APPENDIX 4D

Half Year Report
For the six months ended 31 December 2013

Results for announcement to the market
(this information should be read in conjunction with the most recent annual financial report)

Extracts of the Vita Group Limited results for the half year ended 31 December 2013.

REVIEW AND RESULTS OF OPERATIONS

	Half year		
	31 December 2013 $'000	31 December 2012 $'000	Growth %
Operating revenue			
Telecommunications segment	173,757	172,709	1%
Computing segment	42,078	49,482	(15%)
Total operating revenue (a)	215,835	222,191	(3%)
Gross profit (b)	70,153	69,268	1%
Underlying earnings before interest, taxation, depreciation and amortisation (c)	12,083	10,206	18%
Underlying earnings before interest and taxation (d)	6,848	4,859	41%
Impairment of Next Byte	(19,397)	-	
Earnings before interest and taxation (e)	(12,549)	4,859	
Net (loss)/profit from operations	(15,219)	2,684	
Earnings per share (cents)	(10.68)	1.88	

(a) Total segment revenue excluding finance revenue (Note 3)
(b) Gross profit excluding finance revenue (consolidated statement of comprehensive income)
(c) Profit from continuing operations before income tax excluding depreciation, amortisation expenses, impairment and finance revenue and costs (consolidated statement of comprehensive income)
(d) Profit from continuing operations before income tax excluding finance revenue and costs, and impairment (consolidated statement of comprehensive income)
(e) (Loss)/profit from continuing operations before income tax excluding finance revenue and costs, (consolidated statement of comprehensive income)

Operating revenue declined in the half by 3% to $215.8m as the Group continued to refine its portfolio of businesses. Revenues grew in the areas the Group has deemed strategically important, but were offset by weaker revenues in non-strategic segments. The Telecommunications segment recorded a 1% increase in revenues on the prior corresponding period, reflecting strong growth from the business segment and from Telstra branded stores, offset by lower Fone Zone revenues. Computing revenues were down 15% overall. Whilst the contribution from older format stores was lower reflecting weaker like-for-like comparatives and closed stores, the Group's new format Apple Premium Reseller (APR) stores delivered an 18% uplift in revenues.

Underlying EBITDA was up 18% to $12.1m in the period, reflecting growth in the Group's strategic businesses - Telstra stores, the business channel and new format APR stores. The improvement in underlying EBITDA reflects a shift in mix toward higher margin businesses and a focus on driving higher rates of productivity. The Telecommunications segment delivered underlying EBITDA of $12.9m, 22% up on the same period last year, whilst the Computing segment made a small loss of $0.8m for the period after incurring restructuring costs of $0.4m, relating to the migration from old to new format stores.

During the half, the Board reviewed with management the strategic investment priorities for the Group. Up until the review, a material expansion of the Next Byte brand had been planned, led by a national rollout of new format APR stores in regional centres that would complement Apple's prominent CBD and large mall locations.

Results for announcement to the market (continued)

(this information should be read in conjunction with the most recent annual financial report)

REVIEW AND RESULTS OF OPERATIONS (continued)

The review undertaken determined that the Group could unlock attractive returns by investing in the Telecommunications business market and particularly in the Network, Applications and Services segments and the Camelon acquisition, completed on 1 October 2013, was an early initiative targeting that opportunity. It was also determined that the potential returns from the Next Byte expansion were inferior to those in the Telecommunications business market and that the expansion plans should be moderated in the interests of creating greater shareholder value in the medium term. As a consequence, whilst Next Byte remains an important part of the Group and will be targeting earnings growth, the potential earnings and therefore recoverable amount arising from the business would be impacted. The Board elected to write off the value of Next Byte goodwill at 31 December 2013 amounting to $19.4m. The charge is non-cash in nature and has no impact on business operations.

Gross debt was $13.6m at the end of the period, down $10.2m on the same time last year and down $1.9m on June 30, despite the acquisition of Camelon I.T. on 1 October 2013. Cash flows during the period were focused towards the repayment of debt and dividend payments. Cash and cash equivalents were $11.2m at the end of the period compared with $24.9m in the prior corresponding period, which benefited from one off working capital benefits, and were down only $1.6m on June 30 balances.

The Board has approved an interim dividend of 1.91cps, up 66% from 1.15 cps in the prior corresponding period, and re-iterated its intent to target a full year payout ratio of 65% of profits after tax. Record date for the interim dividend will be 17 March 2014, with payment date being 11 April 2014.

Dividends

A 2014 interim fully franked dividend of 1.91 cents per share was approved by the Board on 28 February 2013 (31 December 2012: 1.15 cents per share fully franked).

Record date for the interim dividend will be 17 March 2014, with payment date being 11 April 2014.

There were no foreign sourced dividends or distributions.

Other information

Net tangible asset backing (8.4) cents per share (31 December 2012: (7.0) cents per share)