E Finn Retirement Super Fund A/C	746,620	0.53
ANZ Nominees Limited Cash Income A/C	663,600	0.47
Mr Lee Robert Moore	627,000	0.44
Gernis Holdings Pty Limited	550,000	0.39
Mr D P Curtin & Mrs J C Curtin Curtin Super Fund A/C	540,000	0.38
Tuwele Pty Limited Rosella Superannuation A/C	495,900	0.35
	104,450,137	73.95

ASX Additional Information (continued)

(c) Substantial Shareholders

The number of shares held by substantial Shareholders and their associates as disclosed in substantial shareholding notices given to the company as at 1 August 2009 were:

	Fully paid	
Ordinary Shareholders	**Number**	**Percentage**
FZIC Pty Ltd	55,796,535	39.50
Perpetual Limited	12,212,775	8.65
Highclere International Investors Limited	7,800,610	5.52
TOTAL	75,809,920	53.67