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VIVA
LEISURE

VIVA LEISURE LIMITED

ABN 76 607 079 792

**Consolidated Financial Statements
for the Year ended 30 June 2023**

Contents

Directors' Report	3
Directors	3
Principal Activities.....	5
Review of Operations and Financial Results	5
Significant Changes in the State of Affairs	5
Events Subsequent to the End of the Reporting Period.....	6
Likely Developments and Expected Results of Operations	6
Risk Statement	6
Directors' meetings	8
Unissued shares under option	8
Shares issued during or since the end of the year as a result of exercise of Options	8
Environmental Legislation	8
Dividends	9
Indemnities given to, and Insurance Premiums paid for Auditors and Officers	9
Proceedings on Behalf of the Consolidated Group	10
Auditor's Independence Declaration	10
Remuneration Report (audited)	11
1.0 Introduction	12
2.0 Remuneration governance	13
3.0 Non-executive director (NED) remuneration.....	15
4.0 Executive remuneration	17
5.0 KMP equity interests (unaudited).....	26
6.0 Employment Agreements (audited)	27
Auditor's Independence Declaration	28
Corporate Governance Statement	29
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2023	30
Consolidated Statement of Financial Position as at 30 June 2023	31
Consolidated Statement of Changes in Equity for the Year Ended 30 June 2023	32
Consolidated Statement of Cash Flows for the Year Ended 30 June 2023	33
Note 1 Nature of Operations	34
Note 2 General Information and Statement of Compliance	34
Note 3 Summary of Accounting Policies.....	34
Note 4 Revenue and Other Income	47

Note 5	Profit / (Loss) for the Year.....	47
Note 6	Finance costs and Finance Income	48
Note 7	Segment reporting	48
Note 8	Income tax expense	48
Note 9	Cash and Cash Equivalents	49
Note 10	Trade and Other Receivables	49
Note 11	Inventories	50
Note 12	Other Assets.....	50
Note 13	Borrowings	50
Note 14	Property, Plant and Equipment.....	51
Note 15	Intangibles	52
Note 16	Tax.....	54
Note 17	Trade and Other Payables	55
Note 18	Contract Liabilities	55
Note 19	Leases	56
Note 20	Employee Remuneration.....	58
Note 21	Provisions	61
Note 22	Equity.....	62
Note 23	Reserves	63
Note 24	Earnings per Share and Dividends	63
Note 25	Reconciliation of Cash Flows	64
Note 26	Auditor Remuneration	64
Note 27	Related Party Transactions	65
Note 28	Contingent Liabilities.....	66
Note 29	Business Combinations	66
Note 30	Interests in Subsidiaries	67
Note 31	Capital Commitments	68
Note 32	Financial Instrument Risk	68
Note 33	Fair Value Measurement.....	70
Note 34	Parent Entity Information	70
Note 35	Events After the Reporting Period	71
Note 36	Company Information	71
	Viva Leisure Group Directors' Declaration	72
	Independent Auditors Report	73
	Additional Information for Listed Companies.....	79

Directors' Report

The Directors of Viva Leisure Limited present their report together with the financial statements of the consolidated entity, being Viva Leisure Limited and its controlled entities (the Group) for the financial year ended 30 June 2023.

Directors

The following persons were Directors of Viva Leisure Limited during or since the end of the financial year:

Harry Konstantinou	
	Managing Director and Chief Executive Officer Appointed 15 July 2015
Qualifications	BA, (University of Canberra), Member of Australian Institute of Company Directors
Experience	Company co-founder and Director since 2004. Harry has over 25 years of experience developing, managing and selling technology services business.
Other Current Directorships	None
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	23,418,601 ordinary shares and options to acquire a further 1,348,934 ordinary shares
Rhys Holleran	
	Independent Chair (appointed 20 April 2022) Independent Non-Executive Director Member of the Audit and Risk Committee Member of the People and Culture Committee Appointed 30 September 2020
Qualifications	Bachelor of Economics, Member of Certified Practising Accountants Australia
Experience	Appointed Board and Committee member on 30 September 2020. Rhys has 30 years of executive management expertise ranging from micro-cap to ASX 200 companies in the media sector including as Chief Executive of two public listed companies - RG Capital Radio Limited (ASX:REG) and Macquarie Media Group (ASX:MMG, now ASX:SXL)
Other Current Directorships	None
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	30,000 ordinary shares

Directors' Report

Louise Bolger	
	Independent Non-Executive Director (appointed 5 July 2021) Chair of the People and Culture Committee Member of the Audit and Risk Committee (appointed 25 October 2022)
Qualifications	Bachelor of Laws (Hons), Bachelor of Arts, Bachelor of Education
Experience	Louise is an experienced telecommunications, media and technology lawyer and company secretary having held Director, General Counsel and Company Secretary roles with various ASX listed companies. Her experience as a non-executive director extends to listed and not-for-profit organisations.
Other Current Directorships	None
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	14,000 ordinary shares

Andrew Burns	
	Independent Non-Executive Director (appointed 20 April 2022) Chair of Audit and Risk Committee Member of People and Culture Committee
Qualifications	Bachelor of Commerce, Executive Masters of Business Administration, Member of Chartered Accountants Australia and New Zealand, Member of the Australian Institute of Company Directors
Experience	Andrew has over 25 years' experience in senior leadership roles and has significant ASX experience. He led the listing process as a consulting CFO for Racing and Sports Limited (ASX:RTH) and Openpay Ltd (ASX:OPY), in 2021, and 2019 respectively, including multiple subsequent capital raises. Andrew was employed the CFO for The Citadel Group Limited (ASX:CGL) for 11 years until 2018, prior to specializing as a Governance and risk Management consultant. Andrew has strong technical competencies in financial management, accounting, risk management and process improvement techniques with a focus in B2B technology and businesses.
Other Current Directorships	None
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	67,686 ordinary shares

Directors' Report

Kym Gallagher	
	Company Secretary and Chief Financial Officer Appointed Company Secretary on 12 October 2018.
Qualifications	Bachelor of Economics, Member of Chartered Accountants Australia and New Zealand
Experience	Kym has considerable experience as the CFO and other senior management roles of numerous ASX listed companies, commencing with RG Capital Radio (ASX:REG) in 2000, followed by Macquarie Media Group (ASX:MMG) in 2005 and Southern Cross Media (ASX:SXL) in 2010
Other Current Directorships	None
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	175,000 ordinary shares and options to acquire a further 401,905 ordinary shares

Principal Activities

The principal activities of the consolidated group during the financial year were the operation of health club services. No significant change in the nature of these activities occurred during the year.

Review of Operations and Financial Results

Financial highlights for the year:

- Total revenues were \$141,182,224 compared with \$90,831,726 in the financial year ended 30 June 2022;
- Profit before income tax was \$5,056,794, compared to a loss of (\$17,140,726) in the financial year ended 30 June 2022;
- Net profit after tax (NPAT) from continuing operations and attributable to members was \$3,403,535 compared with a financial year ended 30 June 2022 loss of (\$12,141,191).
- Cash and cash equivalent reserves is \$6,828,484, down from \$10,069,569 in the financial year ended 30 June 2022; and
- There was an increase in net assets to \$90,019,734 compared to \$85,809,917 in the financial year ended 30 June 2022.

Operational highlights for the financial year:

- An increase in operating locations/clubs from 151 to 171;
- Corporate member numbers increasing from 159,546 at June 2022 to 181,950 at 30 June 2023;

Significant Changes in the State of Affairs

During the year, the following significant changes occurred within the Group:

- Completed eleven separate acquisitions comprising:
 - Six Plus Fitness sites in Lakelands, Hocking, Byford, Banksia Grove, Ellenbrook in WA and Drummoyne in NSW;
 - The assets of Healthworks in Sunnybank, Qld
 - The assets of Rebalance, Carina, Qld

Directors' Report

- The assets of Stryve, Thomastown, Vic
 - The assets of Vibe, Blacktown, NSW
 - The assets of Powerhouse, Sunbury, Vic
- Opened the following greenfield sites:
- Rebalance in Tuggeranong, ACT (converted from a Studio by Club Lime)
 - GroundUp in Gungahlin, ACT
 - Plus Fitness in Glebe, NSW
 - Club Lime in Bendigo, Vic; Gladesville NSW, Dickson, ACT, and Robina, Qld
 - Club lime and Hiit Republic in Springfield, Qld

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the consolidated group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated group.

Risk Statement

The Group is committed to the effective management of risk to reduce uncertainty in business outcomes and to protect and enhance shareholder value.

There are a number of risks that could have a material financial impact on the Group; these risks and their mitigation strategies are outlined below:

Regulatory risk

If there is a change in any applicable industry regulations, franchising laws or temporary changes legislation, the Group may be affected through additional compliance costs or the inability to provide certain services. This could result in the loss of revenue and customers through lower utilisation and site shutdowns, which may adversely affect the Company's financial position and performance.

Mitigation Strategies

- Ensure that the Company is up to date with current regulatory matters and decisions.
- Continuous business development and member growth to increase member numbers and utilisation rates.

Protection of intellectual property

The Group maintains many intellectual property assets and risks associated with our IP include the risk that employees or other third parties will breach confidentiality agreements, infringe, or misappropriate the Company's intellectual property or commercially sensitive information.

Mitigation Strategies

- Ensure that contractual agreements with employees and third parties include appropriate IP protections, including indemnity clauses.
- Administration access limited to select employees.

Disruption risks

Disruption risks for the Group include service outages, inability to handle unanticipated levels of demand during peak times or events, computer viruses, misuse by employees or contractors, or external or malicious interventions, such as hacking. Any disruption or failure of the Groups technology or systems may adversely affect the Company's operations, achievement of objectives and ultimately, its financial position.

Mitigation Strategies

- Ensure suppliers providing technology services to the Company are reputable and have robust mitigation strategies to manage any issues effectively.
- Continuous monitoring of traffic site, regular server testing and upgrading to handle increasing traffic.
- Redundancies and data backup for all key technology systems.
- 24-hour technology coverage of the website and technology assets to ensure issues are dealt with promptly.

Privacy breaches

Cyber-security incidents may compromise, or breach technology and service platforms used by the Company as part of its ongoing business and result in disclosure of personal or confidential information about the Company, its customers, employees or third parties in breach of *Privacy Act 1988* (Cth) (Privacy Act) and the Australian Privacy Principles (APPs). This could result in loss of data integrity, reputational damage to the Company, claims from affected parties, loss of customers, increased regulatory scrutiny or regulatory action.

Mitigation Strategies

- Application of Privacy Principles to the management of personal data.
- Appropriate security regarding use of, and access to, personal data in accordance with the Privacy Act.
- IT security measures such as firewalls, alerts for unauthorised access and encryption of data when it is being transmitted.

Domestic and Global Economic Conditions

The Group is subject to risk related to the volatility of domestic and global economic, political, and social conditions. The uncertainties and recent downturn of the global economy and other macroeconomic factors, interest rate rises and a high inflation environment, wars, geo-political instability, supply chain interruptions, could adversely affect our business.

Domestic Economic Conditions:

Domestic economic conditions including further interest rate rises, inflation and increases in the cost of living may have an impact on the Group through pressure to increase wages and lead to reduced members of clubs.

Global Economic Conditions:

Global economic conditions may have an impact on the Group through the sourcing of equipment and consumables in support of the current and future operations. The impact to the group may be through increased prices and disruptions to supply chain.

Mitigation Strategies

- Increased domestic global costs may be directly passed on to the customer through periodic price increases.
- Wage growth is actively managed using appropriate application of the Fair Work Act and a proactive talent acquisition capability.
- Global supply chain risks are mitigated through advanced planning for new and refurbished sites taking in to account the potential for supply chain disruptions.

Interest Rate Risk

The Group is exposed to interest rate risks as outlined in Note 32. The interest rate risk is limited to the outstanding borrowings with variable interest rates. The groups Equipment Lease Liabilities, which account for approximately 49% of the Group's external debt (excluding AASB16 lease liabilities), have predominantly fixed payments and fixed interest rates so there is no material underlying risk to the financials of the business.

Directors' Report

Mitigation Strategies

- The group continually assess the weighted average cost of debt against the cost of capital to determine the most appropriate use of free cashflow from operations.

Directors' meetings

The number of meetings of the Board (including meetings of Committees of Directors) held during the year and the number of meetings attended by each Director is as follows:

Director's name	Board Meetings		Audit and Risk Committee		People and Culture Committee	
	A	B	A	B	A	B
Harry Konstantinou	12	12	2	4	1	4
Rhys Holleran	12	12	4	4	4	4
Louise Bolger	12	11	2	4	4	4
Andrew Burns	12	12	4	4	4	4

Where:

- column A: is the number of meetings the Director was entitled to attend
- column B: is the number of meetings the Director attended

During the year, there were 10 scheduled Board Meetings. The additional meetings held and attended by Directors were for special matters such as for acquisitions.

Unissued shares under option

Unissued ordinary shares of the Company under option at the date of this report are:

Date options granted	Expiry date	Exercise price of shares (\$)	Number under option
12-Nov-20	16-Oct-25	3.34	1,213,334
28-Oct-21	16-10-24	0.00	412,000
24-Oct-22	31-Aug-25	0.00	613,986
			2,239,320

These options were issued under the LTI Plan (described in Note 20.2 to the financial statements) and have been allotted to individuals on conditions as follows:

- LTI Plan Options: The vesting of those options will be subject to the satisfaction of appropriate service-based conditions and/or performance hurdles determined by the Board. Options issued under the LTI program expire on the earlier of their expiry date or termination of the employee's employment;

Shares issued during or since the end of the year as a result of exercise of Options

There were no issued ordinary shares as a result of the exercise of options during the financial year.

Environmental Legislation

The consolidated group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Dividends

There were no dividends paid or declared since the start of the financial year (2022: nil).

Indemnities given to, and Insurance Premiums paid for Auditors and Officers

Insurance of Officers

During the year, Viva Leisure paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors and Secretaries. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract of insurance.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the consolidated group.

Indemnity of officers

The Company has entered into deeds of access, indemnity and insurance with each Director (Director's Protection Deed) which confirm and extend the Director's statutory and general law rights of access to Board papers and the books and records of the Company and its Subsidiaries. The Director's Protection Deeds provide that the Director be allowed access to and a copy of records in certain circumstances.

In accordance with the Constitution, the Company must indemnify any current and former Directors and officers of the Company and its Subsidiaries against any liability incurred by that person in that capacity, including legal costs. The Director's Protection Deed also requires the Company to indemnify the Director for liability incurred as an officer of the Company and its Subsidiaries, including reasonably incurred legal costs, to the maximum extent permitted by law.

The Constitution also allows the Company to enter into and pay premiums on contracts insuring any liability incurred by any current and former Directors and officers of the Company and its Subsidiaries, which is incurred by them in that capacity, including legal costs.

Accordingly, the Director's Protection Deed requires the Company to maintain, to the extent permitted by law, an insurance policy which insures Directors and officers against liability as a Director or officer of the Company and its Subsidiaries.

Indemnity of auditors

The Group has agreed to indemnify its auditors, Hall Chadwick, to the extent permitted by law, against any claim by a third party arising from the Group's breach of its agreement. The indemnity requires the Group to meet the full amount of any such liabilities including a reasonable amount of legal costs.

Non-audit services

During the year, Hall Chadwick, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

Directors' Report

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Details of the amounts paid to the auditors of the Company, Hall Chadwick, for audit and non-audit services provided during the year are set out in Note 26 to the financial statements. The total paid for non-audit services was \$29,435. This comprised tax and other business services.

Proceedings on Behalf of the Consolidated Group

No person has applied for leave of Court to bring proceedings on behalf of the consolidated group or intervene in any proceedings to which the consolidated group is a party for the purpose of taking responsibility on behalf of the consolidated group for all or any part of those proceedings.

The consolidated group was not a party to any such proceedings during the year.

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 28.

This directors' report including the Remuneration Report on pages 11 to 27 is signed in accordance with a resolution of the Board of Directors:



Director

Harry Konstantinou

Dated this

10th day of August 2023.

Remuneration Report (audited)

FY2023 Remuneration Report

Contents

Section	Title	Description
1.0	Introduction	Describes the scope of the Remuneration Report and the individuals whose remuneration details are disclosed together with a summary of the key changes during the year.
2.0	Remuneration governance	Describes the role of the Board and the Remuneration Committee, and the use of remuneration consultants when making remuneration decisions.
3.0	Non-executive director remuneration	Provides details regarding the fees paid to non-executive directors.
4.0	Executive KMP remuneration	Outlines the principles and strategy applied to executive remuneration decisions and the framework used to deliver rewards including the performance and remuneration linkages.
5.0	KMP equity interests	Provides details regarding shareholdings in Viva Leisure Limited of KMP
6.0	Employment agreements	Provides details regarding the contractual arrangements between Viva Leisure Limited and the executives whose remuneration details are disclosed.

Remuneration Report

1.0 Introduction

Viva Leisure Limited (Viva Leisure or Viva) has a firm belief that attracting, developing, engaging and retaining passionate, capable team members will provide Viva Leisure with a sustainable advantage over the long term. Building and maintaining a culture and implementing people systems to support such a belief and culture are strategic priorities for the Company.

The relevant people strategies include attraction, learning and development, engagement, workplace health and safety, talent and succession management, and remuneration and benefits.

The Board's philosophy and approach to executive Key Management Personnel (KMP) remuneration has been to balance 'fair and reasonable' remuneration for skills and expertise with a risk and reward framework that supports longer-term growth and sustainability of Viva Leisure as an ASX listed company. A comprehensive review of executive remuneration during the financial year ended 30 June 2022 (FY2022) was implemented in FY2023. Key initiatives implemented included:

- Having a meaningful portion of remuneration 'at risk', dependent on meeting pre-determined performance benchmarks, both short (annual) and long term (3 years);
- Establishing appropriate and demanding performance hurdles, including a mix of objective measures and individual based key performance indicators, for both short and long term grants;
- Linking executive 'at risk' remuneration to shareholder value accretion by providing appropriate equity incentives to KMP which are linked to long-term Company performance and core values;
- Inclusion of zero priced options as reward for achievement of long term incentive performance targets

The changes adopted in FY2023 are under regular review. Any further material Board or executive KMP remuneration strategy changes will be advised.

The Board believes, Viva Leisure's approach to Board and executive KMP remuneration is a balanced, fair and equitable approach designed to reward and motivate a successful and experienced Board and executive team to deliver ongoing business growth which is designed meets the expectations of shareholders and other key stakeholders.

The Board will continue to welcome feedback from shareholders on our remuneration practices or on the communication of remuneration matters in the FY2023 Remuneration Report and beyond.

1.1 Scope

This Remuneration Report sets out, in accordance with the relevant Corporations Act 2001 (Corporations Act) and accounting standard requirements, the remuneration arrangements in place for key management personnel (KMP) of Viva Leisure Limited during FY2023.

1.2 Key management personnel

KMP have authority and responsibility for planning, directing and controlling the activities of Viva Leisure and comprise the non-executive directors, and executive KMP (being the executive directors and other senior executives named in this report). Details of the KMP as at year end are set out in the table below:

	Title (at year end)/Committees	Change in FY2023
Non-executive directors		
Rhys Holleran	Chair	No Change. Full Year
	Member, Audit & Risk Management	No Change. Full Year
	Member, People & Culture	No Change. Full Year
Louise Bolger	Director	No Change. Full Year
	Chair, People & Culture	No Change. Full Year
	Member, Audit & Risk Management	Appointed 25 October 2022
Andrew Burns	Director	No Change. Full Year
	Chair, Audit & Risk Management	No Change. Full Year
	Member, People & Culture	No Change. Full Year

Remuneration Report

Executive directors

Harry Konstantinou	Managing Director CEO and Managing Director	No change. Full year. Resigned from People & Culture and Audit & Risk Committees 25 October 2022
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Other executive KMP

Kym Gallagher	Chief Financial Officer	No change. Full year.
Angelo Konstantinou	Chief Technology Officer	No change. Full year
Sean Hodges	Chief Operating Officer	No change. Full year.

2.0 Remuneration governance

This section of the Remuneration Report describes the role of the Board and the Remuneration Committee (People and Culture Committee), and the use of remuneration consultants when making remuneration decisions affecting KMP.

2.1 Role of the Board and the Remuneration Committee

The Board is responsible for Viva Leisure's remuneration strategy and policies. Consistent with this responsibility, the Board has established the People and Culture Committee (P&CC) which comprises solely independent non-executive directors (NEDs).

The role of the P&CC is set out in its Charter, which is reviewed annually and was last revised and approved by the Board in June 2023. In summary, the P&CC's role is to:

- ensure that the appropriate procedures exist to assess the remuneration levels of the Chairman, other NEDs, executive directors, direct reports to the CEO, Board Committees and the Board as a whole;
- ensure that Viva Leisure meets the requirements of Australian Securities Exchange (ASX) diversity and other relevant Guidelines;
- ensure that Viva Leisure adopts, monitors and applies appropriate remuneration policies and procedures;
- ensure that reporting disclosures related to remuneration meet the Board's disclosure objectives and all relevant legal requirements;
- develop, maintain and monitor appropriate talent management programs including succession planning, recruitment, development; and retention and termination policies and procedures for senior management; and
- develop, maintain and monitor appropriate superannuation arrangements for Viva Leisure.

The P&CC's role and interaction with Board, internal and external advisors, are further illustrated below:

The Board

Reviews, applies judgment and, as appropriate, approves the P&CC's recommendations.

The People & Culture Committee ("P&CC")

The P&CC operates under the delegated authority of the Board.

The P&CC is empowered to source any internal resources and obtain external independent professional advice it considers necessary to enable it to make recommendations to the Board on the following:

Remuneration policy, composition and quantum of remuneration components for executive KMP, and performance targets

Remuneration policy in respect of NEDs

Talent management policies and practices including superannuation arrangements

Design features of executive KMP short term incentive (STI) and long term incentive (LTI) awards, including setting of performance and other vesting criteria

External consultants

Internal resources

Remuneration Report

Further information on the P&CC's role, responsibilities and membership is contained in the Corporate Governance Report of its Annual Report. The P&CC terms of reference can also be viewed in the Investor Centre, Corporate Governance section of the Viva Leisure website.

2.2 Use of remuneration consultants

All proposed remuneration consultancy contracts (within the meaning of section 206K of the Corporations Act) are subject to prior approval by the Board or the P&CC in accordance with the Corporations Act.

The Company did not enter into any remuneration consultancy contracts in FY23 within the meaning of section 206K of the Corporations Act, however did so in FY22, the detail of which is included in the Company's FY22 Annual Report.

3.0 Non-executive director (NED) remuneration

3.1 NED remuneration

Principle	Comment
Fees are set by reference to key considerations	Fees for NEDs are based on the nature of the NEDs' work and their responsibilities. The remuneration rates reflect the complexity of Viva Leisure's business and the extent of the number of geographical locations in which Viva Leisure operates. In determining the level of fees, survey data on comparable companies is considered. NEDs' fees are recommended by the P&CC and determined by the Board. Shareholders approve the aggregate amount available for the remuneration of NEDs.
Remuneration is structured to preserve independence whilst creating alignment (See also section 3.4)	To preserve independence and impartiality, NEDs are not entitled to any form of incentive payments including options and the level of their fees is not set with reference to any measure of Viva Leisure performance.
Aggregate Board and committee fees are approved by shareholders	The total amount of fees paid to NEDs in FY2023 is within the aggregate amount approved by shareholders in the Prospectus dated 14 May 2019 of \$500,000 per annum. No increase in the total fee pool is proposed this year.

3.2 NED fees and other benefits explained

Elements	Details		
Board/ committee fees per annum - FY2023	Board Chairman fee	\$160,000	
	Board NED base fee	\$80,000	
	Committee fees	Committee Chair	Committee member
	Audit	\$15,000	\$10,000
	People & Culture	\$15,000	\$10,000
Post-employment benefits			
Superannuation	Superannuation contributions have been made at a rate of 10.5% of the base fee (but only up to the Australian Government's prescribed maximum contributions limit) which satisfies the Company's statutory superannuation contributions. The contribution rate will increase in future years in line with mandated legislative increases. Contributions are included in the base fee.		
Retirement schemes	There are no retirement schemes in place for NED other than Statutory Superannuation.		
Other benefits			
Equity instruments	NEDs do not receive any performance related remuneration, options, performance rights or shares.		
Other fees/benefits	NEDs receive reimbursement for costs directly related to Viva Leisure business. No payments were made to NEDs during FY2023 for travel allowances, extra services or special exertions.		

Remuneration Report

3.3 NED total remuneration paid

Amounts \$	Short-term benefits		Post-employment benefits		Total
	Year	Fees	Termination benefits (if any)	Superannuation	
Rhys Holleran (Chair)*	FY2023	156,544	-	16,437	172,981
	FY2022	79,580	-	5,035	84,615
Louise Bolger^	FY2023	101,647	-	-	101,647
	FY2022	83,740	-	-	83,740
Andrew Burns#	FY2023	109,167	-	-	109,167
	FY2022	15,833	-	-	15,833
Bruce Glanville%	FY2022	107,826		10,595	118,421
Total	FY2023	367,358	-	16,437	383,795
	FY2022	286,979	-	15,630	302,609

*Appointed Chair 7 April 2022

^Appointed 5 July 2022

#Appointed 20 April 2022

%Ceased 7 April 2022, remuneration shown is until date of cessation

3.4 Minimum shareholding guidelines

No minimum shareholding requirements are in place.

4.0 Executive remuneration

4.1 Executive KMP remuneration

Viva Leisure's executive remuneration policies are designed to attract, motivate and retain a qualified and experienced group of executives with complimentary skills. Fixed remuneration components are determined having regard to the specific skills and competencies of the executive KMP with reference to both internal and external relativities, particularly local market and industry conditions. The 'at risk' components of remuneration are strategically directed to encourage management to strive for superior (risk balanced) performance by rewarding the achievement of targets that are challenging, clearly defined, understood and communicated within the ambit of accountability of the relevant executive KMP.

Executive KMP remuneration objectives are determined as follows:

Executive KMP remuneration objectives			
Attract, motivate and retain executive talent across diverse geographies	The creation of reward differentiation to drive performance values and behaviours.	An appropriate balance of 'fixed' and 'at risk' components	Shareholder value creation through equity components
Total target annual remuneration (TTAR) is set by reference to the relevant position and market			
Fixed	At risk		
Fixed Annual Remuneration (FAR)	Short-term incentives (STI)	Long-term incentives (LTI)	
FAR is set based on relevant market relativities, reflecting responsibilities, performance, qualifications, experience and location	STI performance criteria are set by reference to Viva Leisure earnings and selected other performance targets relevant to Viva Leisure or the position	LTI targets are linked to performance conditions aligned to ensure improved Viva Leisure share performance	
Remuneration will be delivered as:			
Base salary plus any fixed elements related to local markets, including superannuation or equivalents.	Short term incentive remuneration is based on cash payments.	Equity in performance rights. All equity is held subject to service and performance for 3 years from grant date. The equity is at risk until vesting. Performance is tested once at the vesting date.	
FAR will generally be positioned considering expertise and performance in the role.	Performance incentive is directed to achieving Board approved targets, reflective of market circumstances.	LTI is intended to reward executive KMP for sustainable long-term growth aligned to shareholders' interests. comparisons.	

Remuneration Report

4.2 Remuneration composition mix and timing of receipt

4.2.1 Current remuneration mix and amendments for FY2024

Viva Leisure provides an appropriate and competitive mix of remuneration components balanced between fixed and at risk and paid in both cash and deferred equity. The broad remuneration composition mix for executive KMP can be illustrated as follows:

Remuneration mix FY2023

The remuneration mix for the CEO/Managing Director and other executive KMP in FY2023 consisted of FAR, STI and LTI. This resulted in the following remuneration mix:

Position	FAR	STI	LTI
CEO	50.0%	Up to 20.0% (of TTAR)	Up to 30.0% (of TTAR)
Executive KMP	64.5%	Up to 16.1% (of TTAR)	Up to 19.4% (of TTAR)

Remuneration mix FY2024 proposed

The proposed 'new' mix of remuneration for the CEO/Managing Director and executive KMP effective from 1 July 2023, will be as follows:

Position	FAR	STI (at target)	LTI (at target)
CEO	50.0%	Up to 20.0% (of TTAR)	Up to 30.0% (of TTAR)
Executive KMP	63.5%	Up to 17.5% (of TTAR)	Up to 19.0% (of TTAR)

Fixed Annual Remuneration (FAR)

The aim of Viva Leisure is to position all executives at between the median and 75th percentile compared to relevant market based data considering the expertise and performance in the role.

A description of the short-term and long-term incentive schemes, including any proposed changes are set out in sections 4.4.1 and 4.4.2 below.

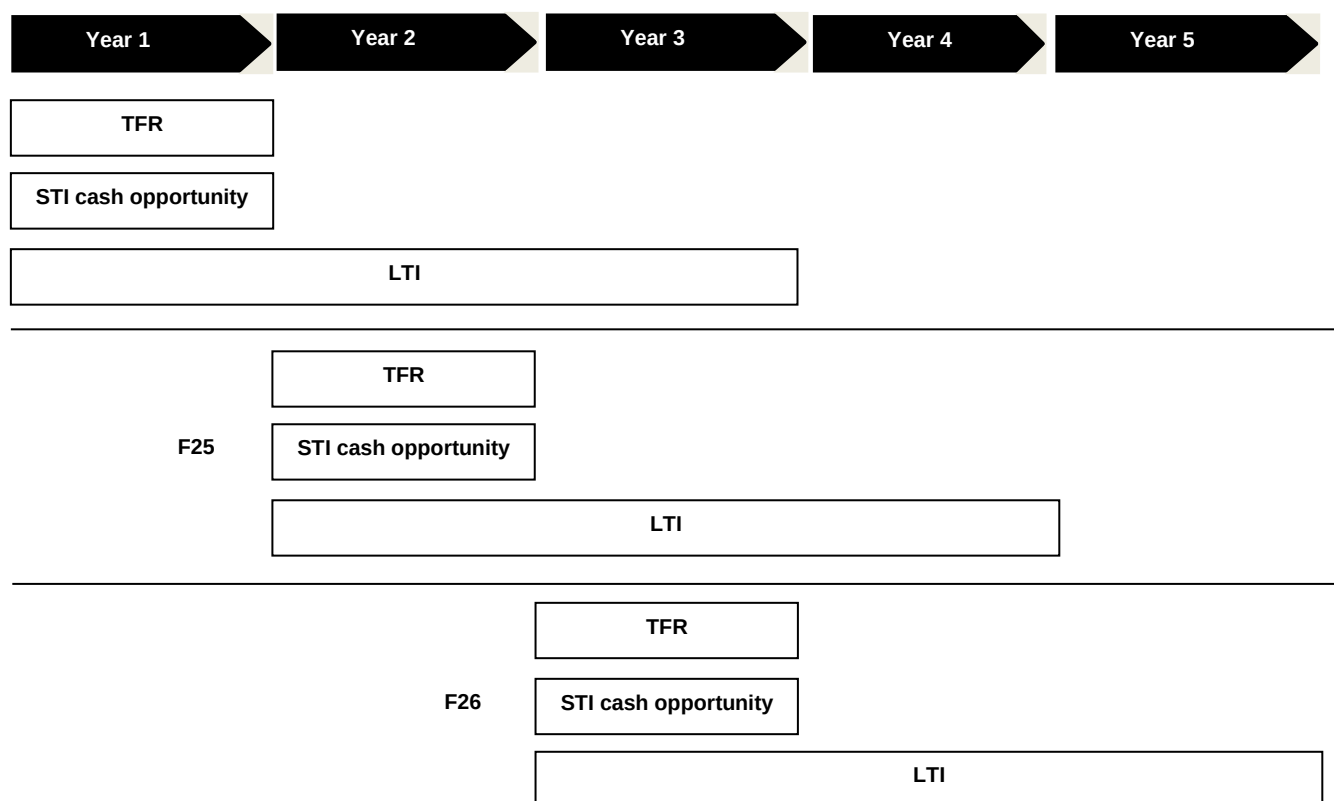
Total Target Annual Remuneration (TTAR)

TTAR under the remuneration mix adopted will, in the opinion of the Board, deliver an overall risk adjusted reward opportunity which is fair and market competitive.

Remuneration Report

4.2.2 Remuneration – timing of receipt of the benefit for FY2024 onwards

The three complementary components of executive KMP remuneration are 'earned' over multiple time ranges. This is illustrated in the following chart:



As illustrated, executive KMP remuneration is delivered on a cascading basis, with a material component deferred for three years and (LTI) awarded as equity. This remuneration mix is designed to ensure executive KMP are focused on delivering results over the short, medium and long term if they are to maximise their remuneration opportunity. The Board believes this approach will align executive KMP remuneration to shareholder interests and expectations.

4.3 Fixed Annual Remuneration explained

Fixed Annual Remuneration (FAR) includes all remuneration and benefits paid to an executive KMP calculated on a total employment cost basis. In addition to base salary, superannuation and other allowances are included.

Executive KMP FAR is tested regularly for market competitiveness by reference to appropriate independent and externally sourced comparable benchmark information, including for comparable ASX listed companies, and based on a range of size criteria including market capitalisation, taking into account an executive's responsibilities, performance, qualifications, experience and location.

FAR adjustments, if any, are made with reference to individual performance, an increase in job role or responsibility, changing market circumstances as reflected through independent benchmark assessments or through promotion.

Any adjustments to executive KMP remuneration are approved by the Board, based on P&CC and CEO/Managing Director recommendations.

4.4 Variable (at risk) remuneration explained

As set out in section 4.2, variable remuneration is intended to form a significant portion of the CEO/Managing Director and other executive KMP remuneration opportunity. Apart from being market competitive, the purpose of variable remuneration is to direct executives' behaviours towards maximising Viva Leisure's short, medium and long-term performance.

Remuneration Report

The key aspects are summarised below:

4.4.1 Short-term incentives (STI)

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Table 1 - Executive KMP STI opportunity and actual FY2023 STI awarded

Executive KMP	Position	Target STI as a % of FY2023 TTAR	STI awarded as a % of TTAR	Actual STI award in FY2023 (\$)	STI forfeited in FY2023 as a % of TTAR
Harry Konstantinou	Chief Executive Officer	20.0%	20.0%	280,000	0%
Kym Gallagher	Chief Financial Officer	16.1%	16.1%	102,500	0%
Sean Hodges	Chief Operating Officer	16.1%	16.1%	80,000	0%
Angelo Konstantinou	Chief Technology Officer	16.1%	16.1%	71,250	0%

Remuneration Report

4.4.2 Long-term incentives (LTI)

The LTI provides an annual opportunity for executive KMP and other selected executives (based on their ability to influence and execute strategy) to receive an equity award deferred for three years, that is intended to align a significant portion of executives' overall remuneration to shareholder value over the longer term. All LTI awards remain at risk and subject to 'clawback' (forfeiture or lapse) until vesting.

Purpose	To align executive KMP remuneration opportunity with shareholder value and provide retention stimulus.		
Types of equity awarded	LTIs are provided under the Viva Leisure Long-Term Incentive Plan. See section 5.1 for further details. Under the Long-Term Incentive Plan, selected senior executives are offered performance rights (being either premium priced or nil exercise price rights to fully paid ordinary shares of Viva Leisure Limited), subject to satisfying the relevant requirements.		
Time of grant	All equity grants will be made after the AGM each year but based on values determined in August.		
Time restrictions	Equity grants awarded to the CEO/Managing Director and other executive KMP are tested against the performance hurdles set, at the end of three years. If the performance hurdles are not met at the vesting date, performance rights lapse.		
Performance hurdles and vesting schedule	Equity grants to the CEO and other executive KMP are subject to performance conditions, as follows:		
	LTIs (Granted 12 November 2020)	Tranche 1 (50% of Options – based on EPS CAGR)	Tranche 2 (50% of Options – based on TSR CAGR)
	CAGR over the three Financial Years Ending 30 June 2023	Percentage of Options that Vest	Percentage of Options that Vest
	Less than 10% (minimum Target)	0%	0%
	10% to 15% (within target range)	50% - 100% (on a straight-line basis)	0%
	Greater than 15% (above maximum target)	100%	100%
	LTIs (Granted 28 October 2021)	Tranche 1 (50% of Options – based on EPS CAGR)	Tranche 2 (50% of Options – based on TSR CAGR)
	CAGR over the three Financial Years Ending 30 June 2024	Percentage of Options that Vest	Percentage of Options that Vest
	Less than 10% (minimum Target)	0%	0%
	10% to 15% (within target range)	50% - 100% (on a straight-line basis)	0%
	Greater than 15% (above maximum target)	100%	0%
	Greater than 20%	-	100%

Remuneration Report

LTIs (Granted 24 October 2022)	Tranche 1 (50% of Options – based on EPS CAGR)	Tranche 2 (50% of Options – based on TSR CAGR)
CAGR over the three Financial Years Ending 30 June 2025	Percentage of Options that Vest	Percentage of Options that Vest
Less than 10% (minimum Target)	0%	0%
10% to 15% (within target range for Tranche 1)	50% - 100% (on a straight-line basis)	0%
15% to 20% (within target range for Tranche 2)	100%	50% - 100% (on a straight-line basis)
Greater than 20% (above maximum target)	-	100%

- For the purposes of the above performance hurdles, EPS means the Basic Earnings per Share calculated by reference to the Company's audited financial statements and excluding the impacts of AASB16.
- For the purposes of the above performance hurdles:
 - for the options granted on 12 November 2020, TSR means Total Shareholder Return and will be measured using the VVA 20-day Volume Weighted Average Market Price (VWAP) for the twenty (20) trading days commencing from the announcement of results for the financial year ended 30 June 2020 (TSR measure start date) to the same 20 trading period VWAP post the date of announcement of results for the year ended 30 June 2023 (TSR measure end date);
 - for the options granted on 28 October 2021, TSR means Total Shareholder Return and will be measured using the VVA 15-day Volume Weighted Average Market Price (VWAP) for the fifteen (15) trading days commencing from the announcement of results for the financial year ended 30 June 2021 (TSR measure start date) to the same 15 trading period VWAP post the date of announcement of results for the year ended 30 June 2024 (TSR measure end date);
 - for the options granted on 24 October 2022, TSR means Total Shareholder Return and will be measured using the VVA 15-day Volume Weighted Average Market Price (VWAP) for the fifteen (15) trading days commencing from the 1 July 2022 (TSR measure start date) to the same 15 trading period VWAP from 1 July 2025 (TSR measure end date).
- The Basic EPS may be adjusted for items which the Board, in its discretion, considers should be excluded from the EPS result (such as items of a one-off and non-recurring nature).
- The performance hurdles will be tested only once the vesting condition has been met by the grantee senior executive and following the Company's audited accounts being finalised for each respective financial year end.

Performance rights vest if the time restrictions and relevant performance hurdles are met. The Board must approve any special provisions, in accordance with Company policies, in the event of termination of employment or a change of control.

Dividends	No dividends are attached to options or performance rights.
Voting rights	There are no voting rights attached to options or performance rights.
Retesting	There is no retesting of performance hurdles under Viva Leisure LTI.
LTI allocation	The size of individual LTI grants for the CEO/Managing Director and other executive KMP is determined in accordance with the Board approved remuneration strategy mix. See section 4.2. The allocation methodology for performance rights is to determine the target LTI dollar value for each executive and divide it by face value determined by a 15-day VWAP after the release of the annual financial statements.

Remuneration Report

4.5 Other remuneration elements and disclosures relevant to executive KMP

4.5.1 Malus and Clawback

The "Malus and Clawback" provision empowers the Board to take action in specific situations where participants in the company's Plan have engaged in fraudulent, dishonest, or negligent behaviour, breached their duties, brought disrepute to the company, or been convicted of an offense related to the company's affairs. Additionally, the provision can be applied if a participant benefits from a financial misstatement circumstance or if the company is required or entitled by law or policy to reclaim remuneration or restrict the participant's Options and/or Performance Rights.

Under the provision, the Board can make several determinations. They have the authority to forfeit or impose conditions on shares acquired by the participant under the Plan, as well as lapse or impose conditions on unvested or unexercised Options and/or Performance Rights. They can also adjust the number of shares over which the Options and/or Performance Rights are exercisable.

Furthermore, the Board can require the participant to repay the value of Options and/or Performance Rights received, the net proceeds from the sale of shares acquired under the Plan, or any dividends received. They may also adjust the participant's fixed remuneration, incentives, or participation in the Plan for the current or future years if it is necessary to prevent unfair benefit to the participant.

4.5.2 Hedging and margin lending prohibition

Under the Viva Leisure Securities Trading Policy and in accordance with the Corporations Act, equity granted under Viva Leisure equity incentive schemes must remain at risk until vested, or until exercised if performance rights. It is a specific condition of grant that no schemes are entered into, by an individual or their associates that specifically protect the unvested value of performance rights allocated.

Viva Leisure also prohibits the CEO/Managing Director or other 'Designated Persons' (including executive KMP) providing Viva Leisure securities in connection with any margin loan or similar financing arrangement unless that person has received a specific notice of no objection in compliance with the policy from the Board.

Viva Leisure, in line with good corporate governance, has a formal policy setting down how and when employees of Viva Leisure may deal in Viva Leisure securities.

Viva Leisure's Securities Trading Policy is available on the Viva Leisure website under Investor Centre, Corporate Governance.

4.5.3 Cessation of employment provisions

The provisions that apply for STI and LTI awards in the case of cessation of employment are detailed in section 6.

4.5.4 Conditions of LTI grants

The conditions under which LTI (performance rights) are granted and are approved by the Board in accordance with the relevant scheme rules, are as summarised in section 5.

4.5.5 Minimum shareholding guidelines

The Company has no minimum shareholding guidelines.

Remuneration Report

4.6 Relationship between Viva Leisure performance and executive KMP remuneration

The performance of the Group and remuneration paid to KMP over the last four years is summarised in the table below.

	FY2020	FY2021	FY2022	FY2023
Sales revenue (\$million)	40.89	83.72	90.83	141.18
Normalised NPAT (\$million)	(9.34)	(6.38)	(12.14)	3.40
Normalised EPS (cents)	(10.9)	(8.2)	(13.8)	3.8
Total dividend per share (cents)	-	-	-	-
Share price as at 30 June (\$)	\$2.62	\$1.64	\$1.16	\$1.27
CEO Total Annual Remuneration (\$)	558,979	522,980	977,909	1,226,251
Executive KMP Remuneration (\$)	868,422	874,011	1,152,224	1,440,385

During the FY2022 period the financial result of the Group was significantly impacted by the Covid-19 pandemic and the government imposed shut downs. As a result, the minimum financial threshold for the FY2022 Short Term Incentive was not met. During the imposed shut down period the executive team led the Covid-19 response by driving multiple initiatives to mitigate the impact of the disruption on the business and to preserve cash and reputation. Since the lifting of regulations, the Viva team has met all of the financial guidelines released to the market. In recognition of the initiatives taken during the Covid-19 shut down period and the achievement of the second half guidance targets the board used its discretion to award the executive team 50% of the available Short Term Incentive.

During the FY2023 period the financial result of the Group exceeded the internally set Board approved financial targets for the Group. In addition, the guidance targets set in October 2022 have been met against a backdrop of continuing interest rate increases and a high inflation environment.

Financial Metric	Actual Results	Guidance
Total Revenue	\$141.2m	\$137m-\$140m
EBITDA	\$29.2m	\$28m-\$30m

The FY2023 results recorded growth in sales revenue of 55.4% and growth in EPS from (-13.8) cents to 3.8 cents per share, and the share price has improved from \$1.16 to \$1.27

Accordingly, the Company believes that the CEO/Managing Director and executive KMP remuneration aligns to company performance.

Remuneration Report

4.7 Executive remuneration table – audited statutory disclosure (accounting cost to Viva Leisure)

Executive Remuneration	Year	Fixed Remuneration				Variable remuneration				Proportion of total remuneration		
		Short-term	Other employee costs		Total	Short-term	Equity Compensation	Total	Total	Performance related	Equity related	Total
Amount \$		Salary	Superannuation benefits	Long service leave		Bonus	Value of options			%	%	
Harry Konstantinou (Chief Executive Officer)	2023	673,941	25,292	42,646	741,879	280,000	204,372	484,372	1,226,251	22.8%	16.7%	39.50%
	2022	626,432	23,568	68,346	718,346	130,000	129,563	259,563	977,909	13.3%	13.2%	26.50%
Kym Gallagher (Chief Financial Officer)	2023	384,247	25,292	3,960	413,499	102,500	60,746	163,246	576,745	17.8%	10.5%	28.30%
	2022	356,432	23,568	8,511	388,511	47,500	38,848	86,348	474,859	10.0%	8.2%	18.20%
Angelo Konstantinou (Chief Technology Officer)	2023	259,383	25,232	15,900	300,515	71,000	42,480	113,480	413,995	17.1%	10.3%	27.41%
	2022	240,432	22,881	10,110	273,423	33,000	27,280	60,280	333,703	9.9%	8.2%	18.10%
Sean Hodges (Chief Operating Officer)	2023	293,846	25,292	17,269	336,407	80,000	32,987	112,987	449,395	17.8%	7.3%	25.10%
	2022	240,432	22,881	7,929	271,242	56,118	16,302	72,420	343,662	16.3%	4.7%	21.00%
Total	2023	1,611,417	101,108	79,775	1,792,300	533,500	340,585	874,085	2,666,386	20.0%	12.8%	32.80%
Total	2022	1,463,728	92,898	94,896	1,651,522	266,618	211,993	478,611	2,130,133	12.5%	10.0%	22.50%

5.0 KMP equity interests

The tables below set out the equity interests held by Non-executive Directors ("NEDs") and executive KMP.

Please refer to sections 4.5.2 (Hedging and margin lending prohibition) and 4.5.5 (Minimum shareholding guidelines).

NEDs	Viva Leisure Limited ordinary shares	Total intrinsic value of Viva Leisure Limited securities as at year end (\$)
Rhys Holleran	30,000	38,100
Louise Bolger	14,000	17,780
Andrew Burns	67,686	86,215
Total NED's	111,686	142,295

Executives	Viva Leisure Limited ordinary shares	Vested options over Viva Leisure Limited ordinary shares^	Total intrinsic value of Viva Leisure Limited securities as at year end (\$)
Executive director			
Harry Konstantinou*	23,418,601	375,000	29,741,623
Other executives			
Kym Gallagher	175,000	113,334	222,250
Sean Hodges	46,667	38,334	59,267
Angelo Konstantinou*	22,220,604	80,000	28,220,167
Total executives	45,860,872	606,668	58,243,307

* SHJA Management Pty Ltd, of which Harry and Angelo Konstantinou are related parties, owns 21,688,434 ordinary shares.

^ options are currently out of the money

6.0 Employment Agreements (audited)

The CEO/Managing Director and other executive KMP operate under employment agreements.

The following sets out details of the employment agreements relating to the CEO/Managing Director and other executive KMP. The terms for the CEO and all other executive KMP are similar but do, on occasion, vary to suit different needs.

Length of contract	The CEO/Managing Director and other executive KMP are on permanent contracts, which is an ongoing employment contract until notice is given by either party.
Notice periods	In order to terminate the employment arrangements, the CEO is required to provide Viva Leisure with six months' written notice. Other executive KMP are required to provide Viva Leisure with between 3 months' and six months' written notice.
Resignation	On resignation, unless the Board determines otherwise: all unvested STI or LTI benefits are forfeited.
Termination on notice by Viva Leisure	Viva Leisure may terminate employment of the CEO by providing six months' written notice. For other executive KMP, the notice period is three months' written notice. The Company may make payment in lieu of the notice period based on TFR. On termination on notice by Viva Leisure, unless the Board determines otherwise: unvested STI or LTI benefits may be exercised or paid within 30 days of notice being given.
Death or total and permanent disability	On death or total and permanent disability, the Board has discretion to allow all unvested STI and LTI benefits to vest.
Termination for serious misconduct	Viva Leisure may immediately terminate employment at any time in the case of serious misconduct, and other executive KMP will only be entitled to payment of TFR up to the date of termination. On termination without notice by Viva Leisure in the event of serious misconduct: - all unvested STI or LTI benefits will be forfeited; and - any ESS instruments provided to the employee on vesting of STI or LTI awards that are held in trust, will be forfeited.
Statutory entitlements	Payment of statutory entitlements of long service leave and annual leave applies in all events of separation.
Post-employment restraints	The CEO is subject to post-employment restraints of up to 12 months. All other executive KMP are subject to post-employment restraints for up to 6 months.

Auditor's Independence Declaration



**VIVA LEISURE LIMITED
ABN 76 607 079 792
AND ITS CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF VIVA LEISURE LIMITED**

In accordance with Section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Viva Leisure Limited. As the lead audit partner for the audit of the financial report of Viva Leisure Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

HALL CHADWICK (NSW)
Level 40, 2 Park Street
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DREW TOWNSEND
Partner
Dated: 10 August 2023

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Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Viva Leisure Ltd and its Controlled Entities (the Group) have adopted the fourth edition of the Corporate Governance Principles and Recommendations.

The Group's Corporate Governance Statement for the financial year ended 30 June 2023 is available on the investor relations website at <https://investors.vivaleisure.com.au>.

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue	4	141,182,224	90,831,726
Rental and outgoings expense		(4,139,990)	(3,055,293)
Employee benefits expense	20	(41,848,994)	(30,552,032)
Bank charges		(1,967,968)	(1,310,207)
Advertising and marketing costs		(4,360,285)	(2,058,156)
Utilities and cleaning		(10,311,336)	(6,749,756)
Licences and subscriptions		(2,532,053)	(2,099,596)
Insurances		(833,926)	(754,395)
Repairs and maintenance		(2,408,886)	(1,402,195)
Professional fees		(504,496)	(859,786)
Depreciation and amortisation expense		(44,175,889)	(38,336,988)
Finance costs	6	(16,275,929)	(15,221,882)
Costs of capital raisings, acquisitions and contractual matters		(82,856)	(507,428)
Other expenses		(6,682,822)	(5,064,738)
Profit/(loss) before income tax		5,056,794	(17,140,726)
Income tax (expense)/benefit	8	(1,653,259)	4,999,535
Profit/(loss) for the year		3,403,535	(12,141,191)
Total other comprehensive income for the year		-	-
Total comprehensive profit/(loss) for the year		3,403,535	(12,141,191)

This statement should be read in conjunction with the notes to the financial statements.

Earnings per share	24	Cents	Cents
Basic earnings per share:			
Earnings from continuing operations		3.78	(13.8)
Diluted earnings per share:			
Earnings from continuing operations		3.61	(13.1)

Consolidated Statement of Financial Position as at 30 June 2023

	Note	2023 \$	2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	6,828,484	10,069,569
Trade and other receivables	10	1,763,052	828,624
Tax receivable	16	-	1,153,991
Inventories	11	889,544	809,462
Other assets	12	1,737,715	1,460,502
TOTAL CURRENT ASSETS		11,218,795	14,322,148
NON-CURRENT ASSETS			
Trade and other receivables	10	238,981	158,001
Property, plant, and equipment	14	60,001,152	52,009,555
Right of use assets	19	222,981,405	224,358,419
Intangible assets	15	74,765,294	66,201,293
Deferred tax assets	16	78,267,672	77,669,403
Other assets	12	1,542,628	1,425,841
TOTAL NON-CURRENT ASSETS		437,797,132	421,822,512
TOTAL ASSETS		449,015,927	436,144,660
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	9,345,418	7,007,703
Borrowings	13	5,310,292	4,435,032
Lease liabilities	19	34,034,119	29,107,442
Contract liabilities	18	3,493,038	2,628,546
Current tax liabilities	16	3,734,145	-
Provisions	21	3,235,519	2,982,583
TOTAL CURRENT LIABILITIES		59,152,531	46,161,306
NON-CURRENT LIABILITIES			
Borrowings	13	14,083,981	15,695,868
Lease liabilities	19	212,737,509	215,390,301
Provisions	21	8,628,785	7,634,055
Deferred tax liabilities	16	64,393,387	65,453,213
TOTAL NON-CURRENT LIABILITIES		299,843,662	304,173,437
TOTAL LIABILITIES		358,996,193	350,334,743
NET ASSETS		90,019,734	85,809,917
EQUITY			
Issued capital	22	128,550,674	128,064,691
Reserves	23	(21,230,048)	(21,395,137)
Retained earnings		(17,300,892)	(20,859,637)
TOTAL EQUITY		90,019,734	85,809,917

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2023

	Share Capital	Reserves	Retained Earnings (Accumulated losses)	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2021	116,677,780	(21,607,131)	(8,718,446)	86,352,203
Issue of shares, net of transaction costs and tax	11,386,911	-	-	11,386,911
Share option premium reserve	-	211,994	-	211,994
Total transactions with owners	11,386,911	211,994	-	11,598,905
Loss for the year	-	-	(12,141,191)	(12,141,191)
Total comprehensive loss for the year attributable to members of the entity	-	-	(12,141,191)	(12,141,191)
Total transactions with owners and other transfers	11,386,911	211,994	(12,141,191)	(542,286)
Balance at 30 June 2022	128,064,691	(21,395,137)	(20,859,637)	85,809,917
Balance at 1 July 2022	128,064,691	(21,395,137)	(20,859,637)	85,809,917
Issue of shares, net of transaction costs and tax	916,159	-	-	916,159
Share buy-back	(430,176)	-	-	(430,176)
Expired 2019 options	-	(155,210)	155,210	-
Share option premium reserve	-	320,299	-	320,299
Total transactions with owners	485,983	165,089	155,210	806,282
Profit for the year	-	-	3,403,535	3,403,535
Total comprehensive profit for the year attributable to members of the entity	-	-	3,403,535	3,403,535
Total transactions with owners and other transfers	485,983	165,089	3,558,745	4,209,817
Balance at 30 June 2023	128,550,674	(21,230,048)	(17,300,892)	90,019,734

Consolidated Statement of Cash Flows for the Year Ended 30 June 2023

	Note	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		154,988,045	100,204,471
Payments to suppliers and employees		(87,095,908)	(56,649,881)
Interest received		40,437	8,747
Interest paid	6	(16,275,929)	(15,221,882)
Refund / (payments) of income tax		1,476,391	(395,582)
Net cash provided by operating activities	25	<u>53,133,036</u>	<u>27,945,873</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(16,436,716)	(11,434,976)
Proceeds from sale of property, plant and equipment		390,543	82,196
Purchase of intangibles	15	(3,180,672)	(988,679)
Payments for business combinations, net of cash acquired	29	(5,925,890)	(19,502,493)
Net cash (used in) investing activities		<u>(25,125,735)</u>	<u>(31,843,952)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	11,714,929
Direct costs of issue of shares		-	(468,597)
Share buy back		(430,176)	-
Proceeds from borrowings		4,038,300	12,912,000
Repayment of borrowings		(4,774,927)	(2,788,600)
Reduction in equipment leases principal	19	(5,977,213)	(5,127,796)
Reduction in property leases principal	19	(24,077,370)	(19,565,258)
Net cash provided by financing activities		<u>(31,221,386)</u>	<u>(3,323,322)</u>
Net decrease in cash held		<u>(3,241,085)</u>	<u>(7,221,401)</u>
Cash at beginning of financial year		<u>10,069,569</u>	<u>17,290,970</u>
Cash at end of financial year	9	<u>6,828,484</u>	<u>10,069,569</u>

This statement should be read in conjunction with the notes to the financial statements.

Note 1 Nature of Operations

The principal activities of the consolidated group during the financial year were health club operations. No significant change in the nature of these activities occurred during the year.

Note 2 General Information and Statement of Compliance

The consolidated general purpose financial statements of the Group have 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 (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Viva Leisure Limited is a for-profit entity and statements are prepared on accruals basis under the historical cost convention.

Viva Leisure Limited is the Group's Ultimate Parent Company. Viva Leisure Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Unit 7, 141 Flemington Road, Mitchell, ACT, Australia.

The consolidated financial statements for the year ended 30 June 2023 were approved and authorised for issue by the Board of Directors on 11 August 2023.

Note 3 Summary of Accounting Policies

a. Overall Considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

b. Basis of Consolidation

The Group financial statements consolidate those of the Parent Company and all its subsidiaries as at 30 June 2023. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June. Refer to Note 30 for the list of subsidiaries.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

c. Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition date fair value of any existing equity interest in the acquiree, over the acquisition date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately. See note 15.

d. Fair Value of Assets and Liabilities

Where applicable, the Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

e. Revenue

Health Club Operations

Revenue is derived mainly from the sale of health club membership services to its customers.

To determine whether to recognise revenue, the Group follows a 5-step process:

- (i) Identifying the contract, or otherwise, with a customer;
- (ii) Identifying the performance obligations;
- (iii) Determining the transaction price;

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

- (iv) Allocating the transaction price to the performance obligations; and
- (v) Recognising revenue when/as performance obligation(s) are satisfied.

The health club membership services revenue stream focuses on providing customers with access to the groups' gym facilities. Revenue is recognised as the customers are provided access to the gym. Under AASB 15: Revenue from Contracts with Customers, this happens over time as customers pay in advance of receipt of this service. The consideration received in advance of providing these services, which is generally two weeks in advance, is recognised as a contract liability.

Therefore, revenue is recognised over time as the customer consumes these services. The transaction price is determined with reference to the contract price as stated in the customer's contract.

Franchise Operations

Following the acquisition of Australian Fitness Management (Plus Fitness), the following additional revenue recognition policies are now applicable for the group.

The group enters into franchise licence agreements, whereby franchisees pay an upfront five year licence fee, and ongoing monthly franchise fees. The licence fee consideration is received in advance of providing the services attaching to the licence, which is generally over a five year period, and is recognised as a contract liability. The monthly franchise fees are recorded as revenue as they are derived. The transaction price is determined with reference to the contract price as stated in the franchise agreement.

The group provides equipment to franchisees as part of establishing the licence. The equipment is invoiced in advance of the supply and is recognised as a contract liability until the point in time the franchise commences operation. On commencement of the franchises operation the revenue is recognised. The transaction price is determined by the amount invoiced to the franchise.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax.

f. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

g. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred at fair value;
- (ii) any non-controlling interest (determined under either the fair value or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

h. Other Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in the profit or loss arising from derecognition of an intangible asset is measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Amortisation

The amortisable amount of all intangibles is amortised on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The amortisation rates used for each class of amortisable assets are:

Class of Intangible	Amortisation Rate per annum
Trademarks	5-10%
Capitalised Software	33%
Digital Assets	10%

i. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 3l. for details of impairment).

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	10-40%
Furniture and fittings	10-20%
Motor Vehicles	15-25%
Leased plant and equipment	5-20%
Leasehold improvements	5-20%

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised.

j. Leases

The Group as a lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement day and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates exercising a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Short-term leases

The Group has elected not to recognise lease liabilities for short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

k. Impairment Testing of Goodwill, Other Intangible Assets and Property, Plant and Equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

l. Financial Instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Classification and subsequent measurement

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable)

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The entities business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

Subsequent measurement financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of Financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Group assumes that the credit risk has not increased significantly since initial recognition.

In order to make such a determination that the financial asset has low credit risk, the Group applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the Group assesses the credit risk and recognises a loss allowance if appropriate. Any movement in the loss allowance from prior year is treated as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

m. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the consolidated group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

n. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

o. Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided the expected rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Viva Leisure Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

p. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

q. Employee Benefits

Short-term employee benefits

Provision is made for the consolidated group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The consolidated group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The consolidated group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the consolidated group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

All employees of the consolidated group receive defined contribution superannuation entitlements, for which the consolidated group pays the fixed superannuation guarantee contribution (currently 10.0% of the applicable employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The consolidated group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the consolidated group's statement of financial position.

r. Share-based Employee Remuneration

The Group operates equity-settled share-based remuneration plans for its employees (see note 20). None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

s. Provisions

Provisions are recognised when the consolidated group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

t. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

u. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. The comparatives reflect the consolidated group.

Where the consolidated group retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

v. Changes in Significant Accounting Policies

There were no changes in significant accounting policies during the year.

w. New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2020-1, AASB 2020-6 Classification of Liabilities as Current or Non-current	1 January 2024

x. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated group.

Key estimates and uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Provision for make good

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with vacating of premises. The calculation of this provision requires assumptions such as the exit date and cost estimates. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset are recognised in profit or loss.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

Lease term and option to extend under AASB16

The lease term is defined as the non-cancellable period of a lease together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The decision on whether or not the options to extend are reasonably going to be exercised is a key management judgement that the entity will make. The Group determines the likelihood to exercise on a lease-by-lease basis looking at various factors such as which assets are strategic and which are key to future strategy of the entity.

Note 4 Revenue and Other Income

		2023 \$	2022 \$
Revenue from contracts with customers	4a	133,558,297	84,132,492
Income from franchise operations	4a	7,481,898	6,630,146
		<u>141,040,195</u>	<u>90,762,638</u>
Other sources of income	4b	142,029	69,088
Total revenue and other income		<u>141,182,224</u>	<u>90,831,726</u>
The group operates in one segment, health club services.			
a. Revenue from contracts with customers		133,558,297	84,132,492
a. Income from franchise operations		7,481,898	6,630,146
		<u>141,040,195</u>	<u>90,762,638</u>
Timing of revenue recognition			
Over time		138,345,829	87,798,838
At a point in time		2,694,366	2,963,800
Total revenue from contracts with customers		<u>141,040,195</u>	<u>90,762,638</u>
b. Other Revenue			
Interest received		40,437	8,747
Rent received		55,357	60,341
Gain on disposal of property, plant and equipment		46,235	-
Total other revenue		<u>142,029</u>	<u>69,088</u>

Note 5 Profit / (Loss) for the Year

		2023 \$	2022 \$
Profit/ (Loss) before income tax from continuing operations includes the following specific expenses:			
• Amounts expensed as part of business combinations and acquisition opportunities		82,856	505,074
• Short term lease payments		33,412	121,181
• Amounts expensed as part of capital raises and debt restructure		-	125,000
• Costs relating to contractual matters with AFM Franchisees		-	92,746

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Note 6 Finance costs and Finance Income

	2023	2022
	\$	\$
Interest expense from borrowings at amortised cost:		
External entities	1,919,179	1,327,436
Interest expenses for finance lease arrangements	14,356,750	13,894,446
Total interest expense	16,275,929	15,221,882

Note 7 Segment reporting

Management have determined that the Group operates in one business segment – health club operations; and one main geographic segment. Refer to Note 4 for the revenue splits between the revenue with contracts from customers and franchise operations.

Note 8 Income tax expense

The major components of tax expense and the reconciliation of expected tax expense based on the effective tax rate of Viva Leisure Limited at 30.0% (2022:30.0%) and the reported tax expense in profit or loss are as follows:

	2023	2022
	\$	\$
Profit / (Loss) before tax	5,056,794	(17,140,752)
Domestic tax rate	30.0%	30.0%
Prima facie tax expense	1,517,038	(5,142,226)
Adjustment for non-deductible expenses:		
Non-deductible expenses	128,530	80,405
Prior year's over provision of tax	(6,899)	62,286
Income tax (benefit) / expense	1,638,669	(4,999,535)
Tax expense comprises		
Current tax expense	3,296,763	(2,255,515)
Deferred tax expense	(1,658,095)	(2,744,020)
	1,638,669	(4,999,535)

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Note 9 Cash and Cash Equivalents

	2023 \$	2022 \$
Cash at bank and on hand	6,733,869	4,301,938
Short-term bank deposits	-	1,536,327
Cash backed bank guarantees	94,615	4,231,304
	<u>6,828,484</u>	<u>10,069,569</u>

The effective interest rate on short-term bank deposits was 4.1% (2022: 1.00%). These deposits are held at call.

Note 10 Trade and Other Receivables

	2023 \$	202 \$
Current		
Trade receivables	1,640,089	729,346
Other receivables	75,057	35,297
Sub leases receivable	47,906	63,981
Total current trade and other receivables	<u>1,763,052</u>	<u>828,624</u>
Non-current		
Sub leases receivable	238,981	158,001
Total non-current trade and other receivables	<u>238,981</u>	<u>158,001</u>

	Current \$	>30 days past due \$	>60 days past due \$	>90 days past due \$	Total \$
2023					
Plus Fitness - franchise fees and territory openings	328,623	147,845	12,946	288,124	777,538
Trade receivables	810,720	6,389	21,987	23,454	862,550
Other receivables and sub-leases receivable	122,964	-	-	-	122,964
	<u>1,262,307</u>	<u>154,234</u>	<u>34,933</u>	<u>311,578</u>	<u>1,763,052</u>
2022					
Plus Fitness - franchise fees and territory openings	98,415	24,970	6,648	151,111	281,144
Trade receivables	182,959	17,368	12	247,863	448,202
Other receivables and sub-leases receivable	99,278	-	-	-	99,278
	<u>380,652</u>	<u>42,338</u>	<u>6,660</u>	<u>398,974</u>	<u>828,624</u>

The net carrying of trade receivables is considered a reasonable approximation of fair value. None of the past due receivables are considered impaired.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Note 11 Inventories

		2023 \$	2022 \$
Current			
At cost or lower of net realisable value			
Finished goods		889,544	809,462
		889,544	809,462

Note 12 Other Assets

		2023 \$	202 \$
Current			
Prepayments		1,737,715	1,460,502
		1,737,715	1,460,502
Non-Current			
Cash bonds receivable		1,542,628	1,425,841
		1,542,628	1,425,841

Bonds relate to amounts set aside against rental obligations to landlords where the Company is a lessee.

Note 13 Borrowings

	Current		Non-current	
	2023 \$	2022 \$	2023 \$	2022 \$
At amortised cost:				
Bank loans	5,310,292	4,435,032	14,083,981	15,695,868
	5,310,292	4,435,032	14,083,981	15,695,868

There are several asset specific security interests registered on the PPS Register against members of the Group listed at Note 30.

In addition, the bank loans mature on 28 May 2025 and the facility agreement specifies the following security interests:

1. First ranking General Security Interest from each Obligor comprising first ranking charge over all present and after acquired property.
2. First ranking charge over any assets financed under the Equipment Finance Facility.
3. Account Set offs from Viva Leisure Property Pty Ltd over Deposits totalling \$50,000 (relating to security for all cash covered bank guarantees issued in the name of Viva Leisure Property Pty Ltd).
4. The interest rate payable on the drawn balance of the market rate loan is BBSY plus 3.98%. At 30 June 2023 this amounted to 8.17% (FY2022 6.16%).

Note 14 Property, Plant and Equipment

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

	Plant and Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance at 1 July 2022	10,641,817	1,100,010	231,717	40,036,011	52,009,555
Additions	2,431,548	218,100	278,958	13,508,110	16,436,716
Acquisitions through business combinations	624,400	-	-	-	624,400
Disposals	(382,137)	-	(8,408)	-	(390,545)
Depreciation expense	(2,381,778)	(260,573)	(104,499)	(5,932,124)	(8,678,974)
Carrying amount at 30 June 2023	10,933,850	1,057,537	397,768	47,611,997	60,001,152
At cost	20,008,663	2,824,229	848,366	63,871,031	87,552,289
Accumulated depreciation	(9,074,813)	(1,766,692)	(450,598)	(16,259,034)	(27,551,137)
Written down value	10,933,850	1,057,537	397,768	47,611,997	60,001,152

	Plant and Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2021	14,931,462	1,052,726	286,074	35,437,422	51,707,684
Additions	1,611,739	301,333	50,165	9,471,739	11,434,976
Acquisitions through business combinations	1,699,967	-	-	-	1,699,967
Disposals	(5,469,696)	-	(21,390)	-	(5,491,086)
Depreciation expense	(2,131,656)	(254,048)	(83,132)	(4,873,150)	(7,341,986)
Carrying amount at 30 June 2022	10,641,816	1,100,011	231,717	40,036,011	52,009,555
At cost	17,765,791	2,616,755	616,347	50,368,014	71,366,907
Accumulated depreciation	(7,123,974)	(1,516,745)	(384,630)	(10,332,003)	(19,357,352)
Written down value	10,641,817	1,100,010	231,717	40,036,011	52,009,555

All depreciation charges are included within depreciation, amortisation and impairment of non-financial assets.

Note 15 Intangibles

Details of the Group's intangibles and their carrying amounts are as follows:

	Goodwill	Trademarks	Capitalised Software	Digital Assets	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance at 1 July 2022	64,811,736	114,122	1,204,494	70,941	66,201,293
Additions/adjustments	(44,659)	56,643	3,196,263	(27,575)	3,180,672
Acquisitions through business combination	6,490,100	-	-	-	6,490,100
Other movements	-	-	-	-	-
Amortisation expense	-	(20,349)	(1,082,163)	(4,259)	(1,106,771)
Carrying amount at 30 June 2023	71,257,177	150,416	3,318,594	39,107	74,765,294
At cost	71,257,177	215,969	5,861,307	60,873	77,395,326
Accumulated depreciation	-	(65,553)	(2,542,713)	(21,766)	(2,630,032)
Written down value	71,257,177	150,416	3,318,594	39,107	74,765,294

	Goodwill	Trademarks	Capitalised Software	Digital Assets	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance at 1 July 2021	46,905,229	127,625	831,748	51,282	47,915,884
Additions	-	270	960,834	27,575	988,679
Acquisitions through business combination	17,906,507	-	-	-	17,906,507
Amortisation expense	-	(13,773)	(588,088)	(7,916)	(609,777)
Carrying amount at 30 June 2022	64,811,736	114,122	1,204,494	70,941	66,201,293
At cost	64,811,736	159,326	2,671,920	88,448	67,731,430
Accumulated depreciation	-	(45,204)	(1,467,426)	(17,507)	(1,530,137)
Written down value	64,811,736	114,122	1,204,494	70,941	66,201,293

All amortisation is included in within depreciation and amortisation expense.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

15.1 Impairment Testing

For the purpose of annual impairment testing, the Group has one cash-generating unit which is expected to benefit from the synergies of the business combinations in which the goodwill arises.

The following key assumptions were used in the value-in-use calculations:

	Revenue Growth Rate	Expense Growth Rate	Discount Rate
Health Clubs	4%	3%	6.47%

The recoverable amount above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five-year period plus a terminal value calculated using a terminal multiple of 5x for health clubs and 8x for the Plus Fitness franchise business as determined by management. The present value of the expected cash flows is determined by applying an estimated weighted average cost of capital (WACC) of 6.47%.

15.2 Growth Rates

The growth rates reflect the estimated long-term average growth rates for mature health clubs.

15.3 Discount Rates

The discount rates reflect appropriate adjustments relating to market risk and any specific risk factors.

15.4 Cash Flow Assumptions

Management's key assumptions include stable profit margins, based on past experience in this market. The Group's management believes that this is the best available input for forecasting this mature market. Cash flow projections reflect stable profit margins achieved immediately before the budget period. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

Apart from the considerations described in determining the value-in-use of the cash-generating units above, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Note 16 Tax

	1 July 2022	Recognised in Equity	Recognised in Profit and Loss	30 June 2023
	\$	\$	\$	\$
Non-Current Assets				
Property, plant and equipment	1,924,385	-	576,650	2,501,035
Leased assets	(67,307,526)	-	413,104	(66,894,422)
Other intangible assets	(70,073)	-	70,073	-
Non-Current Liabilities				
Provisions	2,290,217	-	298,419	2,588,636
Lease liabilities	64,723,394	-	(902,141)	63,821,253
Deferred legal costs	998,626	-	(351,733)	646,893
Current Liabilities				
Provisions	894,775	-	75,878	970,653
Accruals	24,000	-	6,000	30,000
Lease liabilities	8,625,929	-	1,584,307	10,210,236
Equity				
Costs of IPO allocated direct to equity	112,463	-	(112,463)	-
	12,216,190	-	1,658,095	13,874,285
Represented by:				
Deferred Tax Assets	77,669,403	-	598,268	78,267,672
Deferred Tax Liabilities	(65,453,213)	-	1,059,827	(64,393,387)
	12,216,190	-	1,658,095	13,874,285

	1 July 2021	Recognised in Equity	Recognised in Profit and Loss	30 June 2022
	\$	\$	\$	\$
Non-Current Assets				
Property, plant and equipment	921,009	-	1,003,375	1,924,384
Leased assets	(61,465,096)	-	(5,842,429)	(67,307,525)
Other intangible assets	(69,785)	-	(287)	(70,072)
Non-Current Liabilities				
Provisions	59,265,944	-	5,457,450	64,723,394
Lease liabilities	985,228	-	13,397	998,625
Deferred legal costs	2,038,253	-	(1,143,478)	894,775
Current Liabilities				
Provisions	6,782,439	-	1,843,490	8,625,929
Accruals	290,044	140,579	(318,160)	112,463
Lease liabilities	9,331,591	140,579	2,744,020	12,216,190
Contract liabilities				
Equity				
Costs of IPO allocated direct to equity	(60,564,445)	-	(4,888,768)	(65,453,213)
	9,331,591	140,579	2,744,020	12,216,190
Represented by:				
Deferred Tax Assets	69,896,036	140,579	7,632,788	77,669,403
Deferred Tax Liabilities	(60,564,445)	-	(4,888,768)	(65,453,213)
	9,331,591	140,579	2,744,020	12,216,190

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

All deferred tax assets have been recognised in the statement of financial position.

Tax Payable		2023 \$	2022 \$
Current			
Income tax payable/(receivable)		<u>3,734,145</u>	<u>(1,153,991)</u>

Note 17 Trade and Other Payables

		2023 \$	2022 \$
Current			
Trade payables		6,630,830	5,187,628
Sundry payables and accrued expenses		<u>2,714,588</u>	<u>1,820,075</u>
		<u>9,345,418</u>	<u>7,007,703</u>

All amounts are short-term. The carrying values of trade and other payables are considered to be the fair value.

Note 18 Contract Liabilities

		2023 \$	2022 \$
Current			
Amounts received in advance for sale of gym memberships		1,772,131	1,693,356
Amounts received in advance for franchise licence sales		<u>1,720,907</u>	<u>935,190</u>
Total contract liabilities		<u>3,493,038</u>	<u>2,628,546</u>

Refer to note 3 e. for the revenue recognition policy.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Note 19 Leases

	2023 \$	2022 \$
(i) AASB 16 related amounts recognised in the balance sheet		
Right of use assets		
Leased buildings:		
Opening balance	202,070,522	187,421,480
Additions to right-of-use assets	27,809,077	41,735,313
Depreciation expense	(30,351,387)	(27,086,271)
Net carrying amount	199,528,212	202,070,522
Leased equipment:		
Opening balance	22,287,897	17,462,173
Additions to right-of-use assets	5,204,360	8,233,834
Disposals of right-of-use assets	-	114,743
Depreciation expense	(4,039,064)	(3,522,853)
Net carrying amount	23,453,193	22,287,897
Total right-of-use assets	222,981,405	224,358,419
Lease liabilities		
Leased buildings:		
Opening balance	225,522,126	204,620,113
Additions to lease liabilities	27,078,699	40,467,271
Principal repayments	(24,077,370)	(19,565,258)
Net carrying amount	228,523,455	225,522,126
Leased equipment:		
Opening balance	18,975,616	15,541,163
Additions to lease liabilities	5,249,770	8,562,249
Principal repayments	(5,977,213)	(5,127,796)
Net carrying amount	18,248,173	18,975,616
Total lease liabilities	246,771,628	244,497,743
Current liabilities	34,034,119	29,107,442
Non-current liabilities	212,737,509	215,390,301
	246,771,628	244,497,743

Finance lease liabilities are secured against the underlying leased equipment and are at an average interest rate of 5.6% (2022: 5.4%)

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

	2023 \$	2022 \$
Net carrying amount		
(ii) AASB 16 related amounts recognised in the statement of profit or loss		
Depreciation charge related to right-of-use assets (included in total depreciation and amortisation expense)	34,390,451	30,385,224
Interest expense on lease liabilities (included in total finance costs)	14,356,750	13,894,446
(iii) Cash outflows relating to leases / rental payments		
Property lease payments	37,536,801	32,664,497
Equipment lease payments	6,843,129	6,002,745
Total cash outflows for leases / rental payments	44,379,930	38,667,242

a. Options to Extend or Terminate

The options to extend or terminate are contained in several of the property leases of the Group. There were no extension options for equipment leases. These clauses provide the Group opportunity to manage leases in order to align with its strategies. All of the extension or termination options are only exercisable by the Group. The extension options or termination options which management were reasonably certain to be exercised have been included in the calculation of the lease liability.

Note 20 Employee Remuneration

	2023 \$	2022 \$
20.1 Employee benefits - expense		
Expenses recognised for employee benefits are analysed below:		
Wages and salaries	35,956,504	26,501,257
Employee leave entitlements	1,666,661	1,351,126
Share based payments	320,299	211,994
Superannuation	3,905,530	2,487,655
Employee Benefits Expense	41,848,994	30,552,032

During the prior year ended 30 June 2022, the Company received JobSaver payments of \$766,360.

20.2 Share-Based Employee Remuneration

As at 30 June 2023, the Company maintained a Long-Term Incentive (LTI) share-based payment scheme for employee remuneration, which will be settled in equity.

Options granted to the Executive Team are under the LTI Plan. The vesting of those options will be subject to the satisfaction of appropriate service-based conditions and/or performance hurdles determined by the Board;

Options granted under the LTI Plan carry no dividends or voting rights.

Long Term Incentives (LTIs)

The table below describes the performance hurdles and vesting conditions in accordance with the Long Term Incentive Plan in relation to the 2,534,320 options granted to senior executives:

Earnings per Share (EPS) and Total Shareholder Return (TSR) Cumulative Compound Annual Growth Rate (CAGR)

The percentage of options that vest for each EPS and TSR CAGR is illustrated in the following tables:

LTIs (Granted 12 November 2020)	Tranche 1 (50% of Options – based on EPS CAGR)	Tranche 2 (50% of Options – based on TSR CAGR)
CAGR over the three Financial Years Ending 30 June 2023	Percentage of Options that Vest	Percentage of Options that Vest
Less than 10% (minimum Target)	0%	0%
10% to 15% (within target range)	50% - 100% (on a straight-line basis)	0%
Greater than 15% (above maximum target)	100%	100%

Tranche 1 of the LTI options granted on 12 November 2020 have vested as the performance hurdle has been met.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

LTIs (Granted 28 October 2021)	Tranche 1 (50% of Options – based on EPS CAGR)	Tranche 2 (50% of Options – based on TSR CAGR)
CAGR over the three Financial Years Ending 30 June 2024	Percentage of Options that Vest	Percentage of Options that Vest
Less than 10% (minimum Target)	0%	0%
10% to 15% (within target range)	50% - 100% (on a straight-line basis)	0%
Greater than 15% (above maximum target)	100%	0%
Greater than 20%	-	100%

LTIs (Granted 24 October 2022)	Tranche 1 (50% of Options – based on EPS CAGR)	Tranche 2 (50% of Options – based on TSR CAGR)
CAGR over the three Financial Years Ending 30 June 2025	Percentage of Options that Vest	Percentage of Options that Vest
Less than 10% (minimum Target)	0%	0%
10% to 15% (within target range)	50% - 100% (on a straight-line basis)	0%
Greater than 15% (above maximum target)	100%	50% - 100% (on a straight-line basis)
Greater than 20%	-	100%

- For the purposes of the above performance hurdles, EPS means the Basic Earnings per Share calculated by reference to the Company's audited financial statements.
- For the purposes of the above performance hurdles:
 - for the options granted on 12 November 2020, TSR means Total Shareholder Return and will be measured using the VVA 20-day Volume Weighted Average Market Price (VWAP) for the twenty (20) trading days commencing from the announcement of results for the financial year ended 30 June 2020 (TSR measure start date) to the same 20 trading period VWAP post the date of announcement of results for the year ended 30 June 2023 (TSR measure end date);
 - for the options granted on 28 October 2021, TSR means Total Shareholder Return and will be measured using the VVA 15-day Volume Weighted Average Market Price (VWAP) for the fifteen (15) trading days commencing from the announcement of results for the financial year ended 30 June 2021 (TSR measure start date) to the same 15 trading period VWAP post the date of announcement of results for the year ended 30 June 2024 (TSR measure end date);
 - for the options granted on 24 October 2022, TSR means Total Shareholder Return and will be measured using the VVA 15-day Volume Weighted Average Market Price (VWAP) for the fifteen (15) trading days commencing from 1 July 2022 (TSR measure start date) to the 15 trading period VWAP from 1 July 2025.
- The Basic EPS may be adjusted for items which the Board, in its discretion, considers should be excluded from the EPS result (such as items of a one-off and non-recurring nature).
- The performance hurdles will be tested only once the vesting condition has been met by the grantee senior executive and following the Company's audited accounts being finalised for each respective financial year end.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements.

	LTI (Tranche 1)	LTI (Granted 20 Nov 2020)	LTI (Granted 28 Oct 2021)	LTI (Granted 24 Oct 2022)	Tranche 1 &2
	Number of Options	Number of Options	Number of Options	Number of Options	Number of Options
Outstanding at 30 June 2022	295,000	1,213,334	412,000	-	2,400,000
Granted	-	-	-	613,986	-
Forfeited	295,000	-	-	-	2,400,000
Outstanding at 30 June 2023	-	1,213,334	412,000	613,986	-
Exercisable at 30 June 2023	-	-	-	-	-

The fair values of options granted were determined using the Black Scholes option pricing model. The following principal assumptions were used in the valuation:

	LTI (Granted 20 Nov 2020)	LTI (Granted 28 Oct 2021)	LTI (Granted 24 Oct 2022)
	Options	Options	Options
Grant date	12 November 2020	28 October 2021	24 October 2022
Vesting period ends	Release of FY2023 results	Release of FY2024 results	Release of FY2025 Results
Share price at grant date (\$)	2.75	2.40	1.23
Volatility	25%	25%	25%
Option Life	5 years	3 years	3 years
Dividend yield	0%	0%	0%
Risk free investment rate	2%	2%	2%
Fair value at grant date	474,202	238,960	438,268
Exercise price at date of grant	3.34	Nil	Nil
Exercisable from	Release of FY2023 Results	Release of FY2024 Results	Release of FY2025 Results
Exercisable to	16 October 2025	16 November 2024	30 Days post vesting
Weighted average remaining contractual life	2.30 Years	1.38 Years	2.25 Years

The underlying expected volatility was determined by reference to historical data of comparable listed entities over a period of time. No special features inherent to the options granted were incorporated into measurement of fair value.

For the LTI granted 20 November 2020, the Tranche 1 of those options have vested as the performance hurdle has been met (see note 20.2).

In total, \$320,299 (2022: \$211,994) of employee remuneration expense (all of which related to equity-based payment transactions) has been included in profit or loss and credited to share option reserve.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

		2023 \$	2022 \$
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20.3 Employee benefits - liabilities

Current:

Employee leave entitlements	3,235,519	2,982,583
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Non-Current:

Employee leave entitlements	414,447	277,809
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Total employee obligations	3,649,966	3,260,392
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Note 21 Provisions

	Employee Benefits \$	Property Make Good \$	Total \$
Consolidated Group			
Opening balance at 1 July 2022	3,260,392	7,356,246	10,616,638
Additional provisions	2,056,235	858,092	2,914,327
Amounts used	(1,666,661)	-	(1,666,661)
Balance at 30 June 2023	3,649,966	8,214,338	11,864,304

		2023 \$	2022 \$
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Current:

Employee benefits	3,235,519	2,982,583
Total current provisions	3,235,519	2,982,583

Non-Current:

Employee benefits	414,447	277,809
Property make good	8,214,338	7,356,246
Total non-current provisions	8,628,785	7,634,055
Total provisions	11,864,304	10,616,638

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave. The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 3 (r).

Provision for Property Make Good

A provision has been recognised for the costs to be incurred for the restoration of property leases for which the Group is a lessee and where the obligation to make good is included as a condition of the lease. The provision is based on the present value of estimated costs to restore the property at the end of each property lease term.

Note 22 Equity

22.1 Share Capital

The share capital of Viva Leisure consists only of fully paid ordinary shares. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Viva Leisure.

	2023 Shares	2022 Shares	2023 \$	2022 \$
Shares issued and fully paid:				
Beginning of the year	89,514,240	81,956,221	128,064,691	116,677,780
Shares issued (less costs of offer)	771,813	7,558,019	916,159	11,386,911
Shares issued through exercise of options	-	-	-	-
Share buy back	(337,841)	-	(430,176)	-
Total contributed equity at 30 June	89,948,212	89,514,240	128,550,674	128,064,691

Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

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

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio remains below 70%. The gearing ratios for the years ended 30 June 2023 and 30 June 2022 are as follows:

	2023 \$	2022 \$
Total borrowings - Market Rate loan	19,394,273	20,130,900
Total borrowings – equipment finance leases	18,248,173	18,974,793
Total borrowings	37,642,446	39,105,693
Less cash and cash equivalents	6,828,484	10,069,569
Net debt	30,813,962	29,036,124
Total equity	90,019,734	85,809,917
Total capital	120,833,696	114,846,041
Gearing ratio	25.50%	25.28%

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Note 23 Reserves

a. Common Control Reserve

A common control reserve was created when the Group restructure took place during the financial year ended 30 June 2019 as it was determined to occur under the control of the same shareholders. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that the control is not transitory.

Where an entity within the group acquires an entity under common control, the acquirer consolidates the carrying values of the acquired entity's assets and liabilities from the date of acquisition. The consolidated financial statements of the group include the acquired entity's income and expenses from the date of acquisition onwards. Any difference between the fair value of the consideration paid/transferred by the acquirer and the net assets/ (liabilities) of the acquired entity are taken to the common control reserve.

	2023 \$	2022 \$
Common Control Reserve		
Beginning of the year	(21,900,880)	(21,900,880)
Net movement in common control reserve	-	-
Total common control reserve at 30 June	(21,900,880)	(21,900,880)

b. Share Options Reserve

The share option reserve records items recognised as expenses on valuation of employee share options.

	2023 \$	2022 \$
Share Options Reserve		
Beginning of the year	505,743	293,749
Expiry of options to key management personnel	(155,210)	-
Expensing of options to key management personnel	320,299	211,994
Total share options reserve at 30 June	670,832	505,743
Total reserves at 30 June	21,230,048	21,395,137

Note 24 Earnings per Share and Dividends

24.1 Earnings per Share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company as the numerator (i.e. no adjustments to profit were necessary in 2023 or 2022).

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2023 \$	2022 \$
Weighted average number of shares used in basic earnings per share	89,995,677	88,106,171
Shares deemed to be issued for no consideration in respect of options granted	4,218,600	4,248,731
Weighted average number of shares used in diluted earnings per share	94,214,277	92,354,902

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

24.2 Dividends

There were no dividends declared or paid during the year (2022: nil)

24.3 Franking Credits

	2023 \$	2022 \$
The amount of franking credits available for subsequent reporting periods are:		
Balance at the end of the reporting period	1,598,613	5,021,279
Franking credits that will arise from payment of (or receivable from) the amount of provision for income tax (income tax receivable)	3,734,145	(2,338,931)
Total franking credits	5,332,758	2,682,348

Note 25 Reconciliation of Cash Flows

	2023 \$	2022 \$
Cash flows from operating activities		
Profit / (Loss) after income tax	3,403,535	(12,141,191)
Non-cash flows in profit / (loss)		
— depreciation and amortisation	44,175,889	38,336,988
— tax effect of expenses taken to equity	-	140,579
— share based payments	320,299	211,994
— other non-cash items	-	26,942
— (increase)/decrease in trade and term debtors	(848,232)	(413,011)
— (increase)/decrease in other assets	(474,082)	1,251,544
— (increase)/decrease in deferred tax	(1,658,095)	(2,838,941)
— increase/(decrease) in payables	2,337,716	624,655
— increase/(decrease) in current tax	4,888,136	(1,606,020)
— increase/(decrease) in other liabilities	551,785	(2,153,757)
— increase/(decrease) in provisions	436,084	6,506,091
Net cash from operating activities	53,133,036	27,945,873

Note 26 Auditor Remuneration

	2023 \$	2022 \$
Remuneration of the auditor for:		
Audit and review of financial statements		
• Financial year ended 30 June	74,800	68,000
• Half year ended 31 December	38,500	35,000
• Other assurance engagements	10,200	9,500
Total audit services	123,500	112,500

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

• Taxation and business services	29,435	40,275
Total non-audit services	29,435	40,275
Total auditor remuneration	156,208	152,775

Note 27 Related Party Transactions

The Group's related parties include key management of the Group which are considered to be any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

	2023 \$	2022 \$
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27.1 Transactions with Directors and Key Management Personnel

Short-term Employee Benefits:

Wages and salaries (including Director's fees, bonuses and Annual Leave entitlements)	2,512,275	2,017,325
Superannuation	117,545	108,528
Long service leave	79,776	94,895

Share-based payments	340,585	211,994
Total remuneration	3,050,181	2,432,742

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to KMP.

Post-employment benefits

These amounts are the statutory superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of certain KMP in equity-settled benefit schemes as measured by the fair value of the options granted on grant date (see Note 20.2).

Further information in relation to KMP remuneration can be found in the directors' report and at Note 20.

	2023 \$	2022 \$
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27.2 Related Party Properties

Total related party property transactions	2,687,596	2,396,913
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Related parties continue to own several properties which are leased by the Group. The Board considers that each of these arrangements are on arm's length terms, commercial terms and are subject to the usual risks associated with other leases entered by the Company. The Board has obtained independent valuation advice to confirm that the arrangements are arm's length.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Note 28 Contingent Liabilities

The company has no contingent assets or liabilities.

Note 29 Business Combinations

During the period the Group acquired 11 clubs from various vendors in as outlined below:

	6	1	1	3	11
Number of clubs					
Acquisition	Plus	Rebalance	Healthworks	Independent Sites	Total
	\$	\$	\$	\$	\$
Purchase consideration					
Amount settled in cash, net of cash acquired	3,816,304	230,339	170,500	1,708,746	5,925,889
Amounts settled by issuing VVA shares					
Number of shares issued	771,813	-	-	-	771,813
Value of shares at issue date	916,159	-	-	-	916,159
Total consideration	4,732,464	230,339	170,500	1,708,746	6,842,049
Assets and liabilities acquired at fair value					
Property, plant and equipment	403,450	21,000	35,800	164,150	624,400
Other net identifiable assets /(liabilities) acquired	(42,536)	339	(130,000)	(100,254)	(272,451)
Goodwill	4,371,550	209,000	264,700	1,644,850	6,490,100
	4,732,464	230,339	170,500	1,708,746	6,842,049
Revenue and profit contribution from the date of acquisition until 30 June 2023					
Revenue	1,609,979	80,608	362,585	1,281,141	3,334,313
Profit before depreciation, amortisation, interest and tax (but including property rental costs)	319,055	17,841	436,900	455,450	1,229,246

Acquisition-related costs amounting to \$30,454 for all acquisitions have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

The goodwill arising from these business combinations is not expected to be deductible for tax purposes.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Note 30 Interests in Subsidiaries

Name of Subsidiary	Principal Activity	Proportion of Ownership Interests held by the Group	
		30 June 2023	30 June 2022
Viva Leisure Operations Pty Limited	Health club operation	100%	100%
Viva Leisure People Pty Limited	Health club operation	100%	100%
Viva Leisure Property Pty Limited	Health club operation	100%	100%
Viva Leisure Memberships Pty Limited	Health club operation	100%	100%
Viva Pay Pty Limited	Direct Debit Service Provider	100%	100%
Chain Collective Group Pty Limited	Parent company for franchise operations	100%	100%
Rebalance Pilates & Yoga Group Pty Limited	Health club operation	100%	100%
Psyple Life Pty Limited	Dormant	100%	100%
The Club Group Pty Limited	Dormant	100%	100%
The Club Group (Greenway) Pty Limited	Dormant	100%	100%
Club MMM! Pty Limited	Dormant	100%	100%
HIIT Republic Australia Pty Limited	Health club operation	100%	100%
Plus Fitness Pty Limited	Master franchisor for Plus Fitness (Aust)	100%	100%
Viva Leisure (NZ) Limited	NZ Parent	100%	100%
Viva Leisure Operations (NZ) Limited	NZ operations	100%	100%
Plus Fitness (NZ) Limited	Master franchisor for Plus Fitness (NZ)	100%	100%
Plus Fitness International Pty Limited	Dormant	100%	100%
Club Lime Pty Limited	Dormant	100%	100%
Club Pink Pty Limited	Dormant	100%	100%
Club Blue Pty Limited	Dormant	100%	100%
Club Swim Pty Limited	Dormant	100%	100%
Club Team Pty Limited	Dormant	100%	100%
GroundUp Studios Pty Limited	Dormant	100%	-

Note 31 Capital Commitments

At 30 June 2023, Viva Leisure Limited has no binding capital commitments

At 30 June 2022, Viva Leisure Limited entered into a binding agreement for \$0.85 million to purchase the following health club:

- Plus Fitness – Hocking, WA

The acquisition was completed on 1 August 2022.

	Contractual Commitments			
	Within 1 Year	1 to 5 Years	After 5 Years	Total
	\$	\$	\$	\$
30 June 2023	-	-	-	-
30 June 2022	850,000	-	-	-

Note 32 Financial Instrument Risk

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed are described below.

32.1 Market Risk Analysis

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, which result from its operating and investing activities.

	Short term exposure	Long term exposure
	\$	\$
30 June 2023		
Financial assets	8,591,536	1,781,609
Financial liabilities	(20,910,864)	(26,077,000)
Total exposure	(12,319,328)	(24,295,391)
30 June 2022		
Financial assets	12,516,710	-
Financial liabilities	(17,089,730)	(29,023,746)
Total exposure	(4,573,020)	(29,023,746)

Interest rate sensitivity

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings such as equipment lease financed amounts are therefore usually at fixed rates. At 30 June 2023, the

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

Group is exposed to changes in market interest rates as its Bank Debt is at variable interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 2% (2022: +/- 2%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the Year		Equity	
	\$	\$	\$	\$
30 June 2023	(251,316)	251,316	(251,316)	251,316
30 June 2022	(102,395)	102,395	(102,395)	102,395

32.2 Credit Risk Analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example receivables to customers, placing deposits, investment in term deposits, etc.

Credit risk management

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits and are only with major reputable financial institutions.

The majority of the Group's customer pay on an upfront basis by way of direct debit and as such, the Group does not provide for bad debts as revenue is not recorded until received.

32.3 Liquidity Risk Analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below.

See Note 13 for details of borrowings during the financial periods under review.

Notes to the Consolidated Financial Statements for the Year Ended 30 June 2023

32.4 Financial Risk Management

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
Consolidated Group								
Financial liabilities due for payment								
Trade and other payables	9,345,418	7,007,703	-	-	-	-	9,345,418	7,007,703
Bank loans	6,669,899	4,435,032	14,890,108	15,695,868	-	-	21,560,007	20,130,900
Finance lease liabilities	47,626,783	29,107,442	157,193,376	94,175,412	106,432,862	121,214,889	311,253,021	244,497,743
Total expected outflows	63,642,100	43,178,723	172,083,484	109,871,280	106,432,862	121,214,889	342,158,446	274,264,892
Financial assets – cash flows realisable								
Cash and cash equivalents	6,828,484	10,069,569	-	-	-	-	6,828,484	10,069,569
Trade receivables	1,763,052	828,625	238,981	-	-	-	2,002,033	828,625
Other assets	-	828,625	1,542,628	-	-	-	1,542,628	828,625
Total anticipated inflows	8,591,536	10,898,194	1,781,609	-	-	-	10,373,145	10,898,194
Net (outflow)/ inflow on financial instruments	(55,050,564)	(32,280,529)	(170,301,875)	(109,871,280)	(106,432,862)	(121,214,889)	(331,785,301)	(263,366,698)

Note 33 Fair Value Measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are measured at amortised cost.

Note 34 Parent Entity Information

	2023 \$	2022 \$
Statement of Financial Position		
Current Assets	106,401,799	105,915,818
Non-Current Assets	11,838	11,838
Total Assets	106,413,637	105,927,656
Current Liabilities	12,087	12,087
Total Liabilities	12,087	12,087
Net Assets	106,401,550	105,915,569
Issued Capital	128,550,673	128,064,691
Reserves	(21,230,048)	(21,395,137)
Retained Earnings	(919,075)	(753,986)
Total Equity	106,401,550	105,915,568
Statement of Profit and Loss and Other Comprehensive Income		
Loss for the year	(165,089)	(352,573)
Other comprehensive income	-	-
Total Comprehensive Income	(165,089)	(352,573)

Guarantees and Security Interests

There are several asset specific security interests registered on the PPS Register against each of the members of the Group listed at Note 31.

In addition, the bank loans mature on 28 May 2025 and the facility agreement specifies the following security interests:

1. First ranking General Security Interest from each Obligor comprising first ranking charge over all present and after acquired property.
2. First ranking charge over any assets financed under the Equipment Finance Facility.
3. Account Set offs from Viva Leisure Property Pty Ltd over Deposits totalling \$50,000 (relating to security for all cash covered bank guarantees issued in the name of Viva Leisure Property Pty Ltd)
4. The interest rate payable on the market rate loan is BBSY plus 3.98%

Contractual commitments

At 30 June 2023, Viva Leisure Limited has no binding capital commitments

At 30 June 2022, Viva Leisure Limited entered into a binding agreement for \$0.85 million to purchase the following health club:

- Plus Fitness – Hocking, WA

The acquisition was completed on 1 August 2022.

	Contractual Commitments			
	Within 1 Year	1 to 5 Years	After 5 Years	Total
	\$	\$	\$	\$
30 June 2023	-	-	-	-
30 June 2022	850,000	-	-	-

Note 35 Events After the Reporting Period

No matters or circumstances other than as referred to in this report, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Note 36 Company Information

Viva Leisure Limited is the Group's Ultimate Parent Company. Viva Leisure Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Unit 7, 141 Flemington Road, Mitchell, ACT, Australia.

Viva Leisure Group Directors' Declaration

- 1) In the opinion of the Directors of Viva Leisure Ltd:
 - a) The consolidated financial statements and notes of Viva Leisure Ltd are in accordance with the Corporations Act 2001, including:
 - i) Giving a true and fair view of its financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
 - ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b) There are reasonable grounds to believe that Viva Leisure Ltd will be able to pay its debts as and when they become due and payable.
- 2) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2023.
- 3) Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



Director

Harry Konstantinou

Dated this

10th day of August 2023.

Independent Auditors Report



**VIVA LEISURE LIMITED
ABN 76 607 079 792
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF VIVA LEISURE LIMITED**

Opinion

We have audited the financial report of Viva Leisure Limited (the Company and its controlled entities "the Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Viva Leisure Limited and controlled entities is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 has been given to the directors of the Company.

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

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**VIVA LEISURE LIMITED
ABN 76 607 079 792
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF VIVA LEISURE LIMITED**

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2023. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Revenue Recognition and Contract Liabilities Refer to Note 4 'Revenue and Other Income' and Note 18 'Contract Liabilities' The group recognises revenue from health club membership services when the customer consumes these services. Customers pay in advance for these services and this consideration is recorded as contract liability. Any access fees charged for access to gyms has been allocated to the first 2 weeks of membership being the initial contract period. There were no long-term contracts for any further consideration. The revenue recognised for the year ended 30 June 2023 was \$141,182,224. At 30 June 2023 the group recognised \$3,493,038 in contract liabilities for consideration received in advance for gym memberships and franchise territory sales. We focused on this area as a key audit matter given the significance of the balance and that there is a risk that revenue may not be recognised in accordance with the revenue recognition principles as set out in AASB 15: Revenue from Contracts with Customers.	Our procedures included, amongst others, the following: • We obtained an understanding of the key controls in the revenue recognition cycle including the IT controls associated with the Viva membership system. • Sample tested revenue transactions throughout the year to ensure that revenue was recognised in accordance with AASB 15: Revenue from Contracts with Customers. • We ensured the carrying value of the contract liabilities were accurate and complete. • We performed analytical procedures. • We reviewed the groups qualitative and quantitative disclosures in the financial statements.
Right-Of-Use Assets and Lease Liabilities Refer to Note 19 'Right-of-Use Assets' and Note 19 'Lease Liabilities' At 30 June 2023, the group recognised \$222,981,405 in Right-to-Use Assets and \$246,771,628 in lease liabilities. The group has numerous lease arrangements in place which require certain judgements to be made at point of recognition and measurement. We focused on this area as a key audit matter given the significance of the balance and there is a risk that the leases may not be accounted for in accordance with the requirements of AASB16: Leases.	Our procedures included, amongst others, the following: • We obtained management's calculation of its right-of-use assets and lease liabilities and tested the accuracy of key data inputs by agreeing to leases on a sample basis • We obtained copies of the lease agreements and reviewed the inputs into management's calculations. • We assessed the reasonableness of key judgements used and the practical expedients applied by the group. • We reviewed the adequacy of disclosures which were made in the financial statements including disclosure of significant judgements.

**VIVA LEISURE LIMITED
ABN 76 607 079 792
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF VIVA LEISURE LIMITED**

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Accounting for Business Combinations	
Refer to Note 29 ' <i>Business Combinations</i> '	
During the financial year ended 30 June 2023 the group made a number of acquisitions as disclosed in Note 29.	Our procedures included, amongst others, the following: - Reviewed the purchase agreements to understand the terms and conditions of the acquisitions and to evaluate management's assessments under AASB3 Business combinations - Assessed the fair value of the assets acquired and the liabilities assumed - checked the accuracy of purchase price by vouching to bank statements and sale and purchase agreements; - Assessed the adequacy of the Group's disclosures in the financial statements
Accounting for acquisitions is complex and involves a number of significant judgements.	
We focused on this area as a key audit matter due to amounts involved being material and the judgements involved in determining the fair value of the assets acquired and liabilities assumed.	
Carrying value of goodwill	
Refer to Note 15 ' <i>Intangible Assets</i> ', Note 29 ' <i>Business Combinations</i> '	
The Group has recognised goodwill of \$71,257,177 at 30 June 2023 resulting from business combinations including \$6,490,100 recognised during the year.	Our procedures included, amongst others, the following: - Evaluated management's impairment assessment of goodwill. - Reviewed key inputs in the value-in-use model such as forecast revenue, costs, discount rates and terminal growth rates. - Involved our valuation specialists to recalculate management's discount rates based on external data where available. The valuation specialists were also involved in assessing the value-in use model used for valuation methodology including treatment of terminal value calculations and the net present value calculations. - Performed sensitivity analysis on the assumptions used such as terminal growth; and discount rate. - Assessed the Group's disclosures of the quantitative and qualitative considerations in relation to the valuation of goodwill and other intangible assets, by comparing these disclosures to our understanding of the matter.
The assessment of impairment of the group's goodwill balances incorporated significant judgement in respect of factors such as forecast revenue, costs, discount rates and terminal growth rates.	
We have focused on this area as a key audit matter due to amounts involved being material and the inherent subjectivity associated with critical judgements being made in relation to forecast revenue, costs, discount rates and terminal growth rates.	

**VIVA LEISURE LIMITED
ABN 76 607 079 792
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF VIVA LEISURE LIMITED**

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australia Accounting Standards and the Corporations Act 2001 and for such internal control as directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**VIVA LEISURE LIMITED
ABN 76 607 079 792
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF VIVA LEISURE LIMITED**

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**VIVA LEISURE LIMITED
ABN 76 607 079 792
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF VIVA LEISURE LIMITED**

Report on the Remuneration Report

We have audited the remuneration report included in pages 11 to 27 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Viva Leisure Limited for the year ended 30 June 2023 complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.


Hall Chadwick (NSW)
Level 40, 2 Park Street
Sydney, NSW 2000


DREW TOWNSEND
Partner
Dated: 10 August 2023

Additional Information for Listed Companies

The following information is current as at 3 August 2023

1. Distribution of Shareholders

The Distribution of issued capital is as follows:

Holding	Total No. of Shares Held	No. of Shareholders
100,001 and over	80,730,046	39
10,001 – 100,000	6,405,114	226
5,001 – 10,000	1,185,790	156
1,001 – 5,000	1,325,769	542
1 – 1,000	301,493	668
	89,948,212	1,631

2. Distribution of Options

Holding	Total No. of Options Held	No. of Shareholders
100,001 and over	2,239,320	4
10,001 – 100,000	-	-
5,001 – 10,000	-	-
1,001 – 5,000	-	-
1 – 1,000	-	-
	2,239,320	4

3. 20 Largest Shareholders

Shareholder	Number Held	% of Issued Shares
SHJA MANAGEMENT PTY LTD	21,688,434	24.11%
NATIONAL NOMINEES LIMITED	16,084,731	17.88%
CAPITAL PROPERTY CORPORATION PTY LTD <CARRINGTON A/C>	9,614,214	10.69%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,120,964	7.92%
CITICORP NOMINEES PTY LIMITED	5,906,142	6.57%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,590,552	5.10%
BNP PARIBAS NOMS PTY LTD <DRP>	1,893,041	2.10%
HARRY KONSTANTINOU	1,542,068	1.71%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,502,446	1.67%
MR JOHN KONSTANTINOU	1,279,903	1.42%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,086,702	1.21%
BROADGATE INVESTMENTS PTY LTD	949,036	1.06%
SPIROS KONSTANTINOU	942,067	1.05%
PACIFIC L PTY LTD <PACIFIC LEVEL S/F A/C>	926,600	1.03%
PORTMAN TRADING PTY LTD	900,000	1.00%
EAST CONSOLIDATED PTY LTD	466,667	0.52%
MR ANGELO KONSTANTINOU	442,068	0.49%
DIXSON TRUST PTY LIMITED	394,327	0.44%
HEARTLAND MOTORS PTY LTD	330,000	0.37%
MR DEREK HILL & MRS JOANNA HILL <LAZY DAYS SUPER FUND A/C>	284,400	0.32%

4. Substantial Shareholders

The names of the substantial shareholders listed in the holding company's register as at 3 August 2023 are:

Substantial Shareholders	Number Held	% of Issued Shares
SHJA MANAGEMENT PTY LTD	21,688,434	24.11%
NATIONAL NOMINEES LIMITED	16,084,731	17.88%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,120,964	7.92%
CAPITAL PROPERTY CORPORATION PTY LTD <CARRINGTON A/C>	6,601,975	7.34%
CITICORP NOMINEES PTY LIMITED	5,906,142	6.57%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,590,552	5.10%

5. Less than Marketable Parcel of Ordinary Shares

There are 320 shareholders with an unmarketable parcel totalling 69,436 shares.

6. Unquoted Equity Securities

The company had the following unquoted securities on issue as at 3 August 2023

Security	No. of Securities
Unquoted Options	2,239,320

7. Restricted Securities

The company had no restricted securities on issue as at 3 August 2023

8. Voting Rights

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll. Performance rights and Options have no voting rights.

9. On-market Buy Backs

There is a current on-market buy-back in relation to the Company's securities.

The on-market buy-back program will comply with the "10/12" limit under the Corporations Act 2001 (Cth) and therefore does not require shareholder approval and will be executed at Viva Leisure's discretion, through on market purchases to occur from time to time throughout the approved period.

The buy-back commenced on 9 June 2023 and the buy-back period will run for the duration of one year, until 7 June 2024. The share buy back price will be no more than 5% above the volume weighted price of the Company's shares over the 5 trading days prior to the purchase.

The timing and actual number of shares purchased under the buy-back, and other matters relating to the conduct of the buy-back, will depend on the prevailing share price, market conditions, forecast future capital requirements and any other considerations including any unforeseen circumstances.

Viva Leisure reserves the right to vary, suspend or terminate the buy-back at any time and there is no guarantee that the Company will purchase any or all of the shares referred to above. An Appendix 3C in respect of the on-market share buy-back will also be lodged.

Other Information

Company Secretary:

Kym Gallagher

Registered office and principal place of business:

Unit 7, 141 Flemington Road, Mitchell, ACT, Australia.

Registers of securities are held at the following addresses:

Automic Registry Services

Level 5, 126 Phillip Street Sydney NSW 2000

Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.