VIVA LEISURE LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

Contents

Directors' Report

The Directors of Viva Leisure Limited present their report together with the financial statements of the consolidated entity, being Viva Leisure Limited and its controlled entities (the Group) for the financial year ended 30 June 2022.

Directors

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

Harry Konstantinou	
	Managing Director and Chief Executive Officer Appointed 15 July 2015 Member of the Audit and Risk Committee Member of the People and Culture Committee Appointed 12 October 2018
Qualifications	BA, (University of Canberra), Member of Australian Institute of Company Directors
Experience	Company co-founder and Director since 2004. Harry has over 25 years of experience developing, managing and selling technology services business.
Other Current Directorships	None
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	23,386,701 ordinary shares and options to acquire a further 3,163,000 ordinary shares

Rhys Holleran	
	Independent Chair (appointed 20 April 2022) Independent Non-Executive Director Member of the Audit and Risk Committee Member of the People and Culture Committee Appointed 30 September 2020
Qualifications	Bachelor of Economics, Member of Certified Practising Accountants Australia
Experience	Appointed Board and Committee member on 30 September 2020. Rhys has 30 years of executive management expertise ranging from micro-cap to ASX 200 companies in the media sector including as Chief Executive of two public listed companies - RG Capital Radio Limited (ASX:REG) and Macquarie Media Group (ASX:MMG, now ASX:SXL)
Other Current Directorships	None
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	30,000 ordinary shares

Louise Bolger	
	Independent Non-Executive Director (appointed 5 July 2021) Chair of the People and Culture Committee
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	14,000 ordinary shares

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

Bruce Glanville	
	Independent Non-Executive Director Independent Chair Member of the Audit and Risk Committee and People and Culture Committee until retirement Appointed 12 October 2018 and ceased 7 April 2022

Kym Gallagher	
	Company Secretary and Chief Financial Officer Appointed Company Secretary on 12 October 2018.
Qualifications	Bachelor of Economics, Member of Chartered Accountants Australia and New Zealand
Experience	Kym has considerable experience as the CFO and other senior management roles of numerous ASX listed companies, commencing with RG Capital Radio (ASX:REG) in 2000, followed by Macquarie Media Group (ASX:MMG) in 2005 and Southern Cross Media (ASX:SXL) in 2010
Other Current Directorships	None
Directorships held in other listed entities during the three years prior to the current year	None
Interest in Shares and Options	140,000 ordinary shares and options to acquire a further 472,667 ordinary shares

Principal Activities

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

Review of Operations and Financial Results

Financial highlights for the year:

- Total revenues were $90,831,726 compared with $83,718,105 in the financial year ended 30 June 2021;
- Loss before income tax was $17,140,726, compared to a loss of $8,793,735 in the financial year ended 30 June 2021;
- Net loss After Tax (NPAT) from continuing operations and attributable to members was $12,141,191 compared with a financial year ended 30 June 2021 loss of $6,384,898;
- Cash and cash equivalent reserves is strong at $10,069,569, down from $17,290,971 in the financial year ended 30 June 2021; and
- There was a decrease in net assets to $85,809,917 compared to $86,352,203 in the financial year ended 30 June 2021

Operational highlights for the financial year:

- An increase in operating locations/clubs from 115 to 151;
- Corporate member numbers increasing from 126,006 at June 2021 to 159,546 at 30 June 2022;

COVID-19 Impacts

Viva Leisure Limited's clubs were subjected to significant closures during the period of July to October 2021.

The Company took immediate steps to mitigate exposure to ongoing costs and to preserve cash:

- Wage costs reduced significantly by the stand down of significant numbers of staff during this period of closure,
- Rent relief negotiations commenced with landlords for the period of shutdown

- Delayed all un-committed capital works on rollouts
- Funding received through the NSW JobSaver Grant
- Undertook a capital raise to further preserve the cash position

During this period, the Group suffered a significant reduction in revenues, which in turn has affected profits for the period.

In addition, the Plus Fitness business suffered a reduction in Franchise Fees (clubs closed by reason of government direction) and lower than normal territory rollouts due to uncertainty across the sector.

The onset of the Omicron variant then led to a reluctance of members to attend our facilities, suppressed the rate of new members joining and led to an increase of voluntary suspensions by existing members.

Over the period to 30 June, the Viva Group delayed the works on several of its greenfield locations to preserve cash in the uncertain COVID environment, whilst in many cases carrying full rent costs. These delays have deferred club openings into late in the second half of FY2022 and into FY2023.

Significant Changes in the State of Affairs

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

- Completed 16 separate acquisitions (25 clubs) comprising:
  - 12 Plus Fitness sites in Manly, Mona Vale, Rydalmere, and St Marys in NSW; Beerwah, Qld; and Alkimos, Baldivis, Dalyellup, Halls Head, Lathlain, Melville and Mt Lawley, WA
  - The assets of One Health South Morang, Vic and Live Well Gregory Hills, NSW
  - The Master Franchise of the Rebalance Group and assets of the corporate owned sites comprising eight Yoga/Pilates studios in Qld, NSW and Vic
  - The assets of My Fitness Clubs in Broadbeach, Noosaville and Sippy Downs, Qld
- Completed a fully underwritten $11.7m equity raising (before transaction costs) by way of an institutional placement of approximately 7.56m ordinary shares at $1.55
- Opened 12 new greenfield sites:
  - Six Club Limes in Castle Hill, NSW; Maroochydore and Nundah, QLD; Ballarat, Coburg and Brunswick, Vic
  - Three Hiit Republics in Redcliffe, QLD; Coburg and Ballarat, Vic
  - Plus Fitness in Tuggeranong, ACT
  - Two GroundUps in Belconnen and Yarralumla ACT
- Closed one site in Shellharbour, NSW
- New credit terms were agreed with the Commonwealth Bank of Australia in relation to a $63.27 million five-year senior secured facility, comprising a $42.17 million Market Rate Loan facility (currently drawn to $20.13 million) to assist in financing future acquisitions, a bank guarantee facility and a direct debit facility

Events Subsequent to the End of the Reporting Period

Since the end of the financial year, the Company has completed the following acquisition:

- Plus Fitness, Hocking, WA

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.

Risk Statement

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

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

Covid-19

The Group has considered 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. During the first half of the financial year, the Group had its clubs closed across all states and the ACT at various times 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.

Mitigation Strategies

- *Stand down of staff where appropriate*
- *Negotiate rent relief with landlords*
- *Delay of capital works to preserve cash*

Regulatory risk

If there is a change in any applicable industry regulations, franchising laws or temporary changes legislation such as the shutdown requirements employed through Covid-19 pandemic response (see above), the Group may be affected through additional compliance costs or the inability to provide certain services. This could result in the loss of revenue and customers through lower utilisation and site shutdowns, which may adversely affect the Company's financial position and performance.

Mitigation Strategies

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

Protection of intellectual property

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

Mitigation Strategies

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

Disruption risks

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

Mitigation Strategies

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

Privacy breaches

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

Mitigation Strategies

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

Domestic and Global Economic Conditions

The Group is subject to risk related to the volatility of domestic and global economic, political, and social conditions. The uncertainties and recent downturn of the global economy and other macroeconomic factors, including but not limited to the ongoing COVID-19 pandemic, wars, geo-political instability, supply chain interruptions, and inflation could adversely affect our business.

Domestic Economic Conditions:

Domestic economic conditions including inflation and increases in the cost of living may have an impact on the Group through pressure to increases in wages and reduced members

Global Economic Conditions:

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

Mitigation Strategies

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

Interest Rate Risk

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

Mitigation Strategies

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

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	16	16	4	4	5	4
Bruce Glanville*	14	14	3	3	3	3
Rhys Holleran	16	16	4	4	5	5
Louise Bolger#	16	16	0	3	5	5
Andrew Burns^	1	1	4	4	2	2

#Appointed 5 July 2021
*Ceased 7 April 2022
^Appointed 20 April 2022, Andrew attended 3 of the 4 ARC meetings as the independent chair prior to being appointed as a Director.

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 7 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
30-Oct-19	31-Aug-24	0.00	295,000
12-Nov-20	16-Oct-25	3.34	1,213,334
28-Oct-21	16-10-24	0.00	412,000
			4,320,334

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

Environmental Legislation

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

Dividends

There were no dividends paid or declared since the start of the financial year (2021: 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 $40,275. 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 23.

This directors' report including the Remuneration Report on pages 14 to 22 is signed in accordance with a resolution of the Board of Directors:

Director

Harry Konstantinou

Dated this 17 day of August 2022.

Remuneration Report (audited)

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 as necessary to provide any 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:

- 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 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 1,920,334 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 and TSR CAGR is illustrated in the following tables:

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%

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

- For the purposes of the above performance hurdles, EPS means the Basic Earnings per Share calculated by reference to the Company’s audited financial statements and excluding the impacts of AASB16.

- For the purposes of the above performance hurdles:

    - for the options granted on 12 November 2020, TSR means Total Shareholder Return and will be measured using the VVA 20-day Volume Weighted Average Market Price (VWAP) for the twenty (20) trading days commencing from the announcement of results for the financial year ended 30 June 2020 (TSR measure start date) to the same 20 trading period VWAP post the date of announcement of results for the year ended 30 June 2023 (TSR measure end date);
    - for the options granted on 28 October 2021, TSR means Total Shareholder Return and will be measured using the VVA 15-day Volume Weighted Average Market Price (VWAP) for the fifteen

(15) trading days commencing from the announcement of results for the financial year ended 30 June 2021 (TSR measure start date) to the same 15 trading period VWAP post the date of announcement of results for the year ended 30 June 2024 (TSR measure end date);

- 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 during the financial year ended 30 June 2022 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 $19,229 for these services for both the FY2021 and FY2022 financial years.

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 2022:

	30 June 2022	30 June 2021	30 June 2020
Revenue	90,831,726	83,718,105	40,885,697
Net profit before tax	(17,140,726)	(8,793,735)	(9,343,618)
Net loss after tax	(12,141,191)	(6,384,898)	(6,246,345)
Share price at start of the year	$1.64	$2.62	$0.88
Share price at end of the year	$1.16	$1.64	$2.62
Interim dividend	nil	nil	nil
Final dividend	nil	nil	nil
Basic earnings per share*	(13.8)	(8.2)	(10.9)
Diluted earnings per share*	(13.1)	(7.9)	(10.4)

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 ($)**	**Leave ($)**	**Termination benefits ($)**	**Options ($)**	**Total ($)**	
Executive Directors									
Harry Konstantinou	2022	626,432	130,000	23,568	68,346	-	129,563	977,909	26.5%
(Managing Director)	2021	425,000	-	25,000	7,109	-	65,870	522,980	12.6%
Non-executive Directors									
Bruce Glanville	2022	107,826	-	10,595	-	-	-	118,421	Nil
(Independent)*	2021	86,794	-	25,000	-	-	-	111,794	Nil
Rhys Holleran	2022	79,580	-	5,035	-	-	-	84,615	Nil
(Independent)[#]	2021	51,962	-	-	-	-	-	51,962	Nil
Louise Bolger	2022	83,740	-	-	-	-	-	83,740	Nil
(Independent)^	2021	-	-	-	-	-	-	-	-
Andrew Burns	2022	15,833	-	-	-	-	-	15,833	Nil
(Independent)~	2021	-	-	-	-	-	-	-	-
Mark McConnell	2022	-	-	-	-	-	-	-	-
(Non-Independent)[&]	2021	25,385	-	-	-	-	-	25,385	Nil
Susan Forrester	2022	-	-	-	-	-	-	-	-
(Independent)[@]	2021	37,500	-	-	-	-	-	37,500	Nil

*Ceased 7 April 2022, remuneration shown is until date of cessation
[#] Appointed 30 September 2020
^Appointed 5 July 2021
~Appointed 20 April 2022
[&]Resigned 6 November 2020, remuneration shown is until the date of retirement
[@]Resigned 31 December 2020, remuneration shown is until the date of retirement
[%]Calculated in accordance with AASB 2: Share Based Payments

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 ($)**	**Long service leave ($)**	**Termination benefits ($)**	**Options ($)**	**Total ($)**	
Other Key Management Personnel									
Kym Gallagher	2022	356,432	47,500	23,568	8,511	-	38,848	474,859	18.2%
(Chief Financial Officer)	2021	315,000	-	25,000	7,009	-	19,907	366,916	5.4%
Angelo Konstantinou	2022	240,432	33,000	22,881	10,110	-	27,280	333,703	18.1%
(Chief Technology Officer)	2021	219,178	-	20,822	8,856	-	14,052	262,908	5.3%
Sean Hodges	2022	240,432	56,118	22,881	7,929	-	16,302	343,662	21.1%
(Chief Operating Officer)	2021	210,045	-	19,954	7,455	-	6,733	244,187	2.8%
Total	**2022**	**1,750,707**	**266,618**	**108,528**	**94,895**	**-**	**211,994**	**2,432,742**	19.7%
Total	**2021**	**1,370,864**	**-**	**115,776**	**30,429**	**-**	**106,562**	**1,623,632**	6.6%

% Calculated in accordance with AASB 2: Share Based Payments

2022 Short Term Incentive

As previously outlined during the FY2022 period the financial result of the group was significantly impacted by the Covid-19 pandemic and the government imposed shut downs. As a result, the minimum financial threshold for the FY2022 Short Term Incentive was not met. During the imposed shut down period the executive team led the Covid-19 response by driving multiple initiatives to mitigate the impact of the disruption on the business and to preserve cash and reputation. Since the lifting of regulations, the Viva team has met all of the financial guidelines released to the market.

Financial Metric	Actual Results	Guidance
June revenue	$10.3m	$10m+
2H FY22 revenue	$57.0m	$54m - $56m
June Margin	20.5%	20%+
Half Margin	16.3%	15% - 17%

In recognition of the initiatives taken during the Covid-19 shut down period and the achievement of the second half guidance targets the board has used its discretion to award the executive team 50% of the available Short Term Incentive. The cash settlement of the award will be paid in September 2022.

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
Executive Directors			
Harry Konstantinou	650,000	Up to 40% of fixed remuneration	Up to 60% of fixed remuneration
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

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 Long Term Incentives (LTI)
Executive Directors			
Harry Konstantinou	700,000	Up to 40% of fixed remuneration	Up to 60% of fixed remuneration
Other Key Management Personnel			
Kym Gallagher	410,000	Up to 25% of fixed remuneration	Up to 30% of fixed remuneration
Angelo Konstantinou	285,000	Up to 25% of fixed remuneration	Up to 30% of fixed remuneration
Sean Hodges	320,000	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	650,000	Ongoing	Six months
Kym Gallagher	380,000	Ongoing	Three months
Angelo Konstantinou	264,000	Ongoing	Three months
Sean Hodges	264,000	Ongoing	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	700,000	Ongoing	Six months
Kym Gallagher	410,000	Ongoing	Three months
Angelo Konstantinou	285,000	Ongoing	Three months
Sean Hodges	320,000	Ongoing	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 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.

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.

Employee		Number granted	Grant date	Value per Option at Grant Date ($)	Value of Options at Grant Date ($)	Number Forfeited	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	-	-	-		
	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
	LTI	243,000	28-Oct-21	0.580	140,940				243,000	16-Oct-24	16-Nov-24
Non-Executive Directors											
Bruce Glanville#	Tranche 1	200,000	2-May-19	0.055	11,064		-	-	200,000	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	-	-	-		
	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
	LTI	71,000	28-Oct-21	0.580	41,180				71,000	16-Oct-24	16-Nov-24
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	-	-	-		
	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
	LTI	49,000	28-Oct-21	0.580	28,420				49,000	16-Oct-24	16-Nov-24
Sean Hodges	LTI	76,667	12-Nov-20	0.391	3,438		-	-	76,667	16-Oct-23	16-Oct-25
	LTI	49,000	28-Oct-21	0.580	28,420				49,000	16-Oct-24	16-Nov-24
Total		4,615,334				295,000			4,320,334		

#Ceased 7 April 2022, holding shown are as at the date of cessation

e. Shares held by Directors and Key Management Personnel

The number of ordinary shares in the Company during the 2022 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
Executive Directors						
Harry Konstantinou	23,346,701	-	-	40,000	-	23,386,701
Non-Executive Directors						
Rhys Holleran	30,000	-	-	-	-	30,000
Louise Bolger#	-	-	-	14,000	-	14,000
Andrew Burns&	46,876	-	-	20,810	-	67,686
Other Key Management Personnel						
Kym Gallagher	140,000	-	-	10,000	10,000	140,000
Angelo Konstantinou	22,130,502	-	-	-	-	22,130,502
Sean Hodges	46,667	-	-	-	-	46,667
Retired Non-Executive Directors						
Bruce Glanville*	300,000	-	-		-	300,000

*Ceased 7 April 2022, holdings shown are as at the date of cessation
#Appointed 5 July 2021
&Appointed 20 April 2022

At 30 June 2022 there were no loans outstanding to Directors or Key Management Personnel (2021: nil).

Auditor's Independence Declaration

HALL CHADWICK
Chartered Accountants & Business Advisors

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

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

In accordance with Section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Viva Leisure Limited. As the lead audit partner for the audit of the financial report of Viva Leisure Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

S Kumar

SANDEEP KUMAR
Partner
17 August 2022

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Corporate Governance Statement

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

The Group's Corporate Governance Statement for the financial year ended 30 June 2022 is available on the investor relations website at https://investors.vivaleisure.com.au .

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2022

	Note	2022 $	2021 $
Revenue	4	90,831,726	83,718,105
Rental and outgoings expense		(3,055,293)	(2,021,447)
Employee benefits expense	20	(30,552,032)	(26,384,475)
Bank Charges		(1,310,207)	(1,217,433)
Advertising and marketing costs		(2,058,156)	(2,133,953)
Utilities and cleaning		(6,749,756)	(6,618,395)
Licences and subscriptions		(2,099,596)	(1,984,615)
Insurances		(754,395)	(473,408)
Repairs and maintenance		(1,402,195)	(1,241,134)
Professional fees		(859,786)	(261,635)
Depreciation and amortisation expense		(38,336,988)	(30,076,823)
Finance costs	6	(15,221,882)	(12,795,671)
Costs of capital raisings, acquisitions and contractual matters	5	(507,428)	(1,044,935)
Other expenses		(5,064,738)	(6,257,916)
Loss before income tax		**(17,140,726)**	**(8,793,735)**
Income tax benefit	8	4,999,535	2,408,837
Loss for the year		**(12,141,191)**	**(6,384,898)**
Total other comprehensive income for the year		-	**-**
Total comprehensive loss for the year		**(12,141,191)**	**(6,384,898)**

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

Earnings per share	**24**	**Cents**	**Cents**
Basic earnings per share:			
Earnings from continuing operations		(13.8)	(8.2)
Diluted earnings per share:			
Earnings from continuing operations		(13.1)	(7.9)

Consolidated Statement of Financial Position as at 30 June 2022

	Note	2022 $	2021 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	10,069,569	17,290,971
Trade and other receivables	10	828,624	2,719,211
Tax receivable	16	1,153,991	-
Inventories	11	809,462	899,521
Other assets	12	1,460,502	991,848
TOTAL CURRENT ASSETS		14,322,148	21,901,551
NON-CURRENT ASSETS			
Trade and other receivables	10	158,001	130,424
Property, plant, and equipment	14	52,009,555	51,707,684
Right of use assets	19	224,358,419	204,883,653
Intangible assets	15	66,201,293	47,915,884
Deferred tax assets	16	77,669,403	69,896,036
Other assets	12	1,425,841	1,700,848
TOTAL NON-CURRENT ASSETS		421,822,512	376,234,529
TOTAL ASSETS		**436,144,660**	**398,136,080**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	7,007,703	6,383,048
Borrowings	13	4,435,032	2,080,500
Lease liabilities	19	29,107,442	22,873,600
Contract liabilities	18	2,628,546	4,437,889
Current tax liabilities	16	-	1,560,361
Provisions	21	2,982,583	1,875,182
TOTAL CURRENT LIABILITIES		46,161,306	39,210,580
NON-CURRENT LIABILITIES			
Borrowings	13	15,695,868	7,927,000
Lease liabilities	19	215,390,301	197,287,676
Provisions	21	7,634,055	6,794,176
Deferred tax liabilities	16	65,453,213	60,564,445
TOTAL NON-CURRENT LIABILITIES		304,173,437	272,573,297
TOTAL LIABILITIES		**350,334,743**	**311,783,877**
NET ASSETS		**85,809,917**	**86,352,203**
EQUITY			
Issued capital	22	128,064,691	116,677,780
Reserves	23	(21,395,137)	(21,607,131)
Retained earnings		(20,859,637)	(8,718,446)
TOTAL EQUITY		**85,809,917**	**86,352,203**

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 2022

	Share Capital $	Reserves $	Retained Earnings (Accumulated losses) $	Total Equity $
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**
Balance at 1 July 2021	116,677,780	(21,607,131)	(8,718,446)	86,352,203
Issue of shares, net of transaction costs and tax	11,386,911	-	-	11,386,911
Exercise of share options			-	-
Share option premium reserve	-	211,994	-	211,994
Total transactions with owners	**11,386,911**	**211,994**	**-**	**11,598,905**
Loss for the year	-		(12,141,191)	(12,141,191)
Total comprehensive loss for the year attributable to members of the entity	**-**	**-**	**(12,141,191)**	**(12,141,191)**
Total transactions with owners and other transfers	**11,386,911**	**211,994**	**(12,141,191)**	**(542,286)**
Balance at 30 June 2022	**128,064,691**	**(21,395,137)**	**(20,859,637)**	**85,809,917**

Consolidated Statement of Cash Flows for the Year Ended 30 June 2022

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		100,204,471	95,961,521
Payments to suppliers and employees		(56,649,881)	(57,098,045)
Interest received		8,747	72,568
Interest paid	6	(15,221,882)	(12,795,671)
Payments of income tax		(395,582)	(779,854)
Net cash provided by operating activities	25	27,945,873	25,360,519
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(11,434,976)	(27,105,482)
Proceeds from sale of property, plant and equipment		82,196	598,208
Purchase of intangibles	15	(988,679)	(755,869)
Payments for business combinations, net of cash acquired	29	(19,502,493)	(27,540,181)
Net cash (used in) investing activities		(31,843,952)	(54,803,324)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	22	11,714,929	30,139,532
Direct costs of issue of shares	22	(468,597)	(1,200,000)
Proceeds from borrowings		12,912,000	3,112,500
Repayment of borrowings		(2,788,600)	(1,093,500)
Reduction in equipment leases principal	19	(5,127,796)	(3,299,792)
Reduction in property leases principal	19	(19,565,258)	(11,028,056)
Net cash provided by financing activities		(3,323,322)	16,630,684
Net decrease in cash held		(7,221,401)	(12,812,121)
Cash at beginning of financial year		17,290,971	30,103,095
Cash at end of financial year	9	10,069,570	17,290,974

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

Note 1 Nature of Operations

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

Note 2 General Information and Statement of Compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Viva Leisure Limited is a for-profit entity and statements are prepared on accruals basis under the historical cost convention.

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

The consolidated financial statements for the year ended 30 June 2022 were approved and authorised for issue by the Board of Directors on 17 August 2022.

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. During the first half of the financial year, the Group had its clubs closed across all states and the ACT at various times 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 its subsidiaries as at 30 June 2022. 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

Health Club Operations

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

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

(i) Identifying the contract, or otherwise, with a customer;

(ii) Identifying the performance obligations

(iii) Determining the transaction price

(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 (Plus Fitness), the following additional revenue recognition policies are now applicable for the group.

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

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

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

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

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 3l. for details of impairment).

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

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

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 exercising a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Short-term leases

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

l. 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 provisions in the statement of financial position.

Other long-term employee benefits

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

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

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

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 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023

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.

z. Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reports results of operations.

The effect of reclassifications on the financial statement line items for the prior period is as follows:

	Note	2021 $	Increase / (Decrease) $	2021 (Restated) $
CURRENT ASSETS				
Other assets	12	2,692,697	(1,700,849)	991,848
TOTAL CURRENT ASSETS		2,692,697	(1,700,849)	991,848
NON-CURRENT ASSETS				
Other assets	10	-	1,700,849	1,700,849
TOTAL NON-CURRENT ASSETS		-	1,700,849	1,700,849
TOTAL ASSETS		**2,692,697**	**-**	**2,692,697**

Note 4 Revenue and Other Income

		2022 $	2021 $
Revenue from contracts with customers	4a	84,132,492	75,135,620
Income from franchise operations	4a	6,630,146	8,460,040
		90,762,638	83,595,660
Other sources of income	4b	69,088	122,445
Total revenue and other income		90,831,726	83,718,105
The group operates in one segment, health club services.			
a. Revenue from contracts with customers		84,132,492	75,135,619
a. Income from franchise operations		6,630,146	8,460,041
		90,762,638	83,595,660
Timing of revenue recognition			
Over time		87,798,838	78,951,201
At a point in time		2,963,800	4,644,459
Total revenue from contracts with customers		90,762,638	83,595,660
b. Other Revenue			
Interest received		8,747	72,568
Rent received		60,341	39,442
Gain on disposal of property, plant and equipment		-	10,435
Total other revenue		69,088	122,445

Note 5 Loss for the Year

		2022 $	2021 $
Loss before income tax from continuing operations includes the following specific expenses:			
• Amounts expensed as part of business combinations and acquisition opportunities		505,074	455,111
• Short term lease payments		121,181	219,027
• Amounts expensed as part of capital raises and debt restructure		125,000	206,795
• Costs relating to contractual matters with AFM Franchisees		92,746	383,029

Note 6 Finance costs and Finance Income

		2022 $	2021 $
Interest expense from borrowings at amortised cost:			
External entities		1,327,436	922,234
Interest expenses for finance lease arrangements		13,894,446	11,873,437
Total interest expense		**15,221,882**	**12,795,671**

Note 7 Segment reporting

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

Note 8 Income tax expense

The major components of tax expense and the reconciliation of expected tax expense based on the effective tax rate of Viva Leisure Limited at 30.0% (2021:30.0%) and the reported tax expense in profit or loss are as follows:

		2022 $	2021 $
Loss before tax		(17,140,752)	(8,793,735)
Domestic tax rate		30.0%	30.0%
Prima facie tax expense		(5,142,226)	(2,638,121)
Adjustment for non-deductible expenses:			
Non-deductible expenses		80,405	66,313
Prior year's over provision of tax		62,286	162,971
Income tax (benefit) / expense		**(4,999,535)**	**(2,408,837)**
Tax expense comprises			
Current tax expense		(2,255,515)	1,573,022
Deferred tax expense		(2,744,020)	(3,981,859)
		(4,999,535)	**(2,408,837)**

Note 9 Cash and Cash Equivalents

	2022 $	2021 $
Cash at bank and on hand	4,301,938	3,261,521
Short-term bank deposits	1,536,327	9,678,852
Cash backed bank guarantees	4,231,304	4,350,598
	10,069,569	**17,290,971**

The effective interest rate on short-term bank deposits was 1.00% (2021: 0.01%); these deposits are held at call.

Note 10 Trade and Other Receivables

	2022 $	2021 $
Current		
Trade receivables	729,346	2,549,312
Other receivables	35,297	112,748
Sub leases receivable	63,981	57,151
Total current trade and other receivables	**828,624**	**2,719,211**
Non-current		
Sub leases receivable	158,001	130,424
Total non-current trade and other receivables	**158,001**	**130,424**

	Current $	>30 days past due $	>60 days past due $	>90 days past due $	Total $
2022					
Plus Fitness - franchise fees and territory openings	98,415	24,970	6,648	151,111	281,144
Trade receivables	182,959	17,368	12	247,863	448,202
Other receivables and sub-leases receivable	99,278	-	-	-	99,278
	380,652	42,338	6,660	398,974	828,624

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

Note 11 Inventories

	2022 $	2021 $
Current		
At cost or lower of net realisable value		
Finished goods	809,462	899,521
	809,462	**899,521**

Note 12 Other Assets

	2022 $	2021 $
Current		
Prepayments	1,460,502	991,848
	1,460,502	**991,848**
Non-Current		
Cash bonds receivable	1,425,841	1,700,848
	1,425,841	**1,700,848**

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

Note 13 Borrowings

	Current		Non-current	
	2022 $	2021 $	2022 $	2021 $
At amortised cost:				
Bank loans	4,435,032	2,080,500	15,695,868	7,927,000
	4,435,032	**2,080,500**	**15,695,868**	**7,927,000**

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 2022 this amounted to 6.16%.

Finance lease liabilities are secured against the underlying leased equipment and are at an average interest rate of 5.4%

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

	Plant and Equipment $	Furniture and Fittings $	Motor Vehicles $	Leasehold Improvements $	Total $
Balance at 1 July 2020	5,894,068	1,016,891	319,197	21,416,577	28,646,733
Additions	9,351,082	358,689	146,771	17,248,940	27,105,482
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)	(5,482,556)
Carrying amount at 30 June 2021	**14,931,462**	**1,052,726**	**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**

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

	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**

All amortisation is included in within depreciation and amortisation expense.

15.1 Impairment Testing

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

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

	Revenue Growth Rate	Expense Growth Rate	Discount Rate
Health Clubs	4%	3%	6.25%

The recoverable amount above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five-year period plus a terminal value calculated using a terminal multiple of 5x for health clubs and 8x for the Plus Fitness franchise business as determined by management. The present value of the expected cash flows is determined by applying an estimated weighted average cost of capital (WACC) of 6.25%.

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 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 2021	Recognised in Equity	Recognised in Profit and Loss	30 June 2022
	$	$	$	$
Non-Current Assets				
Property, plant and equipment	921,009	-	1,003,375	1,924,384
Leased assets	(61,465,096)	-	(5,842,429)	(67,307,525)
Other intangible assets	(69,785)	-	(287)	(70,072)
Non-Current Liabilities				
Provisions	562,555	-	1,727,662	2,290,217
Lease liabilities	59,265,944	-	5,457,450	64,723,394
Deferred legal costs	985,228	-	13,397	998,625
Current Liabilities				
Provisions	2,038,253	-	(1,143,478)	894,775
Accruals	21,000	-	3,000	24,000
Lease liabilities	6,782,439		1,843,490	8,625,929
Equity				
Costs of IPO allocated direct to equity	290,044	140,579	(318,160)	112,463
	9,331,591	**140,579**	**2,744,020**	**12,216,190**
Represented by:				
Deferred Tax Assets	69,896,036	140,579	7,632,788	77,669,403
Deferred Tax Liabilities	(60,564,445)	-	(4,888,768)	(65,453,213)
	9,331,591	**140,579**	**2,744,020**	**12,216,190**

	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	496,510	-	66,045	562,555
Lease liabilities	50,339,229	-	8,926,715	59,265,944
Deferred legal costs	624,968	-	360,260	985,228
Current Liabilities				
Provisions	1,343,052	-	695,201	2,038,253
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**
Represented by:				
Deferred Tax Assets	57,726,670	362,555	11,806,811	69,896,036
Deferred Tax Liabilities	(52,784,151)	-	(7,780,294)	(60,564,445)
	4,942,519	**362,555**	**4,026,517**	**9,331,591**

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

Tax Payable		2022 $	2021 $
Current			
Income tax (receivable)/payable		**(1,153,991)**	**1,560,361**

Note 17 Trade and Other Payables

		2022 $	2021 $
Current			
Trade payables		5,187,628	5,235,112
Sundry payables and accrued expenses		1,820,075	1,147,936
		7,007,703	**6,383,048**

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

Note 18 Contract Liabilities

		2022 $	2021 $
Current			
Amounts received in advance for sale of gym memberships		1,693,356	1,442,538
Amounts received in advance for franchise licence sales		935,190	2,995,351
Total contract liabilities		**2,628,546**	**4,437,889**

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

Note 19 Leases

		2022 $	2021 $
(i) AASB 16 related amounts recognised in the balance sheet			
Right of use assets			
Leased buildings:			
Opening balance		187,421,480	160,836,896
Additions to right-of-use assets		41,735,313	47,699,023
Depreciation expense		(27,086,271)	(21,114,439)
Net carrying amount		202,070,522	187,421,480
Leased equipment:			
Opening balance		17,462,173	16,044,881
Additions to right-of-use assets		8,233,834	4,319,065
Disposals of right-of-use assets		114,743	(93,956)
Depreciation expense		(3,522,853)	(2,807,817)
Net carrying amount		22,287,897	17,462,173

Total right-of-use assets	224,358,419	204,883,653
Lease liabilities		
Leased buildings:		
Opening balance	204,620,113	168,106,082
Additions to lease liabilities	40,467,271	47,579,096
Principal repayments	(19,565,258)	(11,065,065)
Net carrying amount	225,522,126	204,620,113
Leased equipment:		
Opening balance	15,541,163	14,521,011
Additions to lease liabilities	8,562,249	4,319,944
Principal repayments	(5,127,796)	(3,299,792)
Net carrying amount	18,975,616	15,541,163
Total lease liabilities	244,497,743	220,161,276
Current liabilities	29,107,442	22,873,600
Non-current liabilities	215,390,301	197,287,676
	244,497,743	220,161,276

		2022 $	2021 $
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)		30,385,224	24,033,264
Interest expense on lease liabilities (included in total finance costs)		13,894,446	11,873,437
(iii) Cash outflows relating to leases / rental payments			
Property lease payments		32,664,497	22,126,667
Equipment lease payments		6,002,745	4,074,620
Total cash outflows for leases / rental payments		38,667,242	26,201,287

a. Options to Extend or Terminate

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

Note 20 Employee Remuneration

		2022 $	2021 $
20.1 Employee benefits - expense			
Expenses recognised for employee benefits are analysed below:			
Wages and salaries		26,501,257	23,092,699
Employee leave entitlements		1,351,126	907,214
Share based payments		211,994	106,562
Superannuation		2,487,655	2,278,000
Employee Benefits Expense		**30,552,032**	**26,384,475**

The Company received JobSaver payments of $766,360. These payments have been recorded as other income for the year.

20.2 Share-Based Employee Remuneration

As at 30 June 2022, 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 1,920,334 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 and TSR CAGR is illustrated in the following tables:

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%

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

- For the purposes of the above performance hurdles, EPS means the Basic Earnings per Share calculated by reference to the Company's audited financial statements.

- For the purposes of the above performance hurdles:

  - for the options granted on 12 November 2020, TSR means Total Shareholder Return and will be measured using the VVA 20-day Volume Weighted Average Market Price (VWAP) for the twenty (20) trading days commencing from the announcement of results for the financial year ended 30 June 2020 (TSR measure start date) to the same 20 trading period VWAP post the date of announcement of results for the year ended 30 June 2023 (TSR measure end date);
  - for the options granted on 28 October 2021, TSR means Total Shareholder Return and will be measured using the VVA 15-day Volume Weighted Average Market Price (VWAP) for the fifteen (15) trading days commencing from the announcement of results for the financial year ended 30 June 2021 (TSR measure start date) to the same 15 trading period VWAP post the date of announcement of results for the year ended 30 June 2024 (TSR measure end date);

- 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.

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

	LTI (Tranche 1)	LTI (Tranche 2)	LTI (Tranche 3)	Tranche 1	Tranche 2
	Number of Options	Number of Options	Number of Options	Number of Options	Number of Options
Outstanding at 30 June 2021	295,000	1,213,334	-	1,400,000	1,000,000
Granted	-	-	412,000	-	-
Outstanding at 30 June 2022	295,000	1,213,334	412,000	1,400,000	1,000,000
Exercisable at 30 June 2022	**-**	**-**	**-**	**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	30 October 2019	12 November 2020	28 October 2021	7 June 2019	7 June 2019
Vesting period ends	Release of FY2022 results	Release of FY2023 results	Release of FY2024 results	Vested	Vested
Share price at grant date ($)	1.00	2.75	2.40	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	20,284	474,202	238,960	82,979	72,232
Exercise price at date of grant	Nil	3.34	Nil	1.34	1.43
Exercisable from	Release of FY2022 Results	Release of FY2023 Results	Release of FY2024 Results	7 June 2020	7 June 2020
Exercisable to	31 August 2024	16 October 2025	16 November 2024	2 May 2023	2 May 2023
Weighted average remaining contractual life	2.25 Years	3.30 Years	2.38 Years	0.94 Years	0.94 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, $211,994 (2021: $106,562) 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.

		2022 $	2021 $
20.3 Employee benefits - liabilities			
Current:			
Employee leave entitlements		2,982,583	1,875,182
Non-Current:			
Employee leave entitlements		277,809	830,640
Total employee obligations		**3,260,392**	**2,705,822**

Note 21 Provisions

	Employee Benefits $	Property Make Good $	Total $
Consolidated Group			
Opening balance at 1 July 2021	2,705,822	5,963,536	8,669,358
Additional provisions	1,905,696	1,452,284	3,357,980
Amounts used	(1,351,126)	(59,574)	(1,410,700)
Balance at 30 June 2022	**3,260,392**	**7,356,246**	**10,616,638**

	2022 $	2021 $
Current:		
Employee benefits	2,982,583	1,875,182
Total current provisions	2,982,583	1,875,182
Non-Current:		
Employee benefits	277,809	830,640
Property make good	7,356,246	5,963,536
Total non-current provisions	7,634,055	6,794,176
Total provisions	**10,616,638**	**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.

	2022 Shares	2021 Shares	2022 $	2021 $
Shares issued and fully paid:				
Beginning of the year	81,956,221	71,511,393	116,677,780	87,375,694
Shares issued (less costs of offer)	7,558,019	10,344,828	11,386,911	29,162,554
Shares issued through exercise of options	-	100,000	-	139,532
Total contributed equity at 30 June	89,514,240	81,956,221	128,064,691	116,677,780

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 2022 and 30 June 2021 are as follows:

	2022 $	2021 $
Total borrowings - Market Rate loan	20,130,900	10,007,500
Total borrowings – equipment finance leases	18,974,793	15,541,986
Total borrowings	39,105,693	25,549,486
Less cash and cash equivalents	10,069,569	17,290,971
Net debt	**29,036,124**	**8,258,515**
Total equity	85,809,917	86,352,203
Total capital	**114,846,041**	**94,610,718**
Gearing ratio	25.28%	8.7%

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.

	2022 $	2021 $
Common Control Reserve		
Beginning of the year	(21,900,880)	(21,900,880)
Net movement in common control reserve	-	-
Total common control reserve at 30 June	**(21,900,880)**	**(21,900,880)**

b. Share Options Reserve

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

	2022 $	2021 $
Share Options Reserve		
Beginning of the year	293,749	175,495
Exercise of options by key management personnel	-	(5,532)
Expensing of options to key management personnel	211,994	106,562
Payment for options by key management personnel	-	17,224
Total share options reserve at 30 June	**505,743**	**293,749**

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 2022 or 2021).

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:

	2022 $	2021 $
Weighted average number of shares used in basic earnings per share	88,106,171	77,516,637
Shares deemed to be issued for no consideration in respect of options granted	4,248,731	3,804,466
Weighted average number of shares used in diluted earnings per share	**92,354,902**	**81,321,103**

24.2 Dividends

There were no dividends declared or paid during the year (2021: nil)

24.3 Franking Credits

	2022 $	2021 $
The amount of franking credits available for subsequent reporting periods are:		
Balance at the end of the reporting period	5,021,279	2,825,510
Franking credits that will arise from payment of (or receivable from) the amount of provision for income tax (income tax receivable)	(2,338,931)	1,560,361
Total franking credits	**2,682,348**	**4,385,871**

Note 25 Reconciliation of Cash Flows

	2022 $	2021 $
Cash flows from operating activities		
Loss after income tax	(12,141,191)	(6,384,898)
Non-cash flows in loss		
— depreciation and amortisation	38,336,988	30,076,823
— tax effect of expenses taken to equity	140,579	362,554
— share based payments	211,994	118,254
— other non-cash items	26,942	-
— (increase)/decrease in trade and term debtors	(413,011)	1,155,863
— (increase)/decrease in other assets	1,251,544	(225,786)
— (increase)/decrease in deferred tax	(2,838,941)	(4,389,071)
— increase/(decrease) in payables	624,655	557,269
— increase/(decrease) in current tax	(1,606,020)	901,634
— increase/(decrease) in other liabilities	(2,153,757)	948,157
— increase/(decrease) in provisions	6,506,091	2,239,720
Net cash from operating activities	**27,945,873**	**25,360,519**

Note 26 Auditor Remuneration

	2022 $	2021 $
Remuneration of the auditor for:		
Audit and review of financial statements		
• Financial year ended 30 June	68,000	63,500
• Half year ended 31 December	35,000	31,500
• Other assurance engagements	9,500	9,500
Total audit services	**112,500**	**104,500**
Other non-audit services		
• Taxation and business services	40,275	26,500

Total non-audit services	**40,275**	**26,500**
Total auditor remuneration	**152,775**	**131,000**

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.

		2022 $	2021 $
27.1 Transactions with Directors and Key Management Personnel			
Short-term Employee Benefits:			
Wages and salaries (including Director's fees, bonuses and Annual Leave entitlements)		2,017,325	1,318,903
Superannuation		108,528	115,776
Long service leave		94,895	30,429
Share-based payments		211,994	106,562
Total remuneration		**2,432,742**	**1,623,631**

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Share-based payments

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

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

		2022 $	2021 $
27.2 Related Party Properties			
Total related party property transactions		2,396,913	3,014,870

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.

Note 28 Contingent Liabilities

The company has no contingent assets or liabilities.

Note 29 Business Combinations

During the period the Group acquired 25 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	12	1	1	8	3	25
Acquisition	PLUS Sites	NSW	Victoria	Rebalance	MFC*	Total
	$	$	$	$	$	$
Purchase consideration						
Amount settled in cash, net of cash acquired	10,180,154	1,413,487	1,203,097	2,876,024	3,829,732	19,502,494
						-
Assets and liabilities acquired at fair value						-
Property, plant and equipment	860,212	142,410	73,185	214,000	410,160	1,699,967
Other net identifiable assets /(liabilities) acquired	(121,320)	(6,513)	(96,903)	(23,976)	144,732	(103,980)
Goodwill	9,441,262	1,277,590	1,226,815	2,686,000	3,274,840	17,906,507
	10,180,154	1,413,487	1,203,097	2,876,024	3,829,732	19,502,494

Revenue and profit contribution from the date of acquisition until 30 June 2022

Revenue	2,552,966	656,348	804,013	901,675	1,358,503	6,273,505
Profit before depreciation, amortisation, interest and tax (but including property rental costs)	982,852	219,614	171,551	250,285	377,468	2,001,770

*MFC is the My Fitness Clubs group of clubs located in Qld

Acquisition-related costs amounting to $505,074 for all acquisitions have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

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

Note 30 Interests in Subsidiaries

Name of Subsidiary	Principal Activity	Proportion of Ownership Interests held by the Group	
		30 June 2022	30 June 2021
Viva Leisure Operations Pty Limited	Health club operation	100%	100%
Viva Leisure People Pty Limited	Health club operation	100%	100%
Viva Leisure Property Pty Limited	Health club operation	100%	100%
Viva Leisure Memberships Pty Limited	Health club operation	100%	100%
Viva Pay Pty Limited	Direct Debit Service Provider	100%	-
Chain Collective Group Pty Limited	Parent company for franchise operations	100%	-
Rebalance Pilates & Yoga Group Pty Limited	Health club operation	100%	-
Psycle Life Pty Limited	Dormant	100%	100%
The Club Group Pty Limited	Dormant	100%	100%
The Club Group (Greenway) Pty Limited	Dormant	100%	100%
Club MMM! Pty Limited	Dormant	100%	100%
HIIT Republic Australia Pty Limited	Health club operation	100%	100%
Plus Fitness Pty Limited	Master franchisor for Plus Fitness (Aust)	100%	100%
Viva Leisure (NZ) Limited	NZ Parent	100%	100%
Viva Leisure Operations (NZ) Limited	NZ operations	100%	100%
Plus Fitness (NZ) Limited	Master franchisor for Plus Fitness (NZ)	100%	100%
Plus Fitness International Pty Limited	Dormant	100%	-
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 Commitments

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

- Plus Fitness – Hocking, WA

The acquisition was completed on 1 August 2022.

At 30 June 2021, Viva Leisure Limited 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

These were all completed early in the financial year ended 30 June 2022.

	Contractual Commitments			
	Within 1 Year	1 to 5 Years	After 5 Years	Total
	$	$	$	$
30 June 2022	850,000	-	-	-
30 June 2021	2,850,000	-	-	-

Note 32 Financial Instrument Risk

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

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

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

32.1 Market Risk Analysis

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

	Short term exposure	Long term exposure
	$	$
30 June 2022		
Financial assets	12,516,710	-
Financial liabilities	(17,089,730)	(29,023,746)
Total exposure	**(4,573,020)**	**(29,023,746)**
30 June 2021		
Financial assets	20,010,182	-
Financial liabilities	(12,864,607)	(19,067,929)
Total exposure	**7,145,575**	**(19,067,929)**

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 2022, the Group is exposed to changes in market interest rates as its Bank Debt is at variable interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 2% (2021: +/- 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	
	$	$	$	$
30 June 2022	(102,395)	102,395	(102,395)	102,395
30 June 2021	71,456	(71,456)	71,456	(71,456)

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	
	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $	2022	2021 $
Consolidated Group								
Financial liabilities due for payment								
Trade and other payables	7,007,703	6,383,049		-		-	7,007,703	6,383,049
Contract liabilities	2,628,546	4,437,889					2,628,546	4,437,889
Bank loans	4,435,032	2,080,500	15,695,868	7,927,000			20,130,900	10,007,500
Finance lease liabilities	29,107,442	22,873,600	94,175,412	95,466,815	121,214,889	101,820,860	244,497,743	220,161,275
Total expected outflows	**43,178,723**	**35,775,038**	**109,871,280**	**103,393,815**	**121,214,889**	**101,820,860**	**274,264,892**	**240,989,713**
Financial assets – cash flows realisable								
Cash and cash equivalents	10,069,569	17,290,971	-	-	-	-	10,069,569	17,290,971
Trade receivables	828,625	2,719,211			-	-	828,625	2,719,211
Total anticipated inflows	**10,898,194**	**20,010,182**	**-**	**-**	**-**	**-**	**10,898,194**	**20,010,182**
Net (outflow)/ inflow on financial instruments	**(32,280,529)**	**(15,764,855)**	**(109,871,280)**	**(103,393,815)**	**(121,214,889)**	**(101,820,860)**	**(263,366,698)**	**(220,979,530)**

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

	2022 $	2021 $
Statement of Financial Position		
Current Assets	105,915,818	94,669,485
Non-Current Assets	11,838	11,838
Total Assets	105,927,656	**94,681,323**
Current Liabilities	12,087	12,087
Total Liabilities	12,087	**12,087**
Net Assets	105,915,569	**94,669,236**
Issued Capital	128,064,691	116,538,248
Reserves	(21,395,137)	(21,467,599)
Retained Earnings	(753,986)	(401,413)
Total Equity	105,915,568	**94,669,236**
Statement of Profit and Loss and Other Comprehensive Income		
Loss for the year	(352,573)	(486,340)
Other comprehensive income	**-**	**-**
Total Comprehensive Income	**(352,573)**	**(486,340)**

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 4.31%

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

- Plus Fitness – Hocking, WA

The acquisition was completed on 1 August 2022.

At 30 June 2021, Viva Leisure Limited 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

These were all completed early in the financial year ended 30 June 2022.

	Contractual Commitments			
	Within 1 Year	1 to 5 Years	After 5 Years	Total
	$	$	$	$
30 June 2022	850,000	-	-	-
30 June 2021	2,850,000	-	-	-

Note 35 Events After the Reporting Period

The following events occurred after the reporting period:

Since the end of the financial year, Viva Leisure Limited has completed the acquisition of Plus Fitness, Hocking, WA for $0.85 million.

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.

Note 36 Company Information

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

Viva Leisure Group Directors' Declaration

1) In the opinion of the Directors of Viva Leisure Ltd:
   a) The consolidated financial statements and notes of Viva Leisure Ltd are in accordance with the Corporations Act 2001, including:
      i) Giving a true and fair view of its financial position as at 30 June 2022 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 2022.

3) Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Director

Harry Konstantinou

Dated this 17 day of August 2022.

HALL CHADWICK
Chartered Accountants & Business Advisors

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

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

Opinion

We have audited the financial report of Viva Leisure Limited (the Company and its controlled entities "the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, 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 2022 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 2022. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Revenue Recognition and Contract Liabilities Refer to Note 4 '*Revenue and Other Income' and Note 18 'Contract Liabilities'*	
The group recognises revenue from health club membership services 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 2022 was \$90,831,726. At 30 June 2022 the group recognised \$2,628,546 in contract liabilities for consideration received in advance for gym memberships and franchise territory sales. We focused on this area as a key audit matter given the significance of the balance and that there is a risk that revenue may not be recognised in accordance with the revenue recognition principles as set out in AASB 15: Revenue from Contracts with Customers.	Our procedures included, amongst others, the following: • We obtained an understanding of the key controls in the revenue recognition cycle including the IT controls associated with the Viva membership system. • Sample tested revenue transactions throughout the year to ensure that revenue was recognised in accordance with AASB 15: Revenue from Contracts with Customers. • We ensured the carrying value of the contract liabilities were accurate and complete. • We performed analytical procedures. • We reviewed the groups qualitative and quantitative disclosures in the financial statements.
Right-Of-Use Assets and Lease Liabilities Refer to Note 19 '*Right-of-Use Assets' and Note 19 'Lease Liabilities'*	
At 30 June 2022, the group recognised \$224,358,419 in Right-to-Use Assets and \$244,497,743 in lease liabilities. The group has numerous lease arrangements in place which require certain judgements to be made at point of recognition and measurement. We focused on this area as a key audit matter given the significance of the balance and there is a risk that the leases may not be accounted for in accordance with the requirements of AASB16: Leases.	Our procedures included, amongst others, the following: • We obtained management's calculation of its right-of-use assets and lease liabilities and tested the accuracy of key data inputs by agreeing to leases on a sample basis • We obtained copies of the lease agreements and reviewed the inputs into management's calculations. • We assessed the reasonableness of key judgements used and the practical expedients applied by the group. • We reviewed the adequacy of disclosures which were made in the financial statements including disclosure of significant judgements.

HALL CHADWICK
Chartered Accountants & Business Advisors

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

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Accounting for Business Combinations Refer to Note 29 '*Business Combinations*'	
During the financial year ended 30 June 2022 the group made a number of acquisitions as disclosed in Note 29. Accounting for acquisitions is complex and involves a number of significant judgements. We focused on this area as a key audit matter due to amounts involved being material and the judgements involved in determining the fair value of the assets acquired and liabilities assumed.	Our procedures included, amongst others, the following: • 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
Carrying value of goodwill Refer to Note 15 '*Intangible Assets', Note 29 'Business Combinations'*	
The Group has recognised goodwill of $64,811,736 at 30 June 2022 resulting from business combinations including $17,906,507 recognised during the year. 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. 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.	Our procedures included, amongst others, the following: • Evaluated management's impairment assessment of goodwill. • Reviewed key inputs in the value-in-use model such as 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.

HALL CHADWICK
Chartered Accountants & Business Advisors

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 2022 but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

– Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

HALL CHADWICK
Chartered Accountants & Business Advisors

VIVA LEISURE LIMITED
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AND ITS CONTROLLED ENTITIES

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

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

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

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

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

HALL CHADWICK
Chartered Accountants & Business Advisors

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 21 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Viva Leisure Limited for the year ended 30 June 2022 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 2022

Additional Information for Listed Companies

The following information is current as at 3 August 2022

1. Distribution of Shareholders

The Distribution of issued capital is as follows:

Holding	Total No. of Shares Held	No. of Shareholders
100,001 and over	80,064,481	35
10,001 – 100,000	6,351,742	239
5,001 – 10,000	1,375,516	184
1,001 – 5,000	1,383,516	557
1 – 1,000	338,985	750
	89,514,240	**1,765**

2. Distribution of Options

Holding	Total No. of Options Held	No. of Shareholders
100,001 and over	4,320,334	5
10,001 – 100,000	-	-
5,001 – 10,000	-	-
1,001 – 5,000	-	-
1 – 1,000	-	-
	4,320,334	**5**

3. 20 Largest Shareholders

Shareholder	Number Held	% of Issued Shares
SHJA MANAGEMENT PTY LTD	21,688,434	24.23%
NATIONAL NOMINEES LIMITED	17,377,932	19.41%
CITICORP NOMINEES PTY LIMITED	14,613,802	16.33%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,466,674	6.11%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,554,489	2.85%
CAPITAL PROPERTY CORPORATION PTY LTD	2,072,706	2.32%
BNP PARIBAS NOMS PTY LTD	1,743,613	1.95%
HARRY KONSTANTINOU	1,542,068	1.72%
MR JOHN KONSTANTINOU	1,409,903	1.58%
CAPITAL PROPERTY CORPORATION PTY LTD	1,326,433	1.48%
BOND STREET CUSTODIANS LIMITED	1,154,557	1.29%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,002,155	1.12%
BROADGATE INVESTMENTS PTY LTD	949,036	1.06%
SPIROS KONSTANTINOU	942,067	1.05%
PORTMAN TRADING PTY LTD	900,000	1.01%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	794,696	0.89%
PACIFIC L PTY LTD	730,600	0.82%
EASTY HOLDINGS PTY LTD	466,667	0.52%
MR ANGELO KONSTANTINOU	442,068	0.49%
DIXSON TRUST PTY LIMITED	394,327	0.44%

4. Substantial Shareholders

The names of the substantial shareholders listed in the holding company's register as at 3 August 2021 are:

Substantial Shareholders	Number Held	% of Issued Shares
SHJA MANAGEMENT PTY LTD	21,688,434	24.23
NATIONAL NOMINEES LIMITED	17,377,932	19.41
CITICORP NOMINEES PTY LIMITED	14,613,802	16.33
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,466,674	6.11

5. Less than Marketable Parcel of Ordinary Shares

There are 414 shareholders with an unmarketable parcel totalling 102,607 shares.

6. Unquoted Equity Securities

The company had the following unquoted securities on issue as at 3 August 2022

Security	No. of Securities
Unquoted Options	4,320,334

7. Restricted Securities

The company had no restricted securities on issue as at 3 August 2022

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

Other Information

Company Secretaries:

Kym Gallagher

Registered office and principal place of business:

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

Registers of securities are held at the following addresses:

Link Market Services

Level 12, 680 George Street, Sydney, NSW

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.