

Vita Group Limited

ABN 62 113 178 519

**Interim Report
for the half-year ended 31 December 2008**

VITA GROUP LIMITED – HALF-YEAR REPORT

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VITA GROUP LIMITED – HALF-YEAR REPORT

Directors' Report

Your directors present their report on the consolidated entity consisting of Vita Group Limited and the entities it controlled, at the end of, or during, the half-year ended 31 December 2008.

DIRECTORS

The following persons were directors of Vita Group Limited during the whole of the half-year and up to the date of this report:

- R. A. Simpson (appointed Chairman 6 November 2008)
- D. L. McMahon (Joint Chief Executive Officer)
- M. J. Horne (Joint Chief Executive Officer)
- N. A. Osborne

M. Snowden was appointed a director on 25 September 2008 and continues in office at the date of this report.

T. B. Finn AO was a director and the Chairman from the beginning of the financial year until his resignation on 6 November 2008.

REVIEW AND RESULTS OF OPERATIONS

	Half-year ended 31 December 2008 \$000s	Half-year ended 31 December 2007 \$000s	Growth %
Total operating revenue (a)			
Telecommunications segment	86,777	101,643	(14.6%)
Computing segment	63,833	46,859	36.2%
Gross operating margin (b)	53,691	54,829	(2.1%)
Earnings before interest, taxation, depreciation and amortisation (c)	7,939	12,155	(34.7%)
Earnings before interest and taxation (d)	5,407	9,407	(42.5%)
Net profit for the period attributable to members	3,654	6,250	(41.5%)
Earnings per share (cents)	2.59 cents	4.60 cents	(43.7%)

(a) Total segment revenue excluding Finance revenue (Note 2)

(b) Gross Profit excluding Finance revenue (Income Statement)

(c) Profit from continuing operations before tax excluding Depreciation and Amortisation expenses and Finance revenue and costs (Income Statement)

(d) Profit from continuing operations before tax excluding Finance revenue and costs (Income Statement)

The decline in consumer confidence and slowdown in consumer spending associated with the global economic decline has made itself evident in the trading results of both the Mobiles and Computer businesses. The impact has particularly been felt in the Next Byte business where the computer retail sector has been affected by weaker demand and this has been exacerbated by increased competition in this sector.

Fone Zone has performed largely in line with expectations, supported by the store optimisation program. During the period, 22 underperforming stores were closed, 1 relocated and 1 new store opened. Nevertheless, the next six months is expected to be a similarly challenging period for the Mobiles business.

Although the increased retail competition and the current economic conditions have slowed our growth strategy for Next Byte and contributed to the decision to close 2 smaller underperforming stores, 3 new stores were opened during the period. Sales levels in the Education, Corporate and Government segments are holding firm but demand in the retail market is expected to remain weak for several months. The centralisation of support functions to Brisbane is almost complete and the retail operational related improvements introduced in recent months are having a favourable impact on the cost structure of the Next Byte business.

Given the reduction in revenue, we have implemented a number of cost reduction initiatives across the business aimed at reducing expenditure and personnel costs, particularly in support areas. These initiatives will help to offset the impact of the weaker top line result.

VITA GROUP LIMITED – HALF-YEAR REPORT

Directors' Report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

An impairment review of the carrying value of the Group's goodwill and intangible assets undertaken in accordance with AASB 136 *Impairment of Assets* indicates that no additional impairment charge is required in relation to any of the group's assets.

Cash Flow

Net cash flow from operating activities for the half year ended 31 December 2007 was abnormally high due to \$15.1m in December 07 trade creditors being paid in early January 08.

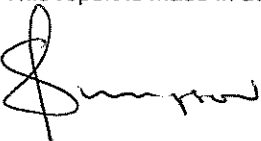
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.



R A Simpson
Chairman



D L McMahon
Director

Brisbane,
Date: 27 February 2009

PricewaterhouseCoopers
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Auditor's Independence Declaration

As lead auditor for the review of Vita Group Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Vita Group Limited during the period

Robert Baker

Robert Baker
Partner
PricewaterhouseCoopers

Brisbane
27 February 2009

VITA GROUP LIMITED – HALF-YEAR REPORT

Consolidated Income Statement FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Notes	2008 \$'000	2007 \$'000
Continuing operations			
Sale of goods		126,636	123,836
Fee revenue		13,154	13,235
Commission revenue		10,820	11,431
Finance revenue	3	280	367
Revenue		150,890	148,869
Cost of sales		(96,919)	(93,673)
Gross profit		53,971	55,196
Other income	3	2,281	2,211
Employment expenses	3	(32,385)	(28,473)
Marketing and advertising expenses		(2,643)	(2,282)
Operating lease rental expense		(7,468)	(7,731)
Depreciation and amortisation expenses	3	(2,532)	(2,748)
Other expenses	3	(5,537)	(6,399)
Finance costs	3	(1,000)	(867)
Profit from continuing operations before income tax		4,687	8,907
Income tax expense		(1,033)	(2,657)
Net profit for the half-year		3,654	6,250
Earnings per share for profit from continuing operations attributable to the original equity holders of the company		Cents	Cents
- basic earnings per share		2.59	4.60
- diluted earnings per share		2.58	4.58

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

VITA GROUP LIMITED – HALF-YEAR REPORT

Consolidated Balance Sheet

AS AT 31 DECEMBER 2008

	Notes	31 December 2008 \$'000	30 June 2008 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		10,905	9,908
Trade and other receivables		20,213	14,345
Inventories		16,143	11,882
Prepayments		652	1,537
Income tax receivable		475	3,985
Total Current Assets		48,388	41,657
Non-current Assets			
Term deposits		249	249
Deferred tax asset		2,986	3,125
Plant and equipment		13,165	13,394
Intangible assets and goodwill		54,513	54,773
Total Non-current Assets		70,913	71,541
TOTAL ASSETS		119,301	113,198
LIABILITIES			
Current Liabilities			
Trade and other payables		41,089	35,381
Interest bearing loans and borrowings		6,556	6,841
Income tax payable		-	-
Provisions		4,880	4,386
Total Current Liabilities		52,525	46,608
Non-current Liabilities			
Trade and other payables		942	801
Interest bearing loans and borrowings		20,572	22,958
Provisions		3,356	3,166
Total Non-current Liabilities		24,870	26,925
TOTAL LIABILITIES		77,395	73,533
NET ASSETS		41,906	39,665
EQUITY			
Contributed equity	5	12,844	12,844
Retained earnings		26,391	24,149
Reserve		2,671	2,672
TOTAL EQUITY		41,906	39,665

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

VITA GROUP LIMITED – HALF-YEAR REPORT

Consolidated Statement of Changes in Equity
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Contributed Equity \$'000	Attributable to equity holders of the parent Retained earnings \$'000	Employee equity benefits reserve \$'000	Total equity \$'000
At 1 July 2007	2,885	22,980	2,617	28,482
Profit for the period	-	6,250	-	6,250
Total income/(expense) for the period	-	6,250	-	6,250
Equity Transactions				
Ordinary Shares issued	10,465	-	-	10,465
Dividends paid	-	(3,249)	-	(3,249)
Cost of share based payment	-	-	(63)	(63)
Treasury shares bought from the market	(501)	-	-	(501)
Ordinary shares issued for options exercised	137	-	-	137
At 31 December 2007	12,986	25,981	2,554	41,521
At 1 July 2008	12,844	24,149	2,672	39,665
Profit for the period	-	3,654	-	3,654
Total income/(expense) for the period	-	3,654	-	3,654
Equity Transactions				
Dividends paid	-	(1,412)	-	(1,412)
Cost of share based payment	-	-	(1)	(1)
At 31 December 2008	12,844	26,391	2,671	41,906

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

VITA GROUP LIMITED – HALF-YEAR REPORT

Consolidated Cash Flow Statement FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Notes	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		159,801	168,161
Payments to suppliers and employees (inclusive of goods and services tax)		(151,629)	(129,850)
Interest received		280	367
Finance costs		(1,000)	(867)
Income tax (paid)/refunded		2,618	(3,000)
Net GST remitted		(3,524)	(2,352)
Net cash inflow/(outflow) from operating activities		6,546	32,459
Cash flows from investing activities			
Proceeds from sale of plant and equipment		(2)	-
Purchase of plant and equipment		(885)	(3,031)
Purchase of intangibles		(39)	(479)
Acquisition of subsidiary, net of cash acquired	6	-	(22,284)
Purchase of interest bearing deposits		-	(20)
Net cash inflow/(outflow) from investing activities		(926)	(25,814)
Cash flows from financing activities			
Proceeds from borrowings		-	21,000
Repayment of borrowings		(2,663)	(1,715)
Proceeds on exercise of options		-	137
Payment for ordinary shares on exercise of options		-	(501)
Repayment of finance lease principal		(548)	(865)
Equity dividends paid	4	(1,412)	(3,249)
Net cash flows inflow/(outflow) from financing activities		(4,623)	14,807
Net increase/(decrease) in cash and cash equivalents		997	21,452
Cash and cash equivalents at beginning of the half-year		9,908	5,920
Cash and cash equivalents at end of the half-year		10,905	27,372

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

VITA GROUP LIMITED – HALF-YEAR REPORT

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Vita Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. SEGMENT REPORTING

Primary reporting format – business segments

	Telecomm- unications \$'000	Computing \$'000	Total Operations \$'000
Half year ended 31 December 2008			
Revenue			
Sales of goods	62,803	63,833	126,636
Fee revenue	13,154	-	13,154
Commission revenue	10,820	-	10,820
Finance revenue	1	55	56
Total segment revenue	<u>86,778</u>	<u>63,888</u>	150,666
Unallocated revenue			<u>224</u>
Consolidated revenue			<u>150,890</u>
Result			
Segment result	<u>11,884</u>	917	12,801
Unallocated expenses/income			<u>(8,114)</u>
Profit before income tax			<u>4,687</u>
Half year ended 31 December 2007			
Revenue			
Sales of goods	76,977	46,859	123,836
Fee revenue	13,235	-	13,235
Commission revenue	11,431	-	11,431
Finance revenue	1	93	94
Total segment revenue	<u>101,644</u>	<u>46,952</u>	148,596
Unallocated revenue			<u>273</u>
Consolidated revenue			<u>148,869</u>
Result			
Segment result	<u>13,466</u>	3,152	16,618
Unallocated expenses/income			<u>(7,711)</u>
Profit before income tax			<u>8,907</u>

VITA GROUP LIMITED – HALF-YEAR REPORT

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

3. REVENUE AND EXPENSES

Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

	2008 \$'000	2007 \$'000
(a) Finance revenue		
<i>Breakdown of finance revenue:</i>		
Bank interest	280	367
(b) Other income		
Cooperative marketing revenue	1,982	2,007
Other miscellaneous income	299	204
	2,281	2,211
(c) Finance costs		
Bank loans	825	683
Finance charges under finance leases	147	153
Finance charges under hire purchase contracts	13	31
Other interest	15	-
	1,000	867
(d) Depreciation and amortisation included in the income statement		
Depreciation of plant and equipment	1,745	1,530
Amortisation of plant and equipment	727	828
Amortisation of intangibles	60	390
	2,532	2,748
(e) Employment expense		
Salaries and other employment costs	32,386	28,536
Expense of share-based payments	(1)	(63)
	32,385	28,473
(f) Other expenses		
(Gain)/Loss on disposal of plant and equipment	34	43
Impairment of plant and equipment (*)	(740)	-
Consulting	279	557
Communications	1,050	1,133
Travel	819	610
Bank fees	672	665
Other expenses	3,423	3,391
	5,537	6,399

VITA GROUP LIMITED – HALF-YEAR REPORT

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

3. REVENUE AND EXPENSES (continued)

(*) Impairment review of plant and equipment:

Prior to June 2008 Vita embarked on a store optimisation program within Fone Zone in order to drive an improved profitability in this segment. This program involved reviewing all stores within the Fone Zone portfolio and determining whether to retain each store in its current format, relocate it to a better location, convert the store to a Next Byte store, or close the store. At that time a number of stores expected to be affected by this process were identified and appropriate impairment provisions raised in the June 2008 accounts.

This review has continued during the current half year to 31 December 2008. Certain stores previously earmarked for early closure or relocation will now continue to trade and accordingly surplus impairment provisions no longer required have been released. Similarly, previous plans to update branding of existing stores have also been reassessed and a portion of the prior impairment provision released to reflect these revised plans.

The impact in the half year to 31 December 2008 of these adjustments is a credit to the Profit and Loss Account of \$740,000.

4. DIVIDENDS PAID AND PROPOSED

	2008 \$'000	2007 \$'000
Equity dividends on ordinary shares		
Dividends provided for or paid during the half-year:		
Final dividend declared from retained profits at 30 June 2008: 1.0 cents per share (2007: 2.3 cents per share)	1,412	3,249
Approved by the board of directors on 27 February 2009 (not recognised as a liability as at 31 December 2008)		
Dividends on ordinary shares:		
No interim franked dividend for 2009 has been declared (2008: 2.5 cents)	-	3,531

5. CONTRIBUTED EQUITY

	31 December 2008 \$'000	30 June 2008 \$'000
Ordinary shares		
Issued and fully paid	12,844	12,844
	Number of shares	\$'000
Movements in ordinary shares on issue		
At 1 July 2008	141,247,800	12,844
Ordinary shares issued for options exercised	-	-
Treasury shares bought from the market	-	-
At 31 December 2008	141,247,800	12,844

Terms and conditions of contributed equity

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.

VITA GROUP LIMITED – HALF-YEAR REPORT

Notes to the Financial Statements FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

6. BUSINESS COMBINATIONS

Business combinations for the comparative period ending 31 December 2007 included the following:

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 \$3,152,424 to the net profit before tax of the Group for the six months ending 31 December 2007.

If the combination had taken place at the beginning of the half year, the profit before tax for the Group would have been \$9,260,783 and revenue from continuing operations would have been \$167,058,113 for the half-year ended 31 December 2007.

VITA GROUP LIMITED – HALF-YEAR REPORT

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

6. 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 \$27,177 to the net profit before tax of the Group for the six months ending 31 December 2007.

If the combination had taken place at the beginning of the half year, the profit before tax for the Group would have been \$8,916,610 and revenue from continuing operations would have been \$149,179,248 for the half-year ended 31 December 2007.

VITA GROUP LIMITED – HALF-YEAR REPORT

Notes to the Financial Statements FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

6. 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 \$42,643 to the net profit before tax of the Group for the six months ending 31 December 2007.

If the combination had taken place at the beginning of the half year, the profit before tax for the Group would have been \$8,966,139 and revenue from continuing operations would have been \$150,928,415 for the half-year ended 31 December 2007.

VITA GROUP LIMITED – HALF-YEAR REPORT

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

6. 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 \$5,275 to the net profit before tax of the Group for the six months ending 31 December 2007.

If the combination had taken place at the beginning of the half year, the profit before tax for the Group would have been \$9,042,601 and revenue from continuing operations would have been \$152,703,513 for the half-year ended 31 December 2007.

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 for the half-year ended 31 December 2007 would have been \$9,465,508 and revenue from continuing operations would have been \$173,257,750.

VITA GROUP LIMITED – HALF-YEAR REPORT

Notes to the Financial Statements FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

7. REVIEW OF GOODWILL IMPAIRMENT

An impairment review of the carrying value of the Group's goodwill and intangible assets undertaken in accordance with AASB 136 *Impairment of Assets* indicates that no additional impairment charge is required in relation to any of these assets.

The impairment review comprised a comparison of the carrying value of the Group's cash generating units (which are aligned to the reporting segments), with their respective values in use, calculated using a discounted cash flow methodology. The relevant cash flow projections, as approved by management, covered a period of five years and the assumptions used in the review are as follows:

	Telecommunications	Computing
Pre tax discount rate	14.2%	14.2%
Growth rates Year 1		
Sales	0%	0%
Operating Costs	3.7%*	3.7%
Growth rates Years 2 to 5		
Sales	5%	8%
Operating Costs	3.7%	3.7%
Terminal Value Year 5 (as a multiplier of estimated cashflows in year 5)	3 times	3 times

Gross margin was assessed as steady in the telecommunications segment over the five year review period whilst the computing segment included growth of 6% associated with initiatives instigated prior to 31 December 2008.

* Employment costs in Year 1 in the telecommunications segment are expected to decrease by 5% due to initiatives instigated prior to 31 December 2008.

8. CONTINGENCIES

There are no contingent assets or liabilities as at the reporting date.

9. EVENTS OCCURRING AFTER BALANCE SHEET DATE

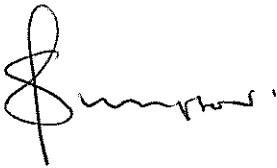
There have been no other matters or circumstances not otherwise dealt with in this report, that will significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 17 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Vita Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



R A Simpson
Chairman



D L McMahon
Director

Brisbane,
Date: 27 February 2009

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vita Group Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Vita Group Limited (the consolidated entity). The consolidated entity comprises both Vita Group Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Vita Group Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 31 December 2008 included 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 review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. 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 reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vita Group Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Robert Baker

Robert Baker
Partner

Brisbane
27 February 2009