

VIVA
LEISURE

ANNUAL REPORT

YEAR ENDED 30 JUNE 2021

2021

Viva Leisure's mission is to connect as many people as possible to a healthy lifestyle, delivering to its members an uncompromising fitness experience via accessible, affordable and quality facilities and services.

About this Report

This 2021 Annual Report for Viva Leisure Limited (ACN 607 079 792) has been prepared as at 1 October 2021. Please note that terms such as Viva Leisure, VVA and Viva Leisure Limited have the same meaning unless the context requires otherwise.

Viva Leisure is committed to reducing the environmental footprint associated with the production of this annual report and printed copies are only posted to shareholders who have elected to receive a printed copy. Shareholders can request a printed copy of the Annual Report free of charge by emailing investor.relations@vivaleisure.com.au or by writing to the Company Secretary, PO Box 1, Mitchell ACT 2911.



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VIVA LEISURE ANNUAL REPORT 2021





OUR LOCATIONS AND BRANDS	1
2020 HIGHLIGHTS	3
A LETTER FROM THE CHAIR	5
CEO'S REPORT	7
DIRECTORS' REPORT	9
REMUNERATION REPORT (AUDITED)	17
AUDITORS INDEPENDENCE DECLARATION	25
CORPORATE GOVERNANCE STATEMENT	27
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Profit or Loss	29
Consolidated Statement of Financial Position	31
Consolidated Statement of Changes in Equity	33
Consolidated Statement of Cash Flows	35
Notes to the Financial Statements	37
SIGNED REPORTS	
Directors' Declaration	69
Independent Auditor's Report	71
ADDITIONAL INFORMATION FOR LISTED COMPANIES	
Shareholder Information	79
Corporate Directory	84

BRANDS LOCAT

WYA
PLUS
35



CLUBLIME

hiit
republic

© CLUBLIME
AQUATICS

© CLUBLIME
SW/IM SCHOOL

GROUNDUP
barre – yoga – pilates

© CLUBLIME
PERSONAL TRAINER

* IONS



OUR BRANDS AND LOCATIONS

CLUBLIME
LADIES ONLY

CLUBLIME
PSYCLE LIFE

Studio
BY CLUB LIME

FIV
GYM · HIIT

PLUS
fitness

PINNACLE
HEALTH CLUB



REVENUE - UP 104.8%

\$83.7M

MEMBERSHIPS - UP 33.8%

126,006

LOCATIONS - UP 45.5%

115

EBITDA* - UP 97.0%

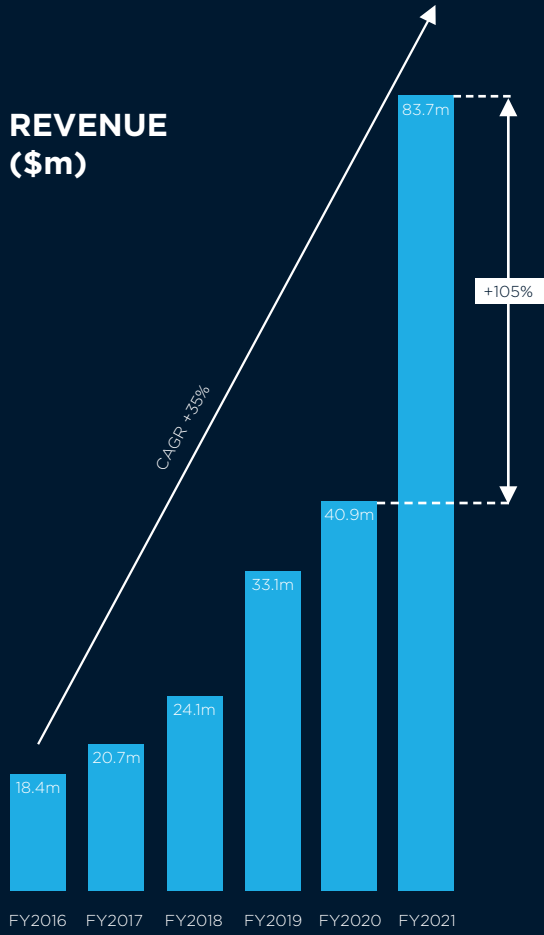
\$11.95M

EBITDA MARGIN*
- DOWN FROM 14.8%

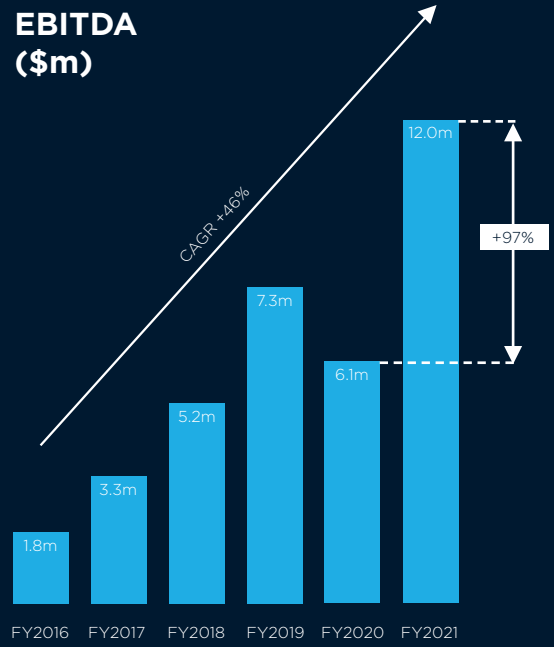
14.3%

*Excluding impacts of AASB16.

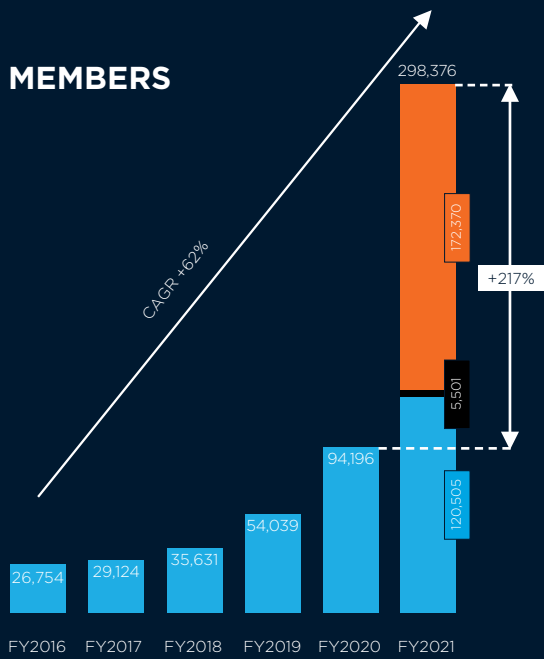
REVENUE (\$m)



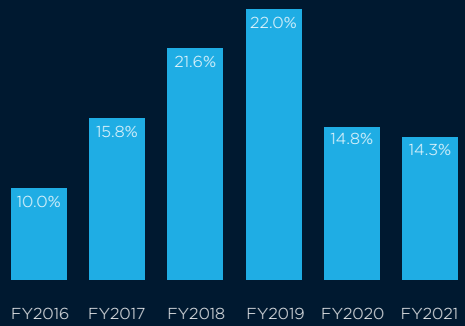
EBITDA (\$m)



MEMBERS



EBITDA MARGIN (%)



- HEALTH CLUBS & OTHERS
- HIIT REPUBLIC
- PLUS FITNESS (AU/NZ)

Plus Fitness Corporate Owned locations now in Health Club & others

CHAIR LETTER

Dear Fellow Shareholders

MEETING THE CHALLENGES

On behalf of the Board, I am pleased to present the Viva Leisure Limited 2021 Annual Report.

The operations for the year have once again been severely impacted by the effects of COVID-9. Suffice to say that there are three financial years now impacted (including the current year). During each of the years, your Board and management team have not lost sight of the underpinning strategy to the continued development of our Company.

The last financial year saw the acquisition of the Plus Fitness franchisor as an opportunity to add substantially to the offering formats by the Company. Over the past 12 months we have worked to further develop the management skill base associated with franchising, as complementary to the existing traditional base of the company. That extension, together with our continued technology development and support, we believe, augers well for the future.

The recent announcements of expected location re-openings, based on vaccination rates, is welcomed. We are sure that the whole community looks forward to a future uninterrupted by the pandemic.

Once again, in 2021 our staff have been magnificent in the face of the stress of closedowns, re-openings and further closedowns. We do not underestimate the personal toll on all of our staff, all of whom have shown resilience and understanding of the difficult position imposed by various Governments.

The continued support of our shareholders by subscribing to the capital raise in the 2021 year, and recently, evidences the continued appreciation of the development of the company and the achievement of

objectives. Likewise, the rapid take-up of suspended membership once our facilities have been permitted to be open, is evidence not only of the community need of the services we provide, but also a wonderful statement of loyalty by our members. Thank you to each.

Important highlights in the COVID-19 affected results were:

- Whilst every step has been taken for the rationalisation of costs, there has been an impact to the financial result.
- Total revenues were \$83.7 million compared with \$40.9 million in the financial year ended 30 June 2020, an increase of 104.8%;
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) increased to \$11.95 million from \$6.07 million in the previous year, excluding the impacts of AASB16;

DIVIDENDS

As set out in the report to shareholders last year and, as foreshadowed in the 2019 Prospectus, reflecting Viva Leisure's growth profile and continuing investment opportunities, and the present impact of COVID-19 related closedowns, the Directors confirm that no dividend will be paid in respect of the 2021 Financial Year.

LETTER



OPERATING HIGHLIGHTS FOR THE YEAR

Highlights for the year were:

- An increase in operating locations/clubs from 79 to 115;
- A strong pipeline of new locations secured, consistent with the strategic vision of growth;
- The hiit republic boutique concept continues to be rolled out as part of Viva Leisure's unique hub and spoke model. In addition, the development of our new concept Groundup represents the further extension of the suite of offerings;
- Despite the impact of COVID -19, Viva Leisure membership increased by over 31,800 members and additionally, 170,000 Plus Fitness members;
- The acquisition of Plus Fitness franchisor represents a strong opportunity to extend opportunities to Viva Leisure, as well as having a small overseas footprint available for future development.

SOCIAL AND COMMUNITY COMMITMENT

Viva Leisure has again continued its commitment to ongoing support of the local communities in which we operate. That contribution has continued to be necessarily moderated in 2021 by the impact of the pandemic. The Company continues to strive to be a responsible corporate citizen.

BOARD AND MANAGEMENT

I am delighted that Louise Bolger joined the Board in July 2021. Louise has a deep corporate and commercial experience and has made a valued contribution since her appointment.

As shareholders will see from the number of meetings reported, the year has again been highly active. Not only have the effects of COVID-19, but also the continued acquisitions achieved and proposed have been dealt within the meetings and interactivity of the Board. During all of that time, the spirit of contribution and sustained vision of outcomes sought, together with the continued positive culture, has maintained the highest quality of relationships between the Board and management team. The Board and I appreciate the significant contribution of Harry Konstantinou and the executive team together with the entire Viva Leisure team of over 1,600 amazing members.

In closing, I extend the gratitude of the Board to our shareholders, our team, and our members for their continued support throughout this most challenging year.

Yours sincerely,

BRUCE GLANVILLE
Chair

CEO REPORT

As we closed the FY2021 financial year, part of our business was in lockdown. As I write this in September 2021, we still have parts of the business in lockdown due to COVID-19, however we now have a clear path out less than a month away.

It is unfortunate that FY2021 was another year impacted by COVID-19 for the Viva Leisure business. Since listing in June 2019, the business has not had the opportunity to operate a full 12 months without interruptions, however as they say where there is confusion there are opportunities.

There are some significant milestones reached during the year, and with the pent-up demand expected from the latest round of lockdowns, we expect to see an acceleration in growth upon reopening. The importance of a healthy lifestyle has never been more important than through this experience, and I truly believe that this now resonates with more and more members of our community.

Key highlights for the year included:

- Direct membership increased 33.8% to 126,006 members, and increased to 298,376 members including the Plus Fitness network of members;
- Locations increased 45.5% to 115, adding a further 36 locations during the year, essentially one new location joined the Viva Leisure network every 1.4 weeks of the year;
- Revenue more than doubled to \$83.7 million, an increase of 104.8%; and
- EBITDA was up 97.0% to \$11.95 million (excluding the impacts of AASB-16)

OVERVIEW

Viva Leisure owned and operated 115 locations as at 30 June 2021. As of the date of this report, this has increased to 118 locations. This represents a 4-fold increase from the 29 locations we owned and operated at our IPO in June 2019.

Together with new club openings and acquisitions during the year, our existing like-for-like locations continued to grow membership and visitations which are two key metrics that we constantly monitor.

Our hiit republic brand has gone from strength to strength and we now operate in four States and Territories with 22 locations. I expect this to grow to approximately 35 locations at the end of this financial year. This is an outstanding achievement considering the first hiit republic only opened in March 2019.

The first GroundUp boutique Pilates, Yoga and Barre studio opened in July 2021 with two further locations currently being planned. The GroundUp concept builds on our unique hub and spoke approach to fitness where one size, service and product does not fulfil all members needs and requirements.

TALENT

To support our ambitious future growth, and as we have done in the past, our executive team is focused on attracting the best possible talent, as well as retaining, fostering and offering growth opportunities to our already bright shining stars. Viva Leisure offers a unique career path for anyone who wishes to work in the fitness industry and nearly all of our senior management have come through the ranks and worked their way up. Our business is all about experiences, and these can only be offered sincerely when we have the very best, working in harmony. Our team is highly motivated, excited, and constantly educating and adapting to remain at the forefront.

During the year, our team grew from 1,100 strong to over 1,600, and each team member plays a very important part of the experience which we offer our members. Our senior management team has also grown which allows us to support the strong strategic growth prospects which are in front of us. Company-wide our female/male team mix is now made up of 70%



female and 30% male, up from 67% and 33% in FY2020. Our Head Office and Management team members are more evenly split with 48% female and 52% male as at the end of FY2021. It is important for me and the Viva Leisure board to be an equal opportunity employer and our human resources team works hard to ensure the right balance is maintained.

ACQUISITIONS

During the financial year, we negotiated, settled and more importantly, integrated various acquisitions. These included 15 health club locations in eight separate acquisitions, which included our first four Plus Fitness corporate owned locations.

In addition, in August 2020, Viva Leisure completed its largest ever acquisition to date with the purchase of the Plus Fitness master franchisor (Australian Fitness Management). The acquisition has introduced nearly 200 locations to the Viva Leisure network, a new market segment we can now target, and an existing network in both New Zealand and India we can expand on. The Viva Leisure team has learnt and has been able to contribute a lot to the Plus Fitness business and team members. Over the next 12-18 months we expect to start to integrate key Viva Leisure technology and systems into the Plus Fitness network which will help our franchisees operate more efficiently and more profitably.

I am very excited about what the introduction of our technology can do to the existing Plus Fitness network to help our franchisees grow their businesses which will, in turn, grow our business.

THE FUTURE

The future, while extremely exciting, will continue our 'more of the same' model. A model which we have proven over the past 17 years since we opened our

first location. Viva Leisure is committed to continue and even accelerate our strategic, controlled and well-planned growth trajectory in all key market segments in which we operate and potentially some new markets we are currently exploring. With the acquisition of the Plus Fitness master franchisor, Viva Leisure has added another option to select from in entering new markets. We now have a combination of brands available to us which are suitable in all markets and all price-points, which is something our competitors simply do not offer nor can easily replicate. We are a dynamic business that can pivot, adapt and grow.

I expect in the coming twelve months our level of innovation will surprise not only our members but also our competitors.

I look forward to leading the team into the next period of growth, continuing to extend our services into more markets, increasing the opportunities for our team and growing the value of the company for our shareholders. It is encouraging to see so many of our members as shareholders of the business.

HARRY KONSTANTINO

Founder, Managing Director and
Chief Executive Officer

DIRECTORS

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

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 2021.



BRUCE GLANVILLE

Independent Non-Executive Director

Independent Chair

Member of the Audit and Risk Committee and Chair of the People and Culture Committee

Appointed 12 October 2018

Qualifications

Fellow Chartered Accountants Australia and New Zealand

Experience

Appointed Board, Committee member and Chair on 12 October 2018.

Bruce is a Chartered Accountant and was formerly a partner at Duesburys, Rolins and Deloitte. He has extensive experience providing Board leadership and governance in addition to driving growth strategies to the businesses he has led.

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

300,000 ordinary shares and options to acquire a further 200,000 ordinary shares



HARRY KONSTANTINOU

Managing Director and Chief Executive Officer

Appointed 15 July 2015

Member of the People and Culture Committee

Appointed 12 October 2018

Qualifications

BA, (University of Canberra)

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

23,346,701 ordinary shares and options to acquire a further 3,090,000 ordinary shares.



RHYS HOLLERAN

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 and 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.



LOUISE BOLGER

Independent Non-Executive Director

Member of the People and Culture Committee

Appointed 5 July 2021

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

Superloop Limited (ASX: SLC) resigned 23 November 2018

Interest in Shares and Options

Nil



KYM GALLAGHER

Company Secretary and Chief Financial Officer

Appointed 12 October 2018

Qualifications

Bachelor of Economics,

Member of Chartered Accountants ANZ

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

140,000 ordinary shares and options to acquire a further 476,667 ordinary shares.

RETIRED DIRECTORS

MARK MCCONNELL

Non-Executive Director

Member of the People and Culture Committee

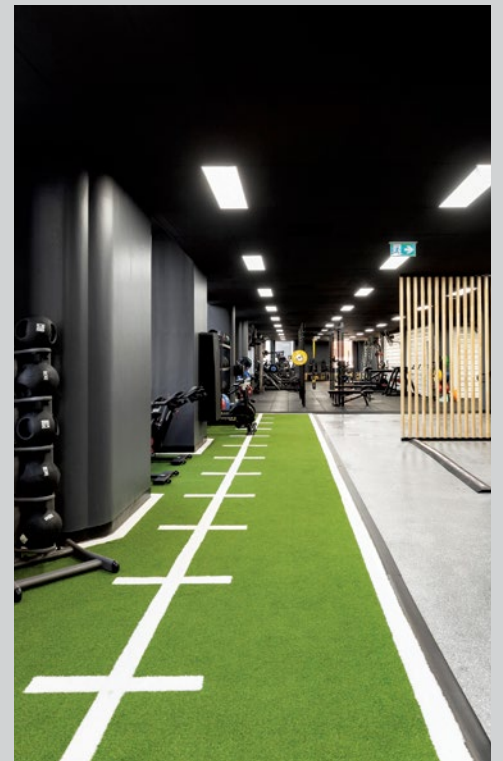
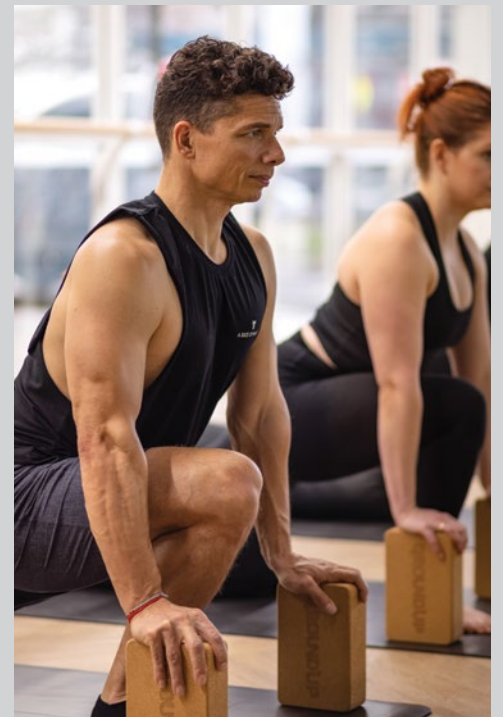
Appointed 12 October 2018 and retired on 6 November 2020

SUSAN FORRESTER AM

Independent Non-Executive Director

Audit and Risk Committee Chair

Appointed 12 October 2018 and retired on 31 December 2020



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 \$83,718,105 compared with \$40,855,697 in the financial year ended 30 June 2020;
- Loss before income tax was \$8,793,735, compared to a loss of \$9,343,618 in the financial year ended 30 June 2020;
- Net loss After Tax (NPAT) from continuing operations and attributable to members was \$6,384,898 compared with a financial year ended 30 June 2020 loss of \$6,246,345;
- Cash and cash equivalent reserves is strong at \$17,290,971, down from \$30,103,095 in the financial year ended 30 June 2020; and
- There was an increase in net assets to \$86,352,203 compared to \$63,316,761 in the financial year ended 30 June 2020

Impact of AASB16

The statutory financial results have been significantly impacted by the application of AASB16. Below is a reconciliation of the underlying statutory results to the pre-AASB16 results.

Profit and Loss (\$m)	FY21 Statutory	AASB16 Impact	FY21 (pre AASB16)
Revenue	83,718,105		83,718,105
Expenses	49,639,347	22,126,667	71,766,014
EBITDA	34,078,758		11,952,091
Depreciation and Amortisation	30,076,823	(21,114,439)	8,962,384
EBIT	4,001,936		2,989,707
Finance Costs	12,795,671	(11,098,610)	1,697,061
Profit / (loss) Before Tax	(8,793,735)		1,292,646
Income Tax Expense	(2,408,837)		387,794
Net Profit After Tax	(6,384,898)		904,852
Earnings per share (basic - cents)	(8.24)		1.17

Operational highlights for the financial year:

- An increase in operating locations/clubs from 79 to 115;
- Member numbers increasing from 94,196 at June 2020 to 126,006 at 30 June 2021;
- Now operating 22 hiit republic boutique studios;

COVID-19 Impacts

With the exception of the Group's ACT clubs, all of Viva Leisure Limited's clubs have had intermittent closures during the financial year due to mandated Government directives.

The Company has in place a comprehensive safety and communications plan to keep its members informed and safe during the closure periods.

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the group operates.

Revenues and profits were significantly impacted during the closure periods and where appropriate, this has been addressed in the specific notes, estimates and judgements in the Financial Statements. There remains uncertainty with respect to future events or circumstances which may continue to impact the financial results of the consolidated entity.

Dispute with Plus Franchisees

As announced to the ASX on 17 May 2021, the Company received a draft statement of claim prepared on behalf of a number of Plus Fitness franchisees. The draft statement of claim advised of the possibility of proceedings being commenced against Viva Leisure and its subsidiary Australian Fitness Management (AFM).

No claim has been filed with any Court as at the date of this report, and accordingly no provision or contingent liability has been recorded. Viva Leisure is confident that it and its group companies are dealing with franchising appropriately and in accordance with the law.

All legal costs incurred to date in relation to this matter have been expensed as incurred.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- Completed a fully underwritten \$30 million equity raising by way of an institutional placement of approximately 10.34 million ordinary shares at \$2.90
- New credit terms were agreed with the Commonwealth Bank of Australia in relation to a \$35.35 million five-year senior secured facility, comprising a \$25 million Market Rate Loan facility (currently drawn to \$10.00 million) to assist in financing future acquisitions, a bank guarantee facility and a direct debit facility

• Completed several acquisitions comprising:

- 100% of the issued capital of Australian Fitness Management Pty Limited (AFM), the master franchisor for the Plus Fitness group of health clubs
- The assets of FitHQ, a health club based in Campbelltown NSW
- The assets of Active Life, a health club based in Norman Park, QLD
- The assets of G Fitness, a health club based in Rhodes, NSW
- The assets of two Coffs Coast health clubs, based in Moonee and Tormina, NSW
- The assets of four separate Plus Fitness sites, based in Everton Park and Morayfield, QLD, Shepparton, VIC, Goulburn, NSW
- Total growth in club numbers from acquisitions and new club openings were as follows:
 - 26 Health clubs
 - 10 Hiit Republics

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Since the end of the financial year, the Company has entered into binding agreements or completed the following acquisitions:

- The assets of One Health, a health club based in South Morang, VIC
- The assets of Plus Fitness sites in, Manly and Mona Vale, NSW, Beerwah, QLD

In addition, the Company has opened the Group's first GroundUp site - a Reformer and Mat Pilates, Barre and Yoga studio.

As at the date of this report the Group has mandatory temporary closures of some of its clubs in NSW, Victoria and ACT due to COVID-19.

No other 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, other than the impacts of COVID-19 mentioned above.

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.

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	17	17	0	2	4	4
Bruce Glanville	17	17	3	3	6	6
Mark McConnell*	6	6	0	1	5	5
Susan Forrester^	10	10	1	1	5	5
Rhys Holleran	13	13	2	2	1	1

*Resigned 6 November 2020 ^Resigned 31 December 2020

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 8 scheduled Board Meetings. The additional meetings held and attended by Directors were for special matters, such as for acquisitions, capital raises and COVID-19 matters.

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
2-May-19	2-May-23	1.34	1,400,000
2-May-19	2-May-23	1.43	1,000,000
7-Jun-19	31-Aug-23	0.00	295,000
30-Oct-19	31-Aug-24	0.00	295,000
12-Nov-20	16-Oct-25	3.34	1,213,334
			4,203,334

These options were issued under either the LTI, Tranche 1 or Tranche 2 Plans (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 and 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;
- Tranche 1 and Tranche 2 Plan Options: The options are currently vested. Options issued under the Tranche 1 and Tranche 2 program expire four years from the date of grant of the options.

SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF EXERCISE OF OPTIONS

There were 100,000 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 (2020: 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:

- 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 \$26,500. 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 31.

This directors' report including the Remuneration Report is signed in accordance with a resolution of the Board of Directors:



HARRY KONSTANTINO

Director

Dated this 17 day of AUGUST 2021.

REMUNERATION REPORT

The Directors of Viva Leisure Ltd (Viva Leisure, the Group, or the Company) present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

- a. Principles used to determine the nature and amount of remuneration;
- b. Details of remuneration;
- c. Service agreements; and
- d. Share-based remuneration

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align rewards to business outcomes that deliver value to shareholders;

- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent

Viva Leisure has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a People and Culture Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and the Executive Team.

The Committee has engaged independent remuneration consultants to provide any necessary information to assist in the discharge of its responsibilities (refer to the disclosures below).

The remuneration structure that has been adopted by the Group consists of the following components:

REMUNERATION

AUDITED

- fixed remuneration being annual salary including directly related statutory obligations;
- short term incentives (STIs), being cash based payments;
- long term incentives (LTIs), being participation in the form of options. The People and Culture Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

The payment of incentive salaries, share options and other incentive payments are reviewed by the People and Culture Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All incentive salaries, options and incentives are linked to pre-determined performance criteria, and subject to the usual discretion of the Board.

Short Term Incentives (STIs)

Performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the Company values.

The performance measures are set annually after consultation with the Board and executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

Entitlement to an annual STI payment for the Executive Team is subject to the following:

- the achievement of targets as against key performance indicators (KPIs) and the budget adopted by the Board for the financial year ending 30 June of each year;
- an unqualified audit report for that financial year;
- the People and Culture Committee will assess whether those KPIs have been achieved or otherwise and provide a recommendation to the Board;
- where the KPIs are only partially achieved, the Board will, wholly at its sole discretion, determine the basis upon which any STI payment will be calculated in those circumstances; and
- any STI amount is only payable upon finalisation of the financial accounts by the Company.

Long Term Incentives (LTIs)

The table below describes the performance hurdles and vesting conditions that apply as at the date of this report and in relation to the 1,803,334 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 CAGR is illustrated in the following table:

LTIs (Granted 7 June 2019)	
EPS CAGR over the two Financial Years Ending 30 June 2021	Percentage of Options that Vest
Less than 15% (minimum Target)	0%
15% to 20% (within target range)	50% - 100% (on a straight-line basis)
Greater than 20% (above maximum target)	100%

LTIs (Granted 30 October 2019)	
EPS CAGR over the three Financial Years Ending 30 June 2022	Percentage of Options that Vest
Less than 15% (minimum Target)	0%
15% to 20% (within target range)	50% - 100% (on a straight-line basis)
Greater than 20% (above maximum target)	100%

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%

- 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, 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).
- 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.

USE OF REMUNERATION CONSULTANTS

Viva Leisure Limited's Board engaged the services of Crichton & Associates to review and to provide recommendations in respect of the amount and elements of executive remuneration, including short-term and long-term incentives.

Under the terms of the engagement, Crichton & Associates provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 for fees of \$28,114 for these services.

Crichton & Associates confirmed that any recommendations have been made free from undue influence by members of the Group's key management personnel.

Crichton & Associates was engaged by, and reported directly to, the Board of Directors. The agreement for the provision of remuneration consulting services was executed by the Chair of the Board of Directors on behalf of the Board.

The report containing the remuneration recommendations was provided by Crichton & Associates directly to the Chair of the Board of Directors.

The Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

COMPANY PERFORMANCE

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the period from listing to 30 June 2021:

	30 June 2021	30 June 2020	30 June 2019*
Revenue	83,718,105	40,885,697	31,160,220
Net profit before tax	(8,793,735)	(9,343,618)	3,975,945
Net profit after tax	(6,384,898)	(6,246,345)	2,855,103
Share price at start of the year	\$2.62	\$0.88	N/A
Share price at end of the year	\$1.64	\$2.62	\$0.88
Interim dividend	nil	nil	nil
Final dividend	nil	nil	nil
Basic earnings pe share*	(8.2)	(10.9)	5.4
Diluted earnings per share*	(7.9)	(10.4)	5.2

* 30 June 2019 results did not include the impacts of AASB16 as the standard was not adopted at that date.

B. DETAILS OF REMUNERATION

Details of the nature and amount of each element of the remuneration of each Key Management Personnel (KMP) of Viva Leisure are shown in the table below:

Directors and other Key Management Personnel		Short-term Employee Benefits		Post-employment Benefits	Long-term Benefits		Share-based Payments		Performance based on % of Remuneration
Employee	Year	Cash salary and fees (\$)	Incentives (\$)	Super-annuation (\$)	Long Service (\$)	Termination benefits (\$)	Options (\$)	Total (\$)	
Executive Directors									
Harry Konstantinou (Managing Director)	2021	425,000	-	25,000	7,109	-	65,869	522,979	12.6%
	2020	425,000	90,000	25,000	7,125	-	11,689	558,814	18.2%
Non-executive Directors									
Bruce Glanville* (Independent)	2021	86,795	-	25,000	-	-	-	111,794	Nil
	2020	89,124	-	20,620	-	-	-	109,744	Nil
Rhys Holleran (Independent)#	2021	51,962	-	-	-	-	-	51,962	Nil
	2020	-	-	-	-	-	-	-	Nil
Mark McConnell (Non-Independent)*	2021	25,385	-	-	-	-	-	25,385	Nil
	2020	53,076	-	-	-	-	-	53,076	Nil
Susan Forrester (Independent)^	2021	37,500	-	-	-	-	-	37,500	Nil
	2020	65,625	-	-	-	-	-	65,625	Nil
Other Key Management Personnel									
Kym Gallagher (Chief Financial Officer)	2021	315,000	-	25,000	7,009	-	19,907	366,916	5.4%
	2020	275,000	60,000	25,000	4,799	-	5,157	369,956	17.6%
Angelo Konstantinou (Chief Technology Officer)	2021	219,178	-	20,822	8,856	-	14,052	262,908	5.3%
	2020	200,000	44,119	20,597	3,353	-	3,438	271,507	17.5%
Sean Hodges (Chief Operating Officer)	2021	210,045	-	19,954	7,455	-	6,733	244,187	2.8%
	2020	175,000	20,000	18,678	13,281	-	-	226,959	8.8%
Total	2021	1,370,865	-	115,776	30,429	-	106,562	1,623,631	6.6%
Total	2020	1,282,825	214,119	109,895	28,558	-	20,284	1,655,681	14.2%

Directors voluntarily reduced Directors fees by 50% during the period 27 March 2020 to 14 June 2020.

*Resigned 6 November 2020, remuneration shown is until the date of retirement

^Resigned 31 December 2020, remuneration shown is until the date of retirement

#Appointed 30 September 2020

% Calculated in accordance with AASB 2: Share Based Payments

The relative proportions of remuneration that are linked to performance and those that are fixed for the financial year are as follows:

	Fixed remuneration (\$)	At Risk Short-Term Incentives (STI)	At risk options
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Executive Directors

Harry Konstantinou	450,000	Up to 50% of fixed remuneration	Up to 100% of fixed remuneration
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Other Key Management Personnel

Kym Gallagher	340,000	Up to 25% of fixed remuneration	Up to 40% of fixed remuneration
Angelo Konstantinou	240,000	Up to 25% of fixed remuneration	Up to 40% of fixed remuneration
Sean Hodges	230,000	Up to 15% of fixed remuneration	Up to 20% of fixed remuneration

Since the long-term incentives for the financial year are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options.

The relative proportions of remuneration that are linked to performance and those that are fixed for subsequent financial years are as follows:

	Fixed remuneration (\$)	At Risk Short-Term Incentives (STI)	At risk options
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Executive Directors

Harry Konstantinou	650,000	Up to 40% of fixed remuneration	Up to 60% of fixed remuneration
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Other Key Management Personnel

Kym Gallagher	380,000	Up to 25% of fixed remuneration	Up to 30% of fixed remuneration
Angelo Konstantinou	264,000	Up to 25% of fixed remuneration	Up to 30% of fixed remuneration
Sean Hodges	264,000	Up to 25% of fixed remuneration	Up to 30% of fixed remuneration

FY2022 changes to STIs and LTIs

Based on remuneration structure review conducted by the People and Culture Committee there is no change to the underlying performance metrics for either the FY22 STI or LTI. The performance targets have been adjusted by the Board to reflect the current market conditions and align incentives with shareholder interests.

C. SERVICE AGREEMENTS

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration for the financial year are set out below:

Employee	Base Remuneration (\$)	Term of Agreement	Notice Period
Harry Konstantinou	450,000	Three years	Six months
Kym Gallagher	340,000	Three years	Three months
Angelo Konstantinou	240,000	Three years	Three months
Sean Hodges	230,000	Three years	Three months

The major provisions of the agreements relating to remuneration for subsequent financial years are set out below:

Employee	Base Remuneration (\$)	Term of Agreement	Notice Period
Harry Konstantinou	650,000	Three years	Six months
Kym Gallagher	380,000	Three years	Three months
Angelo Konstantinou	264,000	Three years	Three months
Sean Hodges	264,000	Three years	Three months

D. SHARE-BASED REMUNERATION

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.

Options granted to the Executive Team are under the LTI Plan and under Tranche 1 and Tranche 2 Plans:

- 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;
- Tranche 1 and Tranche 2 Plan Options: These options are currently vested.

Options granted under the LTI, Tranche 1 and Tranche 2 Plans carry no dividends or voting rights.

Details of options over ordinary shares in the Company that were granted as remuneration to each key management personnel are set out in the table below. Non-Executive Directors are not entitled to participate in the LTI Plan.

No options under the LTI Plan have been exercised or forfeited during the year.

Employee		Number granted	Grant date	Value per Option at Grant Date (\$)	Value of Options at Grant Date (\$)	Number Exercised	Exercise Proceeds (\$)	Options held at Balance Date	Vesting and First Exercise Date	Last Exercise Date
Directors and other Key Management Personnel										
Executive Directors										
Harry Konstantinou	Tranche 1	1,000,000	2-May-19	0.055	55,320	-	-	1,000,000	7-Jun-19	2-May-23
	Tranche 2	1,000,000	2-May-19	0.072	72,232	-	-	1,000,000	7-Jun-19	2-May-23
	LTI	170,000	7-Jun-19	-	-	-	-	170,000	31-Aug-21	31-Aug-23
	LTI	170,000	30-Oct-19	0.069	11,689	-	-	170,000	31-Aug-22	31-Aug-24
	LTI	750,000	12-Nov-20	0.391	293,119	-	-	750,000	16-Oct-23	16-Oct-25

Employee		Number granted	Grant date	Value per Option at Grant Date (\$)	Value of Options at Grant Date (\$)	Number Exercised	Exercise Proceeds (\$)	Options held at Balance Date	Vesting and First Exercise Date	Last Exercise Date
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Directors and other Key Management Personnel

Non-Executive Directors

Bruce Glanville	Tranche 1	200,000	2-May-19	0.055	11,064	-	-	200,000	7-Jun-19	2-May-23
Susan Forrester*	Tranche 1	100,000	2-May-19	0.055	5,532	100,000	134,000	-	7-Jun-19	2-May-23

Other Key Management Personnel

Kym Gallagher	Tranche 1	100,000	2-May-19	0.055	5,532	-	-	100,000	7-Jun-19	2-May-23
	LTI	75,000	7-Jun-19	-	-	-	-	75,000	31-Aug-21	31-Aug-23
	LTI	75,000	30-Oct-19	0.069	5,157	-	-	75,000	31-Aug-22	31-Aug-24
	LTI	226,667	12-Nov-20	0.391	88,587	-	-	226,667	16-Oct-23	16-Oct-25
Angelo Konstantinou	Tranche 1	100,000	2-May-19	0.055	5,532	-	-	100,000	7-Jun-19	2-May-23
	LTI	50,000	7-Jun-19	-	-	-	-	50,000	31-Aug-21	31-Aug-23
	LTI	50,000	30-Oct-19	0.069	3,438	-	-	50,000	31-Aug-22	31-Aug-24
	LTI	160,000	12-Nov-20	0.391	62,532	-	-	160,000	16-Oct-23	16-Oct-25
Sean Hodges	LTI	76,667	12-Nov-20	0.391	3,438	-	-	76,667	16-Oct-23	16-Oct-25

*Resigned 31 December 2020, holdings shown are as at the date of retirement

E. SHARES HELD BY DIRECTORS AND KEY MANAGEMENT PERSONNEL

The number of ordinary shares in the Company during the 2021 reporting period held by each of the Group's key management personnel, including their related parties, is set out below

Directors and other Key Management Personnel	Balance at Start of Year	Granted as Remuneration	Received on Exercised Options	Shares Purchased	Shares Sold	Held at the End of the Reporting Period
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Executive Directors

Harry Konstantinou	23,290,066	-	-	56,635	-	23,346,701
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Non-Executive Directors

Bruce Glanville	300,000	-	-	-	-	300,000
Rhys Holleran#				30,000	-	30,000

Other Key Management Personnel

Kym Gallagher	140,000	-	-	-	-	140,000
Angelo Konstantinou	23,230,502	-	-	-	1,100,000	22,130,502
Sean Hodges	40,000	-	-	6,667	-	46,667

Retired Non-Executive Directors

Mark McConnell*	4,543,296	-	-	29,400	1,000,000	3,572,696
Susan Forrester^	326,668	-	100,000	-	-	426,668

*Resigned 6 November 2020, holdings shown are as at the date of retirement

^Resigned 31 December 2020, holdings shown are as at the date of retirement

#Appointed 30 September 2020

At 30 June 2021 there were no loans outstanding to Directors or Key Management Personnel.

**AUDITOR'S
INDEPENDENCE**

**DECLAR
ATION**

**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**

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

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 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Hall Chadwick

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

S. Kumar

Sandeep Kumar
Partner
Dated: 17 August 2021

A Member of PrimeGlobal
An Association of Independent
Accounting Firms



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 2021 is available on the investor relations website at <https://investors.vivaleisure.com.au>.

PERFORMANCE



CONSOLIDATED

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
Revenue	4	83,718,105	40,885,697
Rental and outgoing expense		(2,021,447)	(135,325)
Employee benefits expense	20	(26,384,475)	(13,551,344)
Bank Charges		(1,217,433)	(657,908)
Advertising and marketing costs		(2,133,953)	(1,322,313)
Utilities and cleaning		(6,618,395)	(3,507,656)
Licences and subscriptions		(1,984,615)	(826,882)
Insurances		(473,408)	(236,809)
Repairs and maintenance		(1,241,134)	(817,151)
Professional fees		(261,635)	(255,002)
Depreciation and amortisation expense		(30,076,823)	(17,006,278)
Finance costs	6	(12,795,671)	(8,063,229)
Costs of capital raisings, acquisitions and contractual matters	5	(1,044,935)	(1,051,385)
Other expenses		(6,257,916)	(2,798,033)
Loss before income tax		(8,793,735)	(9,343,618)
Income tax benefit	8	2,408,837	3,097,273
Loss for the year		(6,384,898)	(6,246,345)
Total other comprehensive income for the year		-	-
Total comprehensive loss for the year		(6,384,898)	(6,246,345)

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

CONDENSED STATEMENT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Earnings per share	24	2021 Cents	2020 Cents
Basic earnings per share:			
Earnings from continuing operations		(8.2)	(10.9)
Diluted earnings per share:			
Earnings from continuing operations		(7.9)	(10.4)

**CONSOLIDATED
STATEMENT OF**

FINANCIAL PERFORMANCE

AS AT 30 JUNE 2021

VIVA LEISURE ANNUAL REPORT 2021



	Note	2021 \$	2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	17,290,971	30,103,095
Trade and other receivables	10	2,719,211	2,652,313
Inventories	11	899,521	158,200
Other current assets	12	2,692,697	2,814,156
TOTAL CURRENT ASSETS		<u>23,602,400</u>	<u>35,727,764</u>
NON-CURRENT ASSETS			
Trade and other receivables	10	130,423	-
Property, plant, and equipment	14	51,707,684	28,646,732
Right of use assets	19	204,883,653	176,881,777
Intangible assets	15	47,915,884	20,529,715
Deferred tax assets	16	69,896,036	57,726,670
TOTAL NON-CURRENT ASSETS		<u>374,533,680</u>	<u>283,784,894</u>
TOTAL ASSETS		<u>398,136,080</u>	<u>319,512,658</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	6,383,048	5,096,543
Borrowings	13	2,080,500	1,272,500
Lease liabilities	19	22,873,600	14,829,663
Contract liabilities	18	4,437,889	863,350
Current tax liabilities	16	1,560,361	704,386
Provisions	21	1,875,182	1,655,033
TOTAL CURRENT LIABILITIES		<u>39,210,580</u>	<u>24,421,475</u>
NON-CURRENT LIABILITIES			
Borrowings	13	7,927,000	6,716,000
Lease liabilities	19	197,287,676	167,797,430
Provisions	21	6,794,176	4,476,841
Deferred tax liabilities	16	60,564,445	52,784,151
TOTAL NON-CURRENT LIABILITIES		<u>272,573,297</u>	<u>231,774,422</u>
TOTAL LIABILITIES		<u>311,783,877</u>	<u>256,195,897</u>
NET ASSETS		<u>86,352,203</u>	<u>63,316,761</u>
EQUITY			
Issued capital	22	116,677,780	87,375,694
Reserves	23	(21,607,131)	(21,725,385)
Retained earnings		(8,718,446)	(2,333,548)
TOTAL EQUITY		<u>86,352,203</u>	<u>63,316,761</u>

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 2021



	Share Capital	Reserves	Retained Earnings (Accumulated losses)	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2019	43,715,691	(21,430,110)	3,476,477	25,762,057
Impact of initial recognition of AASB16, net of tax	-	-	436,320	436,320
Balance at 1 July restated	43,715,691	(21,430,110)	3,912,797	26,198,377
Issue of shares, net of transaction costs and tax	43,660,003	-	-	43,660,003
Common control reserve arising from group restructure in prior year	-	(315,559)	-	(315,559)
Share option premium reserve	-	20,284	-	20,284
Total transactions with owners	43,660,003	(295,275)	-	43,364,728
Loss for the year	-	-	(6,246,345)	(6,246,345)
Total comprehensive loss for the year attributable to members of the entity	-	-	(6,246,345)	(6,246,345)
Total transactions with owners and other transfers	43,660,003	(295,275)	(6,246,345)	37,118,383
Balance at 30 June 2020	87,375,694	(21,725,385)	(2,333,548)	63,316,760
Balance at 1 July 2020	87,375,694	(21,725,385)	(2,333,548)	63,316,761
Issue of shares, net of transaction costs and tax	29,162,554	-	-	29,162,554
Exercise of share options	139,532	(5,532)	-	134,000
Share option premium reserve	-	123,786	-	123,786
Total transactions with owners	29,302,086	118,254	-	29,420,340
Loss for the year	-	-	(6,384,898)	(6,384,898)
Total comprehensive loss for the year attributable to members of the entity	-	-	(6,384,898)	(6,384,898)
Total transactions with owners and other transfers	29,302,086	118,254	(6,384,898)	23,035,442
Balance at 30 June 2021	116,677,780	(21,607,131)	(8,718,446)	86,352,203

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



**CONSOLIDATED
STATEMENT OF**

**CASH
FLOWS**

FOR THE YEAR ENDED
30 JUNE 2021



	Note	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		95,961,521	45,894,517
Payments to suppliers and employees		(57,098,045)	(32,816,827)
Interest received		72,568	199,463
Interest paid		(12,795,671)	(8,063,229)
Payments of income tax		(779,854)	(1,575,870)
Net cash provided by operating activities	25	<u>25,360,519</u>	<u>3,638,054</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(27,105,482)	(17,314,639)
Proceeds from sale of property, plant and equipment		598,208	583,015
Purchase of intangibles		(755,869)	(601,652)
Payments for business combinations, net of cash acquired	29	(27,540,181)	(17,729,613)
Net cash (used in) investing activities		<u>(54,803,324)</u>	<u>(35,062,889)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	22	30,139,532	45,000,000
Direct costs of issue of shares		(1,200,000)	(1,848,761)
Proceeds from borrowings		3,112,500	7,988,500
Repayment of borrowings		(1,093,500)	
Reduction in equipment leases principal		(3,299,791)	(1,759,274)
Reduction in property leases principal	19	(11,028,057)	(2,238,429)
Net cash provided by financing activities		<u>16,630,684</u>	<u>47,142,036</u>
Net decrease in cash held		(12,812,121)	15,717,201
Cash at beginning of financial year		30,103,095	14,385,895
Cash at end of financial year	9	<u><u>17,290,974</u></u>	<u><u>30,103,095</u></u>

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

TO THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021**› 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 2021 were approved and authorised for issue by the Board of Directors on 17 August 2021.

› 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. COVID-19

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the group operates. The Group has the majority of NSW, Victorian and ACT locations currently closed due mandatory shutdowns imposed by the respective State Governments and there remains uncertainty with respect to future events or circumstances which

may continue to impact the financial results of the consolidated entity.

The Directors monitor the Group's liquidity and believe that the strong balance sheet position, together with the ability to raise funds if required, provide a reasonable expectation that the Group will be able to pay its debts as and when they become due and payable. Accordingly, the Directors believe that the preparation of the financial statements on a going concern basis is still appropriate.

c. Basis of Consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as at 30 June 2021. 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.

d. 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.

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.

e. 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.

f. Revenue

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
- (iv) Allocating the transaction price to the performance obligations
- (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, 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.

g. 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.

h. 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.

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.

i. 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%

j. 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 4 k. 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.

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.

k. 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.

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 to exercise 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.

I. 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.

m. 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.

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.

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.

n. 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.

o. 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.

p. 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.

q. 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.

r. 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 current trade and other payables 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 9.5% 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.

s. 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).

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.

t. 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.

u. 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.

v. 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.

w. Changes in Significant Accounting Policies

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

x. 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 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2022
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022
AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	1 June 2021
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021

y. 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.

Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

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 likeliness 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

		2021 \$	2020 \$
Revenue from contracts with customers	4a	75,135,620	40,367,123
Income from franchise operations	4a	8,460,040	-
		<u>83,595,660</u>	<u>40,367,123</u>
Other sources of income	4b	122,445	518,574
Total revenue and other income		<u>83,718,105</u>	<u>40,885,697</u>
The group operates in one segment, health club services.			
a. Revenue from contracts with customers:		75,135,620	40,367,123
a. Income from franchise operations:		8,460,041	-
		<u>83,595,660</u>	<u>40,367,123</u>
Timing of revenue recognition			
Over time		78,951,201	40,367,123
At a point in time		4,644,459	-
Total revenue from contracts with customers		<u>83,595,660</u>	<u>40,367,123</u>
b. Other Revenue			
Interest received		72,568	199,463
Rent received		39,442	-
Gain on disposal of property, plant and equipment		10,435	71,616
Management fees received		-	247,495
Total other revenue		<u>122,445</u>	<u>518,574</u>

› NOTE 5 - LOSS FOR THE YEAR

	2021 \$	2020 \$
Loss before income tax from continuing operations includes the following specific expenses:		
• Amounts expensed as part of business combinations and acquisition opportunities	455,111	733,789
• Short term lease payments	219,027	135,325
• Amounts expensed as part of capital raises and debt restructure	206,795	317,596
• Costs relating to contractual matters with AFM Franchisees	383,029	-

› NOTE 6 - FINANCE COSTS AND FINANCE INCOME

	2021 \$	2020 \$
Interest expense from borrowings at amortised cost:		
External entities	922,234	758,649
Interest expenses for finance lease arrangements	11,873,437	7,304,580
Total interest expense	<u>12,795,671</u>	<u>8,063,229</u>

› 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 27.5% (2020: 27.5%) and the reported tax expense in profit or loss are as follows:

	2021 \$	2021 \$
Profit / (loss) before tax	(8,793,735)	(9,343,618)
Domestic tax rate	30.0%	27.5%
Prima facie tax expense	<u>(2,638,121)</u>	<u>(2,569,495)</u>
Adjustment for non-deductible expenses:		
Non-deductible expenses	66,313	14,819
Tax effect of change in tax rate on DTA/DTL	-	(411,877)
Prior year's over provision of tax	162,971	(115,315)
Income tax (benefit)/expense	<u>(2,408,837)</u>	<u>(3,097,273)</u>
Tax expense comprises		
Current tax expense	1,573,022	717,046
Deferred tax expense	<u>(3,981,859)</u>	<u>(3,814,318)</u>
	<u>(2,408,837)</u>	<u>(3,097,273)</u>

› NOTE 9 - CASH AND CASH EQUIVALENTS

	2021 \$	2020 \$
Cash at bank and on hand	3,261,521	3,870,360
Short-term bank deposits	9,678,852	23,203,643
Cash backed bank guarantees	4,350,598	3,029,092
	<u>17,290,971</u>	<u>30,103,095</u>

The effective interest rate on short-term bank deposits was 0.01% (2020: 0.65%); these deposits are held at call.

› NOTE 10 - TRADE AND OTHER RECEIVABLES

	2021 \$	2020 \$
Current		
Trade receivables	2,549,312	143,380
Other receivables	112,748	2,508,933
Sub leases receivable	57,151	-
Total current trade and other receivables	<u>2,719,211</u>	<u>2,652,313</u>
Non-current		
Sub leases receivable	130,423	-
Total non-current trade and other receivables	<u>130,423</u>	<u>-</u>

	Current \$	>30 days past due \$	>60 days past due \$	>90 days past due \$	Total \$
2021					
Australian Fitness Management - franchise fees	1,979,632	-	-	-	1,979,632
Trade receivables	338,306	20,785	18,848	191,741	569,680
Other receivables and sub leases receivable	169,899	-	-	-	169,899
	<u>2,487,837</u>	<u>20,785</u>	<u>18,848</u>	<u>191,741</u>	<u>2,719,211</u>

The amount in current receivables for Australian Fitness Management - licence fees relates to franchise sites that are in various stages of development. The fees become payable 14 days prior to the club opening.

The net carrying of trade receivables is considered a reasonable approximation of fair value.

› NOTE 11 - INVENTORIES

	2021 \$	2020 \$
Current		
At cost or lower of net realisable value	899,521	158,200
Finished goods	899,521	158,200

› NOTE 12 - OTHER CURRENT ASSETS

	2021 \$	2020 \$
Current		
Prepayments	991,848	286,260
Bonds and other deposits	1,700,849	2,527,896
	2,692,697	2,814,156

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

› NOTE 13 - BORROWINGS

	Current		Non-current	
	2021 \$	2020 \$	2021 \$	2020 \$
At amortised cost:				
Bank loans	2,080,500	1,272,500	7,927,000	6,716,000
	2,080,500	1,272,500	7,927,000	6,716,000

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 \$3,250,000 (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 4.30%, at 30 June 2021 this amounted to 4.55%

Finance lease liabilities are secured against the underlying leased equipment and are at an average interest rate of 4.8%

› 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 2020	5,894,069	1,016,890	319,197	21,416,576	28,646,732
Additions	9,351,082	358,689	146,771	17,248,941	27,105,483
Acquisitions through business combinations	1,942,276	-	-	-	1,942,276
Disposals	(465,901)	(15,503)	(20,026)	(2,821)	(504,251)
Depreciation expense	(1,790,063)	(307,351)	(159,868)	(3,225,274)	(5,482,555)
Carrying amount at 30 June 2021	14,931,463	1,052,725	286,074	35,437,422	51,707,684
At cost	20,222,349	2,315,423	630,788	41,035,766	64,204,326
Accumulated depreciation	(5,290,887)	(1,262,697)	(344,714)	(5,598,344)	(12,496,642)
Written down value	14,931,462	1,052,726	286,074	35,437,422	51,707,684

	Plant and Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2019	2,854,883	370,299	168,080	6,375,931	9,769,193
Additions	3,122,699	232,725	212,187	13,747,029	17,314,640
Acquisitions through business combinations	1,434,429	533,630	-	2,328,680	4,296,739
Disposals	(670,698)	(4,931)	-	(4,251)	(679,880)
Depreciation expense	(847,244)	(114,833)	(61,070)	(1,030,813)	(2,053,960)
Carrying amount at 30 June 2020	5,894,069	1,016,890	319,197	21,416,576	28,646,732
At cost	9,460,802	1,972,439	520,679	23,789,646	35,743,567
Accumulated depreciation	(3,566,733)	(955,549)	(201,482)	(2,373,070)	(7,096,834)
Written down value	5,894,069	1,016,890	319,197	21,416,576	28,646,732

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 2020	19,744,625	126,585	604,033	54,472	20,529,715
Additions	-	14,323	738,775	2,771	755,869
Acquisitions through business combination	27,160,604	-	-	-	27,160,604
Amortisation expense	-	(13,283)	(511,060)	(5,961)	(530,304)
Carrying amount at 30 June 2021	46,905,229	127,625	831,748	51,282	47,915,884
At cost	46,905,229	159,056	1,711,086	60,873	48,836,244
Accumulated depreciation	-	(31,431)	(879,338)	(9,591)	(920,360)
Written down value	46,905,229	127,625	831,748	51,282	47,915,884

	Goodwill	Trademarks	Capitalised Software	Digital Assets	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance at 1 July 2019	6,163,027	50,470	337,695	12,889	6,564,081
Additions	-	84,429	472,170	45,052	601,651
Acquisitions through business combination	13,581,598	-	-	-	13,581,598
Disposals	-	(1,927)	-	-	(1,927)
Amortisation expense	-	(6,387)	(205,832)	(3,469)	(215,688)
Carrying amount at 30 June 2020	19,744,625	126,585	604,033	54,472	20,529,715
At cost	19,744,625	144,734	972,311	58,102	20,919,773
Accumulated depreciation	-	(18,149)	(368,278)	(3,630)	(390,058)
Written down value	19,744,625	126,585	604,033	54,472	20,529,715

All amortisation is included in within depreciation and amortisation expense. Customer contracts are typically short term, with low barriers to cancellation and as such, no value has been recognised during the year. Prior year balances have been adjusted to goodwill.

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:

	Growth Rate	Discount Rate
Health Clubs	5%	6.55%

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 growth rate of 5% less selling costs 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 6.55%.

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, and in Note 3 b. relating to the current COVID-19 lockdowns, management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

› NOTE 16 - TAX

	1 July 2020	Recognised in Equity	Recognised in Profit and Loss	30 June 2021
	\$	\$	\$	\$
Non-Current Assets				
Property, plant and equipment	289,610	-	631,399	921,009
Leased assets	(53,064,533)	-	(8,400,563)	(61,465,096)
Other intangible assets	(9,228)	-	(60,557)	(69,785)
Non-Current Liabilities				
Provisions	1,343,052	-	695,201	2,038,253
Lease liabilities	50,339,229	-	8,926,715	59,265,944
Deferred legal costs	624,968	-	360,260	985,228
Current Liabilities				
Provisions	496,510	-	66,045	562,555
Accruals	30,000	-	(9,000)	21,000
Lease liabilities	4,448,899	-	2,333,540	6,782,439
Contract liabilities	-	-	-	-
Equity				
Costs of IPO allocated direct to equity	444,012	362,555	(516,523)	290,044
	4,942,519	362,555	4,026,517	9,331,591

	1 July 2019	Recognised in Equity	Recognised in Profit and Loss	30 June 2020
	\$	\$	\$	\$
Non-Current Assets				
Property, plant and equipment	(77,485)	-	367,095	289,610
Leased assets	(2,592,602)	-	(50,471,931)	(53,064,533)
Other intangible assets	(5,757)	-	(3,471)	(9,228)
Non-Current Liabilities				
Provisions	171,408	-	1,171,644	1,343,052
Lease liabilities	1,558,931	-	48,780,298	50,339,229
Deferred legal costs	183,507	-	441,461	624,968
Current Liabilities				
Provisions	184,005	-	312,505	496,510
Accruals	24,750	-	5,250	30,000
Lease liabilities	625,574	-	3,823,325	4,448,899
Contract liabilities	418,700	-	(418,700)	-
Equity				
Costs of IPO allocated direct to equity	293,906	343,264	(193,157)	444,012
	784,937	343,264	3,814,319	4,942,519

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

Tax Payable	2021 \$	2020 \$
CURRENT		
Income tax payable	<u>1,560,361</u>	<u>704,386</u>

› NOTE 17 - TRADE AND OTHER PAYABLES

	2021 \$	2020 \$
CURRENT		
Trade payables	5,235,112	4,452,036
Sundry payables and accrued expenses	<u>1,147,936</u>	<u>644,507</u>
	<u>6,383,048</u>	<u>5,096,543</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

	2020 \$	2019 \$
CURRENT		
Amounts received in advance for sale of gym memberships	1,442,538	863,350
Amounts received in advance for franchise licence sales	<u>2,995,351</u>	-
Total contract liabilities	<u>4,437,889</u>	<u>863,350</u>

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

› NOTE 19 - LEASES

	2021 \$	2020 \$
(i) AASB 16 related amounts recognised in the balance sheet		
RIGHT OF USE ASSETS		
Leased buildings:		
Opening balance	160,836,896	-
Additions to right-of-use assets	47,699,023	173,822,889
Depreciation expense	(21,114,439)	(12,985,993)
Net carrying amount	<u>187,421,480</u>	<u>160,836,896</u>
Leased equipment: *		
Opening balance	16,044,881	9,427,644
Additions to right-of-use assets	4,319,065	8,452,127
Disposals of right-of-use assets	(93,956)	(7,011)
Depreciation expense	(2,807,817)	(1,827,879)
Net carrying amount	<u>17,462,173</u>	<u>16,044,881</u>
Total right-of-use assets	<u>204,883,653</u>	<u>176,881,777</u>
LEASE LIABILITIES		
Leased buildings:		
Opening balance	168,106,082	-
Additions to lease liabilities	47,579,096	170,390,976
Principal repayments	(11,065,065)	(2,284,894)
Net carrying amount	<u>204,620,113</u>	<u>168,106,082</u>
Leased equipment:		
Opening balance	14,521,011	7,943,655
Additions to lease liabilities	4,319,944	8,332,235
Principal repayments	(3,299,792)	(1,754,879)
Net carrying amount	<u>15,541,163</u>	<u>14,521,011</u>
Total lease liabilities	<u>220,161,276</u>	<u>182,627,093</u>
Current liabilities	22,873,600	14,829,663
Non-current liabilities	<u>197,287,676</u>	<u>167,797,430</u>
	<u>220,161,276</u>	<u>182,627,093</u>

	2021 \$	2020 \$
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)	24,033,264	14,941,974
Interest expense on lease liabilities (included in total finance costs)	11,873,437	7,911,181
(iii) Cash outflows relating to leases / rental payments		
Property lease payments	22,126,667	9,658,521
Equipment lease payments	4,074,620	2,292,434
Total cash outflows for leases / rental payments	<u>26,201,287</u>	<u>11,950,955</u>

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 - NOTE 20 EMPLOYEE REMUNERATION

	2021 \$	2020 \$
20.1 Employee benefits - expense		
Expenses recognised for employee benefits are analysed below:		
Wages and salaries	23,092,699	11,739,107
Employee leave entitlements	907,214	703,702
Share based payments	106,562	20,284
Superannuation	2,278,000	1,088,251
Employee Benefits Expense	<u>26,384,475</u>	<u>13,551,344</u>

The Company received JobKeeper payments of \$3.437 million. These payments have been offset against wages and salaries for the year

20.2 Share-Based Employee Remuneration

As at 30 June 2021, the Company maintained a Long-Term Incentive (LTI) share-based payment scheme for employee remuneration, which will be settled in equity. In addition, the Company has issued Tranche 1 and Tranche 2 options.

Options granted to the Executive Team are under the LTI Plan and under Tranche 1 and Tranche 2 Plans:

- LTI Plan Options: The vesting of those options and will be subject to the satisfaction of appropriate service-based conditions and/or performance hurdles determined by the Board;
- Tranche 1 and Tranche 2 Plan Options: These options are currently vested.

Options granted under the LTI, Tranche 1 and Tranche 2 Plans carry no dividends or voting rights.

Long Term Incentives (LTIs)

The table below describes the performance hurdles and vesting condition that in accordance with the Long Term Incentive Plan in relation to the 1,803,334 options granted to senior executives:

Earnings per Share (EPS) 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 7 June 2019)

EPS CAGR over the two Financial Years Ending 30 June 2021*	Percentage of Options that Vest
Less than 15% (minimum Target)	0%
15% to 20% (within target range)	50% - 100% (on a straight-line basis)
Greater than 20% (above maximum target)	100%

* the performance hurdles have not been met and it is the Company's intention to cancel the options before vesting date

LTIs (Granted 30 October 2019)

EPS CAGR over the three Financial Years Ending 30 June 2022	Percentage of Options that Vest
Less than 15% (minimum Target)	0%
15% to 20% (within target range)	50% - 100% (on a straight-line basis)
Greater than 20% (above maximum target)	100%

LTIs (Granted 12 November 2020)

CAGR over the three Financial Years Ending 30 June 2023	Tranche 1 (50% of Options - based on EPS CAGR)	Tranche 2 (50% of Options - based on TSR CAGR)
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%

- For the purposes of the above performance hurdles, EPS means the basic Earnings per Share recorded in the Company's audited financial statements.
- For the purposes of the above performance hurdles, 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).

- The Basic EPS may be adjusted for items which the Board, in its discretion, considers should be excluded from the EPS result (such as the impacts of AASB 16 and 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.

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.

There were 100,000 share options exercised during the reporting period.

	LTI (Tranche 1) No of Options	LTI (Tranche 2) No of Options	LTI (Tranche 3) No of Options	Tranche 1 No of Options	Tranche 2 No of Options
Outstanding at 30 June 2020	295,000	295,000	-	1,500,000	1,000,000
Granted	-	-	1,213,334	-	-
Exercised	-	-	-	100,000	-
Outstanding at 30 June 2021	295,000	295,000	1,213,334	1,400,000	1,000,000
Exercisable at 30 June 2021	-	-	-	1,400,000	1,000,000

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 (Tranche 1) Options	LTI (Tranche 2) Options	LTI (Tranche 3) Options	Tranche 1 Options	Tranche 2 Options
Grant date	7 June 2019	30 October 2019	12 November 2020	7 June 2019	7 June 2019
Vesting period ends	Release of FY2021 results	Release of FY2022 results	Release of FY2023 results	Vested	Vested
Share price at grant date (\$)	1.00	1.00	2.75	1.00	1.00
Volatility	25%	25%	25%	25%	25%
Option Life	5 years	5 years	5 years	4 years	4 years
Dividend yield	0%	0%	0%	0%	0%
Risk free investment rate	2%	2%	2%	2%	2%
Fair value at grant date	Nil	Nil	Nil	82,979	72,232
Exercise price at date of grant	Nil	Nil	3.34	1.34	1.43
Exercisable from	Release of FY2021 Results	Release of FY2022 Results	Release of FY2023 Results	7 June 2020	7 June 2020
Exercisable to	31 August 2023	31 August 2024	16 October 2025	2 May 2023	2 May 2023
Weighted average remaining contractual life	2.25 Years	3.25 Years	4.30 Years	1.94 Years	1.94 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.

In total, \$106,562 (2020: \$20,284) 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.

	2021 \$	2020 \$
20.3 Employee benefits - liabilities		
Current:		
Employee leave entitlements	1,875,182	1,655,033
Non-Current:		
Employee leave entitlements	830,640	153,046
Total employee obligations	2,705,822	1,808,079

› NOTE 21 - PROVISIONS

	Employee Benefits \$	Property Make Good \$	Total \$
Consolidated Group			
Opening balance at 1 July 2020	1,808,079	4,323,795	6,131,874
Additional provisions	1,804,957	1,639,741	3,444,698
Amounts used	(907,214)	-	(907,214)
Balance at 30 June 2021	2,705,822	5,963,536	8,669,358

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.

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.

	2021	2020	2021	2020
	Shares	Shares	\$	\$
Shares issued and fully paid:				
Beginning of the year	71,511,393	52,600,000	87,375,694	43,715,691
Shares issued (less costs of offer)	10,344,828	18,911,393	29,162,554	43,660,003
Shares issued through exercise of options	100,000	-	139,532	
Total contributed equity at 30 June	81,956,221	71,511,393	116,677,780	87,375,694

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 2021 and 30 June 2020 are as follows:

	2021	2020
	\$	\$
Total borrowings - Market Rate loan	10,007,500	7,988,500
Total borrowings - equipment finance leases	15,541,986	14,521,011
Total borrowings	25,549,486	22,509,511
Less cash and cash equivalents	17,290,971	30,103,095
Net debt	8,258,515	(7,593,584)
Total equity	86,352,203	63,316,762
Total capital	94,610,718	55,723,178
Gearing ratio	8.7%	N/A

› 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.

	2021	2020
	\$	\$
Common Control Reserve		
Beginning of the year	(21,900,880)	(21,585,321)
Net movement in common control reserve	-	(315,559)
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.

	2021	2020
	\$	\$
Share Options Reserve		
Beginning of the year	175,495	155,211
Issue of options to key management personnel	118,254	20,284
Total share options reserve at 30 June	293,749	175,495

› 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 2021 or 2020).

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:

	2021	2020
	\$	\$
Weighted average number of shares used in basic earnings per share	77,516,637	57,335,790
Shares deemed to be issued for no consideration in respect of options granted	3,804,446	3,090,000
Weighted average number of shares used in diluted earnings per share	81,321,103	60,425,790

24.2 Dividends

There were no dividends declared or paid during the year (2020: nil)

24.3 Franking Credits

	2021	2020
	\$	\$
The amount of franking credits available for subsequent reporting periods are:		
Balance at the end of the reporting period	2,825,510	2,045,656
Franking credits that will arise from payment of the amount of provision for income tax	1,560,361	704,386
Total franking credits	4,385,871	2,750,042

› NOTE 25 - RECONCILIATION OF CASH FLOWS

	2021	2020
	\$	\$
Cash flows from operating activities		
Profit / (loss) after income tax	(6,384,898)	(6,246,344)
Non-cash flows in profit / (loss)	-	-
– depreciation and amortisation	30,076,823	17,211,622
– net (gain)/loss on disposal of property, plant and equipment	-	71,616
– tax effect of expenses taken to equity	362,554	508,764
– tax effect of initial adoption of AASB 16 taken to equity	-	(165,500)
– charges to common control reserve	-	(315,559)
– share based payments	118,254	20,284
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
– (increase)/decrease in trade and term debtors	1,155,863	(4,847,535)
– (increase)/decrease in other assets	(225,786)	(79,155)
– (increase)/decrease in deferred tax	(4,389,071)	(4,157,583)
– increase/(decrease) in payables	557,269	2,980,097
– increase/(decrease) in current tax	901,634	(790,763)
– increase/(decrease) in other liabilities	948,157	(1,067,559)
– increase/(decrease) in provisions	2,239,720	515,668
Net cash from operating activities	25,360,519	3,638,054

› NOTE 26 - AUDITOR REMUNERATION

	2021	2020
	\$	\$
Remuneration of the auditor for:		
Audit and review of financial statements		
Financial year ended 30 June	63,500	50,500
Half year ended 31 December	31,500	25,500
Other assurance engagements	9,500	-
Total audit services	104,500	76,000
Other non-audit services		
Taxation and business services	26,500	53,000
Total non-audit services	26,500	53,000
Total auditor remuneration	131,000	129,000

› 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.

Related parties continue to own several properties which are leased by the Group as described below. 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.

	2021 \$	2020 \$
27.1 Transactions with Directors and Key Management Personnel		
Short-term Employee Benefits:		
Wages and salaries (including bonuses and Annual Leave entitlements)	1,318,903	1,696,944
Superannuation	115,776	109,895
Long service leave	30,429	28,558
Share-based payments	106,562	20,284
Total remuneration	<u>1,623,631</u>	<u>1,655,681</u>

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 incentives awarded to KMP.

Post-employment benefits

These amounts are the 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 incentives 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.

	2021 \$	2020 \$
27.2 Related Party Properties		
Total related party property transactions	<u>3,014,870</u>	<u>2,464,167</u>

› NOTE 28 - CONTINGENT LIABILITIES

Under the Share Sale Agreement relating to the acquisition of Australian Fitness Management Pty Limited, the Group will be required to make an additional payment as part of the acquisition consideration to the vendors of up to \$2 million if certain hurdles are achieved prior to the first anniversary of the acquisition. No amount has been included or provided in the accounts as at 30 June as the achievement of the hurdles is considered unlikely.

No amount has been included or provided in respect to the threatened claim by certain franchisees of Australian Fitness Management Pty Limited. Legal costs incurred in relation to the matter have been expensed as incurred.

› NOTE 29 - BUSINESS COMBINATIONS

During the period the Group acquired 15 clubs from various vendors in addition to Australian Fitness Management Pty Limited, the master franchisor for the Plus Fitness network as outlined below:

Number of clubs	4	6	5	AFM*	15
Acquisition	PLUS Sites	Pinnacle	Other Sites		Total
	\$	\$	\$		\$
Purchase consideration					
Amount settled in cash, net of cash acquired	1,239,401	6,118,627	2,753,846	17,428,307	27,540,181
Assets and liabilities acquired at fair value					
Property, plant and equipment	208,985	1,281,650	300,460	151,181	1,942,276
Other net identifiable assets /(liabilities) acquired	(28,099)	(252,698)	(106,154)	(1,175,748)	(1,562,699)
Goodwill	1,058,515	5,089,675	2,559,540	18,452,874	27,160,604
	1,239,401	6,118,627	2,753,846	17,428,307	27,540,181
Revenue and profit contribution from the date of acquisition until 30 June 2021					
Revenue	354,412	2,094,693	1,658,963	8,499,856	12,607,924
Profit before depreciation, amortisation, interest and tax	165,466	492,380	781,083	2,545,364	3,984,293

*AFM is Australian Fitness Management Pty Limited the master franchisor for the Plus Fitness network

Acquisition-related costs amounting to \$274,332 for all acquisitions have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income. Certain costs relating to the acquisition of AFM were included in the previous financial year.

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

The above contributions to of revenue and profit from the date of acquisition to 30 June 2021 were impacted by the mandatory shutdowns due to COVID-19.

› NOTE 30 - INTERESTS IN SUBSIDIARIES

Name of Subsidiary	Principal Activity	Proportion of Ownership Interests held by the Group	
		30 June 2021	30 June 2020
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%
Psycle Life Pty Limited	Health club operation	100%	100%
The Club Group Pty Limited	Health club operation	100%	100%
The Club Group (Greenway) Pty Limited	Health club operation	100%	100%
Club MMM! Pty Limited	Health club operation	100%	100%
HIIT Republic Australia Pty Limited	Health club operation	100%	100%
Australian Fitness Management Pty Limited	Master franchisor for Plus Fitness (Aust)	100%	-
Viva Leisure (NZ) Limited	NZ Parent	100%	-
Viva Leisure Operations (NZ) Limited	NZ operations	100%	-
Plus Fitness (NZ) Limited	Master franchisor for Plus Fitness (NZ)	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%

› NOTE 31 - CAPITAL AND LEASING COMMITMENTS

At 30 June 2021, Viva Leisure Limited has entered into binding agreements totalling \$2.85 million to purchase the following health clubs:

- Plus Fitness - Mona Vale, NSW
- Plus Fitness - Beerwah, QLD
- One Health and Fitness - South Morang, VIC

The Company entered into a binding agreement to acquire Australian Fitness Management Pty Limited at 30 June 2020, which completed on 21 August 2020.

	Contractual Commitments			
	Within 1 Year \$	1 to 5 Years \$	After 5 Years \$	Total \$
30 June 2021	2,850,000	-	-	-
30 June 2020	18,000,000	-	-	-

› 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 2021		
Financial assets	20,010,182	-
Financial liabilities	(12,864,607)	(19,067,929)
Total exposure	7,145,575	(19,067,929)
30 June 2020		
Financial assets	35,283,303	-
Financial liabilities	(9,198,855)	(18,407,199)
Total exposure	26,084,448	(18,407,199)

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 2021, the Group is exposed to changes in market interest rates as its Bank Debt is at variable interest rates. The Group's investments in term deposits all pay fixed interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2020: +/- 1%). 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	
	\$ +1%	\$ -1%	\$ +1%	\$ -1%
30 June 2021	71,456	(71,456)	71,456	(71,456)
30 June 2020	260,845	(260,845)	260,845	(260,845)

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.

32.4 Financial Risk Management

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$	2021 \$	2020 \$
Consolidated Group								
Financial liabilities due for payment								
Trade and other payables	6,383,048	5,096,543	-	-	-	-	6,383,048	5,096,543
Contract liabilities	4,437,889	863,350	-	-	-	-	4,437,889	863,350
Bank loans	2,080,500	1,272,500	7,927,000	6,716,000	-	-	10,007,500	7,988,500
Finance lease liabilities	22,873,600	14,829,663	95,466,815	89,720,302	101,820,861	78,077,128	220,161,276	182,627,093
Total expected outflows	35,775,037	22,062,056	103,393,815	96,436,302	101,820,861	78,077,128	240,989,713	196,575,486
Financial assets – cash flows realisable								
Cash and cash equivalents	17,290,971	30,103,095	-	-	-	-	17,290,971	30,103,095
Trade receivables	2,719,211	2,652,313	-	-	-	-	2,719,211	2,652,313
Total anticipated inflows	20,010,182	32,755,408	-	-	-	-	20,010,182	32,755,408
Net (outflow)/inflow on financial instruments	(15,764,855)	10,693,352	(103,393,815)	(96,436,302)	(101,820,861)	(78,077,128)	(220,979,531)	(163,820,078)

› 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

	2021 \$	2020 \$
Statement of Financial Position		
Current Assets	94,669,485	65,735,485
Non-Current Assets	11,838	11,838
Total Assets	94,681,323	65,747,323
Current Liabilities	12,087	12,087
Total Liabilities	12,087	12,087
Net Assets	94,669,236	65,735,236
Issued Capital	116,538,248	87,375,694
Reserves	(21,467,599)	(21,725,385)
Retained Earnings	(401,413)	84,927
Total Equity	94,669,236	65,735,236
Statement of Profit and Loss and Other Comprehensive Income		
Loss for the year	(486,340)	(213,489)
Other comprehensive income	-	-
Total Comprehensive Income	(486,340)	(213,489)

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 \$3,250,000 (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 4.0%

Contractual commitments

At 30 June 2021, Viva Leisure Limited has entered into binding agreements totalling \$2.85 million to purchase the following health clubs:

- Plus Fitness - Mona Vale, NSW
- Plus Fitness - Beerwah, QLD
- One Health and Fitness - South Morang, VIC

The Company entered into a binding agreement to acquire Australian Fitness Management Pty Limited at 30 June 2020, which completed on 21 August 2020.

	Contractual Commitments			
	Within 1 Year	1 to 5 Years	After 5 Years	Total
	\$	\$	\$	\$
30 June 2021	2,850,000	-	-	-
30 June 2020*	18,000,000	-	-	-

› NOTE 35 - EVENTS AFTER THE REPORTING PERIOD

The following events occurred after the reporting period:

Since the end of the financial year, the Company has entered into binding agreements or completed the following acquisitions:

- The assets of One Health, a health club based in South Morang, VIC
- The assets of Plus Fitness sites in, Manly and Mona Vale, NSW, Beerwah, QLD

In addition, the Company has opened the Group's first GroundUp site - a Reformer and Mat Pilates, Barre and Yoga studio

As at the date of this report the Group has mandatory temporary closures of some of its clubs in NSW, Victoria and ACT due to COVID-19.

No other 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, other than the impacts of COVID-19 referred to above.

› 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

DIRECTOR DEC



VIVA LEISURE ANNUAL REPORT 2021

DIRECTORS' DECLARATION

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
 - i) Giving a true and fair view of its financial position as at 30 June 2021 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 2021.
- 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 KONSTANTINO

Dated this

17 day of AUGUST 2021.

INDEPENDENT

AUDITORS' REPORT

VIVA LEISURE ANNUAL REPORT 2021



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

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

Ph: (612) 9263 2600
F: (612) 9263 2800

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 2021, 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 2021 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 2021. 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
<p>Revenue Recognition and Contract Liabilities Refer to Note 5 'Revenue and Other Income' and Note 18 'Contract Liabilities'</p> <p>The group recognises revenue from health club membership services and is recognised as 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 2021 was \$83,718,105.</p> <p>The acquisition of Australian Fitness Management has resulted in new revenue streams as disclosed Note 3(f).</p> <p>At 30 June 2021 the group recognised \$4,437,889 in contract liabilities for consideration received in advance for gym memberships and franchise territory sales.</p> <p>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.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • 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.
<p>Right-Of-Use Assets and Lease Liabilities Refer to Note 19 'Right-of-Use Assets' and Note 19 'Lease Liabilities'</p> <p>At 30 June 2021, the group recognised \$204,883,653 in Right-to-Use Assets and \$220,161,276 in lease liabilities. The group has numerous lease arrangements in place which require certain judgements to be made at point of recognition and measurement.</p> <p>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.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • 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
<p>Accounting for Business Combinations Refer to Note 29 '<i>Business Combinations</i>'</p> <p>During the financial year ended 30 June 2021 the group made a number of acquisitions as disclosed in Note 29.</p> <p>Accounting for acquisitions is complex and involves a number of significant judgements.</p> <p>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.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • Reviewed the purchase agreements to understand the terms and conditions of the acquisitions and evaluating 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
<p>Carrying value of goodwill Refer to Note 15 '<i>Intangible Assets</i>', Note 29 '<i>Business Combinations</i>'</p> <p>The Group has recognised goodwill of \$46,905,229 at 30 June 2021 resulting from business combinations including \$27,160,604 recognised during the year.</p> <p>The assessment of impairment of the group's goodwill balances incorporated significant judgement in respect of factors such as forecasted revenue, costs, discount rates and terminal growth rates.</p> <p>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 forecasted revenue, costs, discount rates and terminal growth rates.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> • Evaluated management's impairment assessment of goodwill. • Reviewed key inputs in the value-in-use model such as forecasted 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 specialist was 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.

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 2021 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.

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

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

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.
- 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.

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

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

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.

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 21 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Viva Leisure Limited for the year ended 30 June 2021 complies with section 300A of the Corporations Act 2001.

Responsibilities

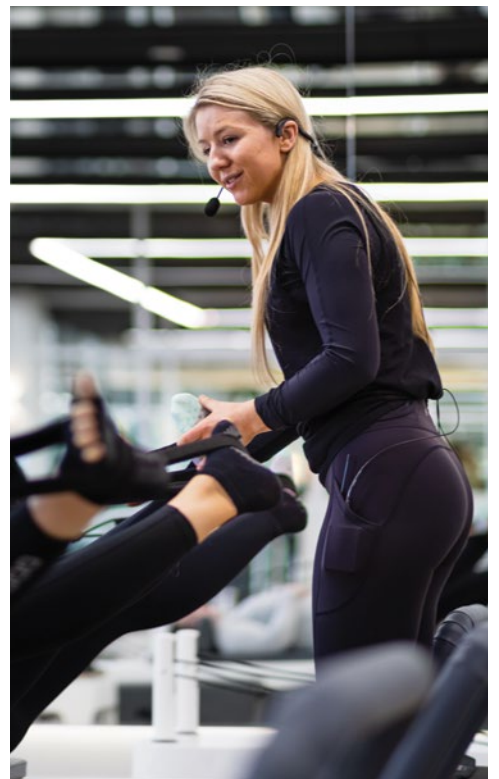
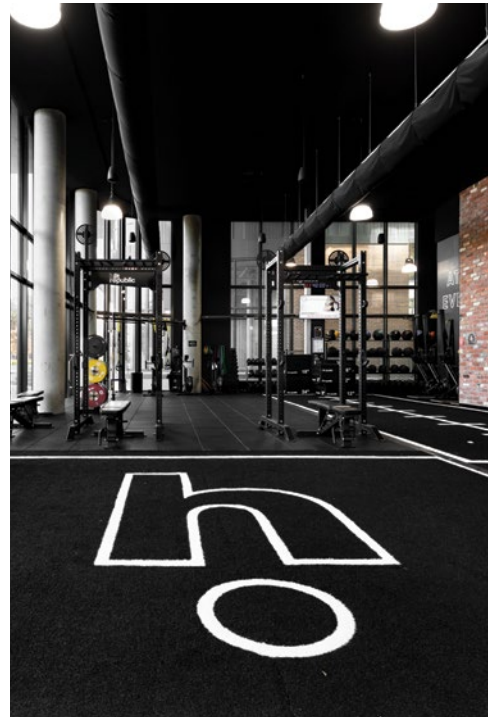
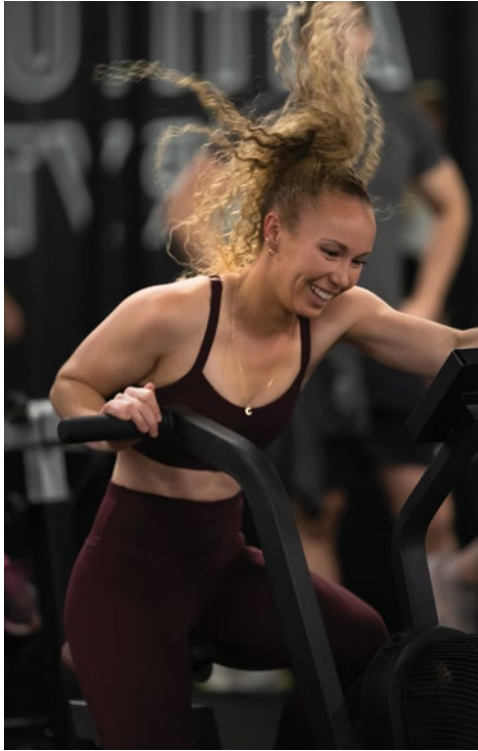
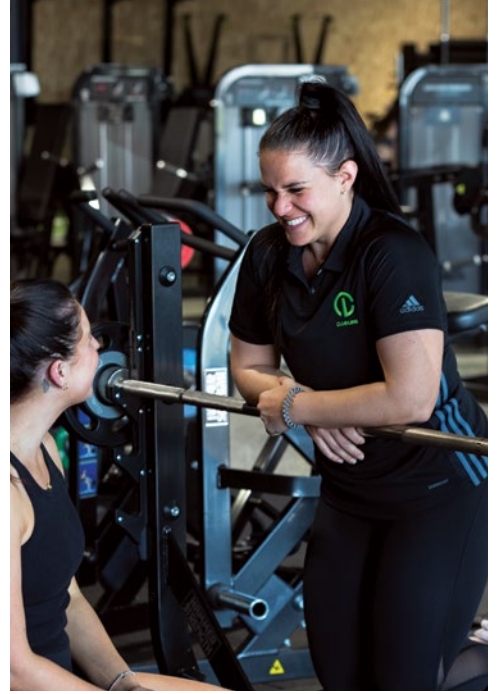
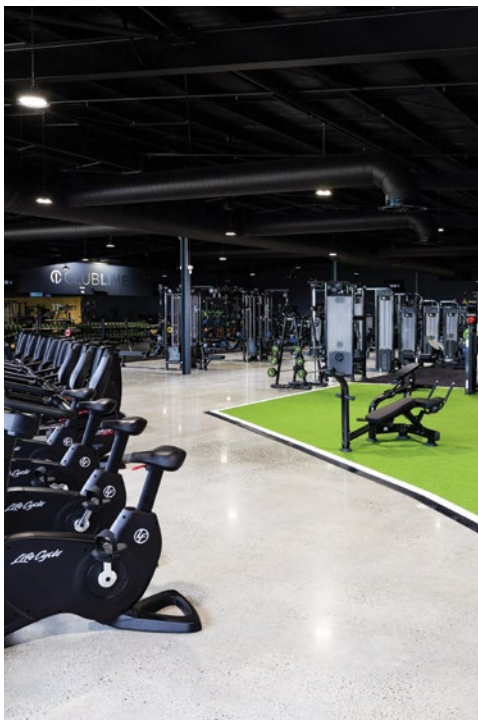
The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Hall Chadwick

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

S. Kumar

Sandeep Kumar
Partner
Dated: 17 August 2021



ADDMIO

The following information is current as at 24th September 2021

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	79,862,204	40
10,001 - 100,000	6,035,793	243
5,001 - 10,000	1,743,333	233
1,001 - 5,000	1,520,703	606
1 - 1,000	352,207	757
	89,514,240	1,879

2. DISTRIBUTION OF OPTIONS

Holding	Total No. of Options Held	No. of Shareholders
100,001 and over	3,831,667	4
10,001 - 100,000	76,667	1
5,001 - 10,000	-	-
1,001 - 5,000	-	-
1 - 1,000	-	-
	3,908,334	5

FOR LISTED COMPANIES

NATIONAL INFO

3. 20 LARGEST SHAREHOLDERS

Shareholder	Number Held	% of Issued Shares
SHJA MANAGEMENT PTY LTD	21,688,434	24.23%
CITICORP NOMINEES PTY LIMITED	16,303,096	18.21%
NATIONAL NOMINEES LIMITED	14,991,844	16.75%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,238,470	5.85%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,110,145	2.36%
BOND STREET CUSTODIANS LIMITED	1,690,000	1.89%
HARRY KONSTANTINOU	1,542,068	1.72%
MR JOHN KONSTANTINOU	1,442,067	1.61%
BNP PARIBAS NOMS PTY LTD	1,436,314	1.60%
CAPITAL PROPERTY CORPORATION PTY LTD	1,226,433	1.37%
CAPITAL PROPERTY CORPORATION PTY LTD	1,185,448	1.32%
BNP PARIBAS NOMINEES PTY LTD	1,170,407	1.31%
SPIROS KONSTANTINOU	1,042,067	1.16%
BROADGATE INVESTMENTS PTY LTD	949,036	1.06%
PORTMAN TRADING PTY LTD	900,000	1.01%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	883,519	0.99%
BNP PARIBAS NOMINEES PTY LTD	847,065	0.95%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	510,500	0.57%
EASTY HOLDINGS PTY LTD	466,667	0.52%
MR ANGELO KONSTANTINOU	442,068	0.49%

4. SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the holding company's register as at 24 September 2021 are:

Shareholder	Number of Shares	% of Issued Shares
SHJA MANAGEMENT PTY LTD	21,688,434	24.23%
CITICORP NOMINEES PTY LIMITED	16,303,096	18.21%
NATIONAL NOMINEES LIMITED	14,991,844	16.75%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,238,470	5.85%
CITICORP NOMINEES PTY LIMITED	3,729,451	5.2%

5. LESS THAN MARKETABLE PARCEL OF ORDINARY SHARES

There are 139 shareholders with unmarketable parcels totalling 18,695 shares.

6. UNQUOTED EQUITY SECURITIES

The company had the following unquoted securities on issue as at 24 September 2021:

Security	No. of Securities
Unquoted Options	3,908,334

7. RESTRICTED SECURITIES

The company had no restricted securities on issue as at 24 September 2021.

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 no current on-market buy-back in relation to the Company's securities

RELATED PARTY LEASE AGREEMENTS

The Company received a waiver from Listing 10.1 at time of listing to the extent necessary to permit the Company not to seek shareholder approval in relation to rental payments made during the remaining initial terms of certain lease agreements as set out in the following table. A condition of the ASX waiver is for inclusion of a summary of the material terms of these lease agreements in each annual report of the Company during the terms of the leases. The table below sets out the material terms of these lease agreements.

Location	Lessor	Term and options to renew	Current annual rent (plus GST) and future increases
Mitchell Office space	Dimensional Developments Australia Pty Ltd	5 years commencing on 1 August 2018. 3 further options to renew for 5 years each.	\$105,746 Rent increases by 3% per annum in the initial term, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 3% per annum.
Club Lime Mitchell	Dimensional Developments Australia Pty Ltd	5 years commencing on 1 August 2018. 3 further options to renew for 5 years each.	\$165,229 Rent increases by 3% per annum in the initial term, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 3% per annum.
Mitchell Expanded office space	Dimensional Developments Australia Pty Ltd	4 years commencing on 1 July 2019. 3 further options to renew for 5 years each.	\$105,746 Rent is fixed yearly (increasing incrementally year on year by 3%) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 3% per annum.
Club Lime and Ladies Only Gym and Pool CISAC	Sports Centres Australia Pty Ltd	10 years commencing 1 August 2018. 2 further options to renew for 10 years each.	\$1,713,920 Rent is fixed yearly (increasing incrementally year on year by 4%) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 4% per annum.
ClubMMM at CISAC	Sports Centres Australia Pty Ltd	5 years commencing 1 August 2018. 2 further options to renew for 5 years each.	\$196,458 Rent is fixed yearly (increasing incrementally year on year by 4%) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 4% per annum.
Speedo shop at CISAC	Sports Centres Australia Pty Ltd	5 years commencing 1 August 2018. 2 further options to renew for 5 years each.	\$37,492 Rent is fixed yearly (increasing incrementally year on year by 4%) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 4% per annum.
Club Lime Curtin	Akon Holdings Pty Ltd	5 years commencing 1 July 2018 2 further options to renew for 5 years each.	\$148,194 Rent is fixed yearly (increasing incrementally year on year by \$10,000) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 3.5% per annum.
Club Lime Kambah	Jenke Investments Pty Ltd	5 years commencing 1 August 2018. 2 further options to renew for 5 years each.	\$254,745 Rent is fixed yearly (increasing incrementally year on year by 3%) for the initial term of the lease, after which the base rent is set by market review on each exercise of the options with further fixed annual increases of 3% per annum.

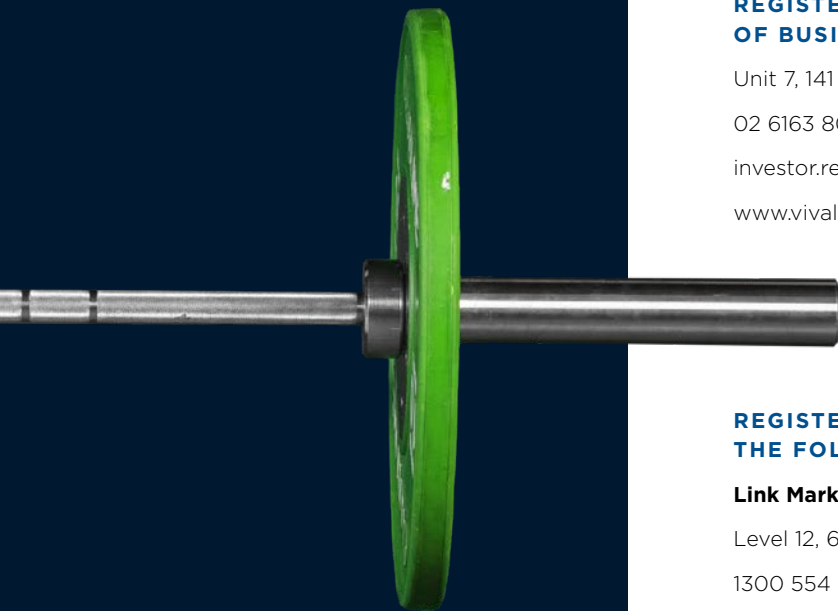
OTHER KEY TERMS

The Board considers that the leases are on arms' length terms which reflect customary provisions commonly found in commercial leases of a similar nature. Set out below are some key terms of these leases (other than those set out in the other columns of this table). Rent is payable in advance by monthly instalments and the lessor may charge daily interest on any late payment at 2% above the rate that would be charged by the lessor's bank for unsecured overdrafts. On termination of the lease, the lessee is responsible for make good of the premises. The lessee is responsible for maintaining insurance to cover standard risks applicable to a lessee in the health club industry, public liability and for the plate glass on the premises. The lessee releases the lessor from, and indemnifies the lessor against, claims for damages, loss, injury or death.

CORPORATE DIRECTO



DOPY

**CEO:**

Harry Konstantinou

COMPANY SECRETARY:

Kym Gallagher

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS:

Unit 7, 141 Flemington Road, Mitchell ACT 2911

02 6163 8011

investor.relations@vivaleisure.com.au

www.vivaleisure.com.au

REGISTERS OF SECURITIES ARE HELD AT THE FOLLOWING ADDRESS:**Link Market Services**

Level 12, 680 George Street, Sydney NSW 2000

1300 554 474

registrars@linkmarketservices.com.au

www.linkmarketservices.com.au

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 under the code "VVA".

AUDITORS**Hall Chadwick**

Level 40, 2 Park St, Sydney NSW 2000

2021