



Prospectus

INITIAL PUBLIC OFFERING OF ORDINARY SHARES

Vitaco Holdings Limited ACN 606 826 493

For personal use only



J.P.Morgan

JOINT LEAD MANAGERS



FINANCIAL ADVISER



Important Information

Offer

The Offer contained in this prospectus (**Prospectus**) is an invitation to apply for fully paid ordinary shares (**Shares**) in Vitaco Holdings Limited (ACN 606 826 493) (**Company**). At the Prospectus Date (as defined below), the Company had one Share on issue. Following settlement of the Offer (**Settlement**), the Company will acquire all of the issued capital of Vitaco Health Group Limited (New Zealand Company Number 1885808) (**VHGL**). Refer to Section 9.4 for further information. In this Prospectus, references to "the Group" or "the Vitaco Group" relating to any period prior to Settlement refer to VHGL and its subsidiaries, while those relating to any period after Settlement refer to the Company and its subsidiaries (including VHGL).

Lodgement and listing

This Prospectus is dated 4 September 2015 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. This is a replacement prospectus which replaces the prospectus dated 24 August 2015 and lodged with ASIC on that date (**Original Prospectus**). Neither ASIC nor the Australian Securities Exchange (**ASX**) takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The Company applied to the ASX within seven days after the date of the Original Prospectus for admission of the Company to the official list of, and quotation of the Shares on, the ASX (**Listing**).

This replacement Prospectus has been issued to clarify certain information relating to the pro-forma adjustments included in Section 4 of the Prospectus relating to the cost synergies to be generated from the Musashi acquisition as well the revenues associated with the Musashi business.

Expiry date

This Prospectus expires on 23 September 2016; being the date which is 13 months after the Prospectus Date (**Expiry Date**) and no Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor. It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In particular, in considering the prospects of the Vitaco Group, you should consider the risks that could affect the financial performance of the Vitaco Group. You should carefully consider these risks in the light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company. Some of the risks that should be considered by prospective investors are set out in Section 5. There may be risks in addition to the risks set out in Section 5 that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of the Vitaco Group, the repayment of capital by the Company or the payment of a return on the Shares. No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or the Company's directors (**Directors**).

As set out in Section 7.12.3, it is expected that the Shares will be quoted on the ASX initially on a deferred settlement basis.

To the extent permitted by law, each of the Company, Link Market Services Limited ACN 083 214 537 (**Share Registry**), Citigroup Global Markets Australia Pty Limited (ACN 003 114 832) and J.P. Morgan Australia Limited (ACN 002 888 011) (**Joint Lead Managers**) disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Exposure period

The Corporations Act prohibits the Company from processing applications to subscribe for Shares (**Applications**) in the seven day period after the date of the Original Prospectus (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. This examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

During the Exposure Period, this Prospectus was made available to Australian residents, without the Application Forms (as defined below), at www.vitaco.com.au.

Applications received during the Exposure Period were not processed until after the expiry of that period. No preference was conferred on Applications received during the Exposure Period.

Forward-looking statements and industry information

This Prospectus contains forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place (including the assumptions set out in Section 4). Such forward-looking statements are not guarantees of future performance and involve uncertainties, assumptions and known and unknown risks, including the risks set out in Section 5, many of which are beyond the control of the Company and the Directors. The Company and the Board of Directors (**Board**) cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Except where required by law, the Company has no intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors in Section 5. Research by Euromonitor International Limited (**Euromonitor International**) should not be considered as the opinion of Euromonitor International as to the value of any security or investment advice related to an investment in the Company.

Statements of past performance

This Prospectus includes information regarding the past performance of the Vitaco Group. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial information presentation

All references to FY13, FY14, FY15 and FY16 appearing in this Prospectus are to the financial years ended or ending (as relevant) 30 June of the applicable year, unless otherwise indicated. All references to 1H16 appearing in this Prospectus are to the six month period ending 31 December 2015.

All financial amounts contained in this Prospectus are expressed in Australian currency unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards, issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 4.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.

Readers should be aware that certain financial data included in this Prospectus is 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information', published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Vitaco Group. The non-IFRS financial measures do not have standardised meanings prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Readers are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or ratio included in this Prospectus.

Non-financial data is as at the Prospectus Date, unless otherwise stated.

Obtaining a copy of this Prospectus and applying for Shares

A hard copy of this Prospectus is available free of charge to any Retail Offer Applicant in Australia by calling the Vitaco Offer Information Line on 1800 653 805 (toll free within Australia) or +61 1800 653 805 (outside Australia) from 8:30am to 5:30pm (Sydney Time) during the Retail Offer period from 4 September 2015 to 11 September 2015. The Prospectus is available in electronic form at www.vitaco.com.au.

Applications for Shares may only be made during the offer period on the application form included in, or accompanying, this Prospectus in its hard copy form, or in its soft copy form which must be downloaded in its entirety from www.vitaco.com.au, together with an electronic copy of this Prospectus (**Application Form**). By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act



prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 7.9 for further information.

No cooling off rights

Cooling off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application.

Photographs and diagrams

Photographs and diagrams used in this Prospectus are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus, its contents or that the assets shown in them are or, on Completion of the Offer will be, owned by the Vitaco Group. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at the Prospectus Date.

Selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act and any other applicable securities laws is available.

Important information for New Zealand investors

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act (**Regulations**). In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the Regulations set out how the Offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

A copy of this Prospectus and other documents relating to the Offer have been, or will be, lodged with the New Zealand Companies Office.

While the Offer is being extended to New Zealand investors under the mutual recognition regime, no application for listing and quotation is being made to NZX Limited. See Section 7.9 for more details of selling restrictions that apply to the offer and sale of Shares in jurisdictions outside of Australia.

Privacy

By filling out the Application Form to apply for Shares you are providing personal information to the Company through its Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Vitaco Group, which it considers may be of interest to you. Your personal information may also be provided to the Vitaco Group's members, agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy and applicable laws. The members, agents and service providers of the Vitaco Group may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;

- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Telephone: 1800 502 355 (toll free within Australia)
+61 1800 502 355 (outside Australia)
Address: Level 12, 680 George Street,
Sydney NSW 2000

Underwriting

The Offer is being arranged, managed and underwritten by the Joint Lead Managers.

Investigating Accountant's Report on the Financial Information and financial services guide

The provider of the Investigating Accountant's Report on the Financial Information has provided Australian Retail Investors with a financial services guide in relation to its independent review under the Corporations Act. The Investigating Accountant's Report and accompanying financial services guide are provided in Section 8.

Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in the sources contained in this Prospectus, is incorporated in this Prospectus by reference.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus have the meanings defined in the Glossary set out in Section 10. Unless otherwise stated or implied, references to dates and times in this Prospectus are to the date or time in Sydney, Australia. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. There may be discrepancies between totals and sums of components in tables contained in this Prospectus due to rounding.

Questions

If you have any questions about how to apply for Shares, please call your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of each Application Form. Alternatively, please contact the Vitaco Offer Information Line on 1800 653 805 (toll free within Australia) or +61 1800 653 805 (outside Australia) between 8.30am and 5.30pm Sydney Time, Monday to Friday (Business Days only).

This Prospectus is important and should be read in its entirety.



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Key Offer statistics

Offer Price	A\$2.10 per Share
Total proceeds of the Offer	A\$231.6 million
Total number of Shares to be issued under the Offer	110.3 million
Total number of Shares to be held by Existing Shareholders on Completion of the Offer ¹	28.8 million
Total number of Shares on issue on Completion of the Offer	139.1 million
Market capitalisation at the Offer Price ²	A\$292.2 million
Pro forma net debt ³	A\$39.8 million
Enterprise value at the Offer Price ⁴	A\$332.0 million
Enterprise value/pro forma consolidated FY16 forecast EBITDA (excluding non-recurring legacy Musashi costs) ^{5,6}	12.1x
Enterprise value/pro forma consolidated FY16 forecast EBITDA ⁶	14.0x
Offer Price/pro forma consolidated FY16 forecast NPAT per Share (excluding non-recurring legacy Musashi costs) ^{5,7}	19.0x
Offer Price/pro forma consolidated FY16 forecast NPAT per Share ⁷	23.0x
Annualised forecast FY16 dividend yield at the Offer Price ⁸	2.9%

- (1) Of this amount, the Next Entities, Mike Thompson Investments Corporate Trustee Limited as trustee of the Mike Thompson Investments Trust and Management Shareholders will hold 21.3 million, 5.0 million and 1.5 million Shares, respectively, on Completion of the Offer. Certain of the Shares to be held by the Existing Shareholders (including all of the Shares held by the Next Entities and Mike Thompson Investments Corporate Trustee Limited as trustee of the Mike Thompson Investments Trust) will be subject to voluntary escrow arrangements, as described further in Section 7.8. Mike Thompson Investments Corporate Trustee Limited as trustee of the Mike Thompson Investments Trust is an entity related to Mike Thompson (a former director of VHGL as at Settlement).
- (2) Calculated as the total number of Shares on issue following the Offer multiplied by the Offer Price.
- (3) Refer to Section 4.5 for details of the components of pro forma net debt.
- (4) Enterprise value is calculated as the Company's indicative market capitalisation, based on the Offer Price, plus pro forma net debt of \$39.8 million as at Completion of the Offer. Refer to Section 4.5 for details of the components of pro forma net debt.
- (5) Excludes the impact of non-recurring legacy Musashi operating costs to be incurred in FY16 prior to integration into Vitaco's business model. This is consistent with the Musashi investment case forecast prepared by Vitaco Group Management. For more information on the impact of the Musashi acquisition see Section 4.7.
- (6) The enterprise value/EBITDA multiple is calculated as the enterprise value divided by pro forma forecast consolidated EBITDA for FY16. This multiple represents a valuation metric that may enable prospective investors to assess the valuation of comparable businesses before the impact of depreciation, amortisation and different capital and taxation structures. The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 4 and Section 12, and is subject to the key risks set out in Section 5. There is no guarantee that the forecasts will be achieved. The pro forma financial information varies significantly from the statutory financial information (including that statutory NPAT for the 15 month period to June 2016 is forecast to be a loss of \$9.7 million), primarily due to changes in the capital structure of the Vitaco Group, year-end and currency, public company costs, costs of the Offer and acquisition of the Musashi business, as explained in the reconciliation tables in Sections 4 and 11.
- (7) This ratio is commonly referred to as a forward price to earnings, or forward PE, ratio. A forward PE ratio is a company's share price divided by its forecast annual earnings per share.
- (8) Annualised forecast dividend yield is calculated as the implied dividend per Share based on the midpoint of the Company's target dividend payout ratio range of 50% to 60% of the Vitaco Group's pro forma NPAT from FY16 (adjusted to exclude the impact of non-recurring legacy Musashi operating costs to be incurred in FY16 prior to integration into Vitaco's business model). The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and financial condition of the Vitaco Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. For more information on the Company's dividend policy, see Section 4.10.



Important dates

Original Prospectus lodgement date	Monday, 24 August 2015
Retail Offer opens ¹	Friday, 4 September 2015
Retail Offer closes	Friday, 11 September 2015
Settlement	Monday, 14 September 2015
Issue of Shares (Completion of the Offer)	Wednesday, 16 September 2015
Expected commencement of trading on the ASX (on a deferred settlement basis)	Wednesday, 16 September 2015
Expected completion of dispatch of holding statements	Thursday, 17 September 2015
Expected commencement of trading on the ASX (on a normal settlement basis)	Friday, 18 September 2015

Note: The above timetable is indicative only and is subject to change. The Company, in consultation with the Joint Lead Managers, reserves the right to vary any and all of the above dates and times without notice (including, subject to the Listing Rules and the Corporations Act, to close the Offer early, to extend the closing date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion of the Offer, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. The admission of the Company to the Official List and the quotation and commencement of trading of the Shares is subject to confirmation from ASX.

(1) The Retail Offer includes the Broker Firm Offer and the Priority Offer.

How to invest

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus. Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.





Chairman's letter



Dear Investor,

On behalf of the Board of Directors of the Company, I am delighted to offer you an opportunity to invest in Vitaco Holdings Limited, an Australian and New Zealand nutritional products company with a portfolio of well-established and trusted brands a number of which hold market leading positions within their respective markets.

The Vitaco Group is well positioned to capitalise on the increasing levels of consumer focus on health and wellness objectives in Australia and New Zealand as well as the strong demand by Chinese consumers for the 'clean and green' credentials of health and wellness products manufactured within Australia and New Zealand.

With operations in Australia and New Zealand, the Vitaco Group develops, manufactures and distributes a range of branded products servicing the domestic nutrition, health and wellness industry as well as large and growing offshore markets, particularly across Asia. The Vitaco Group distributes its products through a broad range of channels, including the grocery, pharmacy, health food and sports specialty, route and direct-to-consumer/online channels.

The Vitaco Group's product portfolio includes a range of well-known and respected brands across its two divisions – Vitamins and Supplements (Healtheries, Wagner and Nutra-Life) and Sports and Active Nutrition and Health Foods (Aussie Bodies, Musashi, Balance, Bodytrim, Healtheries and Abundant Earth).

An important component of the Vitaco Group's historical success and a key tenet of its future prospects is the strength of its business model, underpinned by vertical integration and new product development capability, which the Vitaco Group believes are key competitive advantages. The Vitaco Group produces the majority of its products from its sites in Auckland, New Zealand, which assists in controlling costs, maintaining high levels of quality control and maximising speed to market. Importantly, the Vitaco Group's manufacturing sites have been subject to investment over time, with the aim of ensuring efficient production processes and providing capacity for future growth. The Vitaco Group has a track record of successful new product development which is expected to remain a core element of the Vitaco Group's strategy in the medium term and a key driver of growth. More than 20% of the Vitaco Group's revenue for FY15 was derived from products launched in the preceding three years.

The Vitaco Group has experienced strong sales growth in recent years which the Company believes is being driven by favourable long-term health and wellness product consumption trends underpinned by increasingly health focused consumers, growing sports participation rates and higher levels of gym attendance. The markets for health and wellness products in Australia and New Zealand are some of the largest globally, with Australians and New Zealanders among the largest consumers of sports nutrition products and vitamins and dietary supplements in the world on a per capita basis. The Vitaco Group expects continued strong growth in consumption of its products in its core markets in Australia and New Zealand. In addition, the Directors believe that the Company is well-positioned to benefit from the significant growth in demand for health and wellness products in Asia.

The Vitaco Group is led by an energised and highly experienced management team that has a track record of delivering strong operating and financial outcomes. From FY13 to FY15, the Vitaco Group generated annualised revenue and EBITDA growth of 8.6% and 9.1%, respectively. By capitalising on the strength of its brands, vertically integrated business model, new product development capability and offshore growth opportunities, the Directors believe that the Vitaco Group is well-positioned to continue to deliver strong growth into the future, with forecast pro forma revenue and EBITDA growth of 22.6% and 15.0% from FY15 to FY16, respectively¹.

[1] Includes the forecast pro forma impact of the Musashi acquisition for FY16. Adjusting FY16 forecast pro forma EBITDA to exclude the impact of non-recurring legacy Musashi operating costs to be incurred in FY16 prior to integration into Vitaco's business model, this growth rate is 33.5%. This adjustment is consistent with the Musashi investment case forecast prepared by Vitaco Management. See Section 4.7 and Section 4.8 for details of the expected impact of the Musashi acquisition during FY16. Note that statutory NPAT for the 15 month period to June 2016 is forecast to be a loss of \$9.7 million. For a reconciliation between statutory and pro forma forecast results, see Section 4.3.3.



The purpose of the Offer is to provide the Vitaco Group with access to a strengthened balance sheet and to improve capital management flexibility and capacity to fund future growth initiatives, to broaden the Company's shareholder base and provide a liquid market for the Company's Shares, to repay existing debt facilities and to redeem certain outstanding securities of VHGL. Funds raised under the Offer will also be used to pay, in part, the consideration payable to the Existing Shareholders for the transfer of the VHGL Shares held by the Existing Shareholders to the Company under the Sale Deed² and to pay the costs of the Offer.

On Completion of the Offer, successful Applicants will become shareholders in the Company. Investors in the Offer are expected to hold 79.3% of the Shares on issue, while entities controlled by Next Capital, entities related to Mike Thompson and Management Shareholders are expected to hold 20.0% of the Shares on issue. On Completion of the Offer, the Company will seek admission to the Official List of, and quotation of its Shares by, ASX.

This Prospectus contains detailed information about the Offer, the industry in which the Vitaco Group operates and its financial and operating performance. As with any company, there are a number of risks associated with an investment in the Company which investors should consider as part of their investment decision. Key risks associated with an investment in the Company are set out in Section 5 of this Prospectus and include reliance on key customers and agency arrangements, changes in consumer preferences, damage to the Vitaco Group's brand portfolio and inability to protect intellectual property rights, product liability claims and product recalls, changes to the regulatory environment in which the Vitaco Group operates, increased competition and the ability to change the Musashi operating model and realise cost synergies within the time frames anticipated. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,

Greg Richards
Chairman

[2] As at the Prospectus Date, VHGL is the ultimate holding company of the Vitaco Group. Under the Sale Deed, the Company will acquire all of the VHGL Shares in consideration for cash (funded with part of the proceeds of the Offer) and new Shares in the Company, and become the new ultimate holding company of the Vitaco Group.



SECTION 1

Investment overview





1.1 Introduction

Topic	Summary
Who is the Vitaco Group?	<p>The Vitaco Group is an Australian and New Zealand nutritional products business that aims to empower healthier lives by developing, manufacturing and distributing a range of branded products within the broader nutrition, health and wellness industry.</p> <p>The Vitaco Group's product categories include the vitamins and dietary supplements category, the sports nutrition category and the health and wellness, packaged food category.</p> <p>In addition to its operations in Australia and New Zealand, the Vitaco Group has a growing presence in offshore markets, particularly across Asia.</p> <p>For more information see Section 3</p>
What is the Vitaco Group's history?	<p>The Vitaco Group traces its origins to 1904 when the Healtheries brand was established in New Zealand. Initially a flour mill, Healtheries grew both organically and via acquisition throughout the twentieth century to become an integrated health food and supplements business. In 2007, Healtheries merged with Nutra-Life, a leading New Zealand supplement and sports nutrition brand founded in 1967, to create what is now the Vitaco Group. Recently the Vitaco Group has added to its portfolio through the acquisition of the Bodytrim brand in 2014 and the Musashi brand in 2015.</p> <p>For more information see Section 3.1</p>

1.2 Key features of the Vitaco Group

Topic	Summary
How does the Vitaco Group generate its income and what are the Vitaco Group's key costs?	<p>The Vitaco Group derives the majority of its income through the sale of products within the vitamins and dietary supplements category, the sports nutrition category and the health and wellness, packaged food category.</p> <p>The majority of the Vitaco Group's cost base is variable in nature and includes raw materials and packaging products. The Vitaco Group's fixed costs include manufacturing, warehousing, labour, overhead and sales, marketing and administration costs.</p> <p>For more information see Section 3</p>
Who are the Vitaco Group's customers?	<p>The Vitaco Group primarily distributes its products through the following five channels:</p> <ul style="list-style-type: none">• grocery;• pharmacy;• health food and sports specialty;• route (including gyms, petrol stations and convenience stores); and• direct-to-consumer/online. <p>The Vitaco Group has longstanding relationships with a number of its customers. Its largest customers are the major grocery retailers and pharmacy wholesalers in Australia and New Zealand. Large customers include Woolworths, Coles and Chemist Warehouse (via Sigma Pharmaceuticals) in Australia, and Progressive Enterprises and Foodstuffs in New Zealand. In FY15, the Vitaco Group's top ten customers accounted for approximately 58% of net invoiced revenue.</p> <p>Recently, other non-traditional channels have emerged, most notably souvenir stores and local exporters believed to be servicing Asian-based consumers.</p> <p>For more information see Section 3.5</p>
Where are the Vitaco Group's operations?	<p>The Vitaco Group has operations in Auckland, New Zealand (where it manufactures its products) and Sydney, Australia.</p> <p>At 30 June 2015, the Vitaco Group employed 440 people.</p> <p>For more information see Section 3.4 and Section 3.9</p>



1.3 Key strengths

Topic	Summary								
Leading market positions with established and trusted brands	<p>The Vitaco Group has well-established and trusted brands.</p> <p>Key brands include:</p> <ul style="list-style-type: none">• Healtheries (established in 1904);• Nutra-Life (established in 1967);• Wagner (established in approximately 1980);• Aussie Bodies (established in 1991);• Musashi (established in 1987); and• Balance (established in 1985). <p>Several of the Vitaco Group's brands are the leading brands by sales revenue within their specific targeted channels to market. Healtheries is the number one brand in the vitamins and dietary supplements category in New Zealand and Aussie Bodies is the number one brand in the sports nutrition category in Australia, in each case, by sales revenue.</p> <p>The Directors believe that the Vitaco Group's market leadership positions are supported by its differentiated and premium quality product offering.</p> <p>For more information see Section 3.2</p>								
Exposure to attractive categories with multiple avenues for growth	<p>The Vitaco Group's product categories have historically experienced strong sales growth, which is expected to continue during FY16. This trajectory is supported by the Company's exposure to high growth regions including China.</p> <p>The Vitaco Group also has multiple sources of revenue growth including:</p> <ul style="list-style-type: none">• continued new product development;• expansion of distribution points;• margin expansion through the insourcing of products; and• market consolidation and acquisition opportunities. <p>For more information see Section 3.8</p>								
Diversified product portfolio with multiple channels to market	<p>The Vitaco Group is diversified across product categories, sales channels and geographies. The Directors believe that the Vitaco Group's diversification helps to provide a balanced earnings base but is targeted enough for effective management focus and capital deployment.</p> <p>A breakdown of the Vitaco Group's FY16F pro forma net revenue by category is outlined in Figure 1 below.</p> <p>FIGURE 1: FY16F PRO FORMA NET REVENUE BY CATEGORY¹</p> <table border="1"><caption>Figure 1: FY16F Pro Forma Net Revenue by Category</caption><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Vitamins and dietary supplements</td><td>44%</td></tr><tr><td>Sports Nutrition</td><td>38%</td></tr><tr><td>Health and wellness, packaged food</td><td>18%</td></tr></tbody></table>	Category	Percentage	Vitamins and dietary supplements	44%	Sports Nutrition	38%	Health and wellness, packaged food	18%
Category	Percentage								
Vitamins and dietary supplements	44%								
Sports Nutrition	38%								
Health and wellness, packaged food	18%								



Topic	Summary																				
Diversified product portfolio with multiple channels to market <i>continued</i>	<p>A breakdown of the Vitaco Group's FY16F pro forma revenue by channel is outlined in Figure 2 below.</p> <p>FIGURE 2: FY16F PRO FORMA NET REVENUE BY CHANNEL¹</p> <table border="1"> <caption>Data for Figure 2: FY16F Pro Forma Net Revenue by Channel</caption> <thead> <tr> <th>Channel</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>AU Grocery</td> <td>20%</td> </tr> <tr> <td>NZ Grocery</td> <td>19%</td> </tr> <tr> <td>AU Health food and specialty stores</td> <td>13%</td> </tr> <tr> <td>NZ Health food and specialty stores</td> <td>11%</td> </tr> <tr> <td>AU Pharmacy</td> <td>10%</td> </tr> <tr> <td>NZ Pharmacy</td> <td>8%</td> </tr> <tr> <td>Route</td> <td>5%</td> </tr> <tr> <td>International</td> <td>9%</td> </tr> <tr> <td>Contract</td> <td>5%</td> </tr> </tbody> </table> <p>(1) The pro forma forecast financial information included in this Prospectus has been prepared based on the assumptions and accounting policies described in Sections 4 and 12 of this Prospectus, and is subject to the risks set out in Section 5. The pro forma forecast financial information varies significantly from the statutory historical financial information, primarily due to changes in year-end and currency and the acquisition of the Musashi business, as explained in the reconciliation tables in Sections 4 and 11.</p> <p>For more information see Section 3.5 and Section 3.6</p>	Channel	Percentage	AU Grocery	20%	NZ Grocery	19%	AU Health food and specialty stores	13%	NZ Health food and specialty stores	11%	AU Pharmacy	10%	NZ Pharmacy	8%	Route	5%	International	9%	Contract	5%
Channel	Percentage																				
AU Grocery	20%																				
NZ Grocery	19%																				
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NZ Health food and specialty stores	11%																				
AU Pharmacy	10%																				
NZ Pharmacy	8%																				
Route	5%																				
International	9%																				
Contract	5%																				
Vertically integrated business model with capacity to support future growth	<p>The Vitaco Group operates a vertically integrated business model developing, manufacturing, distributing and marketing its products. The Directors believe that the Vitaco Group's vertical integration provides it with competitive advantages through lower costs of good sold, operating expenditure efficiencies, maintenance of high standards of quality control and speed to market.</p> <p>The Vitaco Group has invested in modern manufacturing facilities in New Zealand. Across the Vitaco Group's various manufacturing lines, utilisation is currently at or below 50% for many of its manufacturing lines. Accordingly, there is additional capacity to support future growth of the Vitaco Group's business.</p> <p>For more information see Section 3.4</p>																				
Strong pro forma financial track record and forecast	<p>The Vitaco Group has a compelling track record of both revenue and EBITDA growth having grown its revenue and EBITDA at a CAGR of 8.6% and 9.1%, respectively, between FY13 and FY15.</p> <p>The Vitaco Group is forecasting pro forma revenue and EBITDA in FY16 of A\$211.3 million and A\$23.7 million, respectively, representing increases of 22.6% and 15.0% over FY15, respectively (which includes the forecast pro forma impact of the Musashi acquisition for FY16)¹. See Section 4.7 and Section 4.8 for details of the expected impact of the Musashi acquisition during FY16.</p> <p>(1) Adjusting the FY16 forecast EBITDA to exclude the impact of non-recurring legacy Musashi operating costs to be incurred in FY16 prior to integration into Vitaco's business model, FY16 EBITDA is \$27.5 million and EBITDA growth in that year is 33.5%. For more detailed financial information, see Section 4 (including further information on the impact of the Musashi acquisition in Section 4.7).</p> <p>For more information see Section 4</p>																				
Highly experienced management team	<p>The Directors believe that the Vitaco Group has a highly experienced management team with significant in-market consumer sector expertise and a consistent track record of delivering results.</p> <p>For more information see Section 6.3</p>																				



1.4 Key growth drivers

Topic	Summary
Strong product category growth	<p>The Vitaco Group's product categories in Australia and New Zealand have experienced strong historical growth due to favourable long-term consumption dynamics and population trends. These trends, which are expected to continue driving industry growth during FY16, are the result of increasing levels of consumer focus on health and wellness objectives.</p> <p>Vitamins and dietary supplements retail sales have also been particularly strong for products popular in China. The Vitaco Group is seeking to capitalise on this growth by releasing product ranges designed specifically to appeal to the Asian consumer.</p> <p>For more information see Section 3.8.1</p>
Continued product development	<p>New product development (NPD) has been a key part of the Vitaco Group's historical growth with approximately 20% of FY15 revenue coming from products released in the preceding three years. The Vitaco Group places a high emphasis on NPD and employs 17 dedicated full-time NPD focused employees. The Vitaco Group aims to provide innovative products and the Company believes that this will be a driver of future growth in the business.</p> <p>For more information see Section 3.8.2</p>
Expansion of distribution points	<p>Brands within the Vitaco Group's portfolio are also seeking to expand their points of distribution (for example Nutra-Life expanding into the Australian pharmacy channel) which the Vitaco Group believes will contribute to future growth.</p> <p>For more information see Section 3.8.3</p>
Leveraged to high growth international markets	<p>The Vitaco Group is well-positioned to take advantage of growing Asian demand for Australian and New Zealand nutritional products which are perceived as 'clean and green'. China represents an important growth market for the Vitaco Group, where it has established an online presence via the Alibaba Group's direct-to-consumer platform, TMall Global.</p> <p>In the last 12 months, the Vitaco Group has seen a significant increase in demand for particular products focused on the Asian market including its Healtheries Milk Biscuits and certain vitamins and dietary supplements products. This increase in demand has been experienced across both Australian and New Zealand distribution channels as well as internationally.</p> <p>The Vitaco Group is also seeking to take advantage of the strengths of the Aussie Bodies brand by expanding its presence in attractive international markets, including into the United Kingdom and Brazil.</p> <p>For more information see Section 3.8.4</p>
Margin expansion driven by insourcing	<p>The Vitaco Group currently utilises external manufacturers for approximately 40% of its manufacturing needs. The Company believes that there is an opportunity to manufacture some of these products internally which may increase margins and increase control over production. The Vitaco Group has identified several products that it could bring in-house, some of which may require capital expenditure.</p> <p>For more information see Section 3.8.5</p>
Market consolidation and acquisition opportunities	<p>The markets that the Vitaco Group operates in are fragmented, with the largest market participants typically accounting for less than 25% market share. This fragmentation provides the opportunity for the Vitaco Group to continue to grow through acquisitions. The Vitaco Group has a strong track record of identifying and successfully acquiring complementary businesses, having acquired the Bodytrim brand in 2014 and the Musashi brand in 2015.</p> <p>For more information see Section 3.8.6</p>



1.5 Key risks

Topic	Summary
Customer concentration	<p>The Vitaco Group generated 45% of FY15 net invoiced revenue from its top five customers (namely, Woolworths, Coles, Progressive Enterprises, Foodstuffs and Chemist Warehouse through Sigma Pharmaceuticals). There can be no guarantee that these customers will continue to purchase the same or similar quantities of the Vitaco Group's products that they have in previous periods.</p> <p>There is also a risk that the Vitaco Group's key customers could make decisions that adversely impact the Vitaco Group's business by using their commercial leverage to push for lower prices on the Vitaco Group's products or demanding higher trade discounts or allowances which could lead to lower profitability.</p> <p>For more information see Section 5.2</p>
Reliance on key suppliers and increases in raw material and packaging costs	<p>The Vitaco Group has a number of important arrangements with its key suppliers of raw materials and packaging products and relies on these arrangements to manufacture and distribute its products. While the Vitaco Group typically identifies alternate suppliers for all of its key materials, the Vitaco Group may be adversely impacted if any of its suppliers cease providing materials to the Vitaco Group and it is unable to source these materials through alternative avenues.</p> <p>Any increase in the costs of raw materials used by the Vitaco Group may adversely affect the operating and financial performance of the Vitaco Group.</p> <p>For more information see Section 5.2</p>
Regulatory risk	<p>Any change to the existing statutory framework or the imposition of new regulations applicable to the industry in which the Vitaco Group operates may adversely impact the operating and financial performance of the Vitaco Group.</p> <p>As a substantial portion of the Vitaco Group's international sales are being driven by an increase in cross-border e-commerce demand in China, any change in Chinese governmental policy which restricts the ability of the Vitaco Group to distribute products in China could have a material adverse effect on the operations and financial performance of the Vitaco Group.</p> <p>For more information see Section 5.2</p>
Brand reputation	<p>The Vitaco Group is reliant on the reputation of its key brands. Any factors or events that diminish the reputation of these key brands or related trade marks or intellectual property may adversely affect the operating and financial performance of the Vitaco Group.</p> <p>For more information see Section 5.2</p>
Changing consumer preferences and market trends	<p>Failure by the Vitaco Group to predict or respond to changes in consumer preferences could adversely impact the Vitaco Group's future revenues and its financial and operating performance. Notwithstanding that the Vitaco Group expects to capitalise on the growing Asian demand for Australian and New Zealand nutritional products which are perceived as 'clean and green', the volatility of market trends within the Asian market and the resulting impact this may have on consumer preferences, particularly in light of the Vitaco Group's product offerings, could adversely impact the ability of the Vitaco Group to capitalise on the anticipated growth within this market.</p> <p>For more information see Section 5.2</p>
Failure to compete effectively	<p>While the Vitaco Group is competitive now, there can be no assurance that the actions of existing or new competitors or changes in consumer preferences will not adversely affect the Vitaco Group's future performance.</p> <p>For more information see Section 5.2</p>
Key personnel risk	<p>The Vitaco Group's performance reflects, to a large extent, the efforts and abilities of its senior management team. Accordingly, any changes to the Vitaco Group's senior management team may have a material adverse impact on the operating and financial performance of the Vitaco Group.</p> <p>For more information see Section 5.2</p>



Topic	Summary
Disruptions in the Vitaco Group's manufacturing operations	<p>The Vitaco Group utilises its own manufacturing facilities for approximately 60% of its products. Any material interruption to the Vitaco Group's manufacturing facilities may adversely impact production capacity and earnings.</p> <p>For more information see Section 5.2</p>
Currency movements/exposure	<p>The Vitaco Group's financial reports are prepared in Australian dollars. However, a portion of the Vitaco Group's sales revenue, expenditures and cash flows are denominated in New Zealand dollars. The Vitaco Group also sources raw materials and finished goods in U.S. dollars. As a result, adverse movements in the exchange rate of currencies relevant to the Vitaco Group may have an adverse impact on the operating and financial performance of the Vitaco Group.</p> <p>The Vitaco Group has policies in place to hedge its foreign exchange exposures.</p> <p>For more information see Section 5.2</p>
Product liability and recalls	<p>While the Vitaco Group has procedures in place to ensure compliance with quality standards and to ensure its products are free from contamination, if a contamination of one of the Vitaco Group's products occurs, it may lead to business interruption, product recalls or liabilities to customers.</p> <p>For more information see Section 5.2</p>
Certifications and licences	<p>The Vitaco Group must obtain or renew appropriate permits, licences and certificates required to operate its business in the countries in which it operates. The Vitaco Group is also subject to regular inspections, examinations, inquiries and audits by governmental authorities and certain customers to obtain or renew the various licenses, certifications and permits required for its operations. A finding of non-compliance with its operating licenses, or failure to obtain, maintain or timely renew the necessary licences, certificates, permits or approvals could have a negative impact on the Vitaco Group's operations and financial condition.</p> <p>For more information see Section 5.2</p>
Integration of acquired businesses	<p>The Vitaco Group has expanded through acquisition in the past including the recent acquisition of the Musashi brand and may do so in the future. There is a risk that acquired businesses could consume a large amount of Management time and attention during integration or that the acquisitions may fail to meet strategic objectives, including because the due diligence conducted did not identify issues that would have been material to the decision to acquire the business.</p> <p>The change in Musashi operating model and resultant cost synergies may not occur within the time frames anticipated, or at all, or may result in additional costs or revenue impacts which could have a negative impact on the Vitaco Group's financial performance, financial position and future prospects.</p> <p>The acquired Musashi business currently operates on a standalone basis and is loss-making. The Vitaco Group has fully committed to integrating the business as a brand within the Vitaco portfolio. This will fundamentally change the operating model and therefore the cost base of the Musashi business as all manufacturing, distribution and most overhead functions will be shut down.</p> <p>For more information see Section 5.2</p>
Other risks	<p>An investment in the Company is subject to a number of additional risks including:</p> <ul style="list-style-type: none">• changes in the Vitaco Group's agency business;• the inability of the Vitaco Group to protect intellectual property rights;• potential system and technology failures;• inadequate insurance coverage and third-party indemnification rights;• bribery and corruption in foreign operations;• environmental non-compliance;• potential litigation;• impairment of intangibles; and• downturn in general economic conditions. <p>For more information see Section 5.2 and Section 5.3</p>



1.6 Key Offer statistics

Topic	Summary
What are the key Offer statistics ¹ ?	Offer Price A\$2.10 per Share
	Total number of Shares offered under this Prospectus 110.3 million
	Number of Shares to be held by Existing Shareholders on Completion of the Offer ² 28.8 million
	Total number of Shares on issue on Completion of the Offer 139.1 million
	Market capitalisation at the Offer Price ³ A\$292.2 million
	Pro forma net debt ⁴ A\$39.8 million
	Enterprise value at the Offer Price ⁵ A\$332.0 million
What are the key investment metrics ¹ ?	<p>(1) The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Section 12 and is subject to the key risks set out in Section 5.</p> <p>(2) Of this amount, the Next Entities, Mike Thompson Investments Corporate Trustee Limited as trustee of the Mike Thompson Investments Trust and Management Shareholders will hold 21.3 million, 5.0 million and 1.5 million Shares, respectively, on Completion of the Offer. Certain of the Shares to be held by the Existing Shareholders (including all of the Shares held by the Next Entities and Mike Thompson Investments Corporate Trustee Limited as trustee of the Mike Thompson Investments Trust) will be subject to voluntary escrow arrangements, as described further in Section 7.8. Mike Thompson Investments Corporate Trustee Limited as trustee of the Mike Thompson Investments Trust is an entity related to Mike Thompson (a former director of VHGL as at Settlement).</p> <p>(3) Calculated as the total number of Shares on issue following the Offer multiplied by the Offer Price.</p> <p>(4) Refer to Section 4.5 for details of the components of pro-forma net debt.</p> <p>(5) Enterprise value is calculated as the Company's indicative market capitalisation, based on the Offer Price, plus pro forma net debt of \$39.8 million as at Completion of the Offer. Refer to Section 4.5 for details of the components of pro forma net debt.</p>
	Enterprise value/pro forma consolidated FY16 forecast EBITDA (excluding non-recurring legacy Musashi costs) ^{2,3} 12.1x
	Enterprise value/pro forma consolidated FY16 forecast EBITDA ² 14.0x
	Offer Price/pro forma consolidated FY16 forecast NPAT per share (excluding non-recurring legacy Musashi costs) ^{3,4} 19.0x
	Offer Price/pro forma consolidated FY16 forecast NPAT per share ⁴ 23.0x
	Annualised forecast FY16 dividend yield at the Offer Price ⁵ 2.9%
	Pro forma net debt/pro forma FY16 forecast EBITDA (excluding non-recurring legacy Musashi costs) ^{3,6} 1.45x
	Pro forma Interest Cover ^{3,7} 13.0x
	<p>(1) The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Section 12 and is subject to the key risks set out in Section 5.</p> <p>(2) The enterprise value/EBITDA multiple is calculated as the enterprise value divided by pro forma forecast consolidated EBITDA for FY16. This multiple represents a valuation metric that may enable prospective investors to assess the valuation of comparable businesses before the impact of depreciation, amortisation and different capital and taxation structures. The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 4 and Section 12, and is subject to the key risks set out in Section 5. There is no guarantee that the forecasts will be achieved.</p> <p>(3) Excludes non-recurring legacy Musashi costs to be incurred in FY16 prior to integration into Vitaco's business model, consistent with Vitaco Group Management's Musashi investment case forecast. For more information on the impact of the Musashi acquisition see Section 4.7.</p> <p>(4) This ratio is commonly referred to as a forward price to earnings, or forward PE, ratio. A forward PE ratio is a company's share price divided by its forecast annual earnings per share. Note that statutory NPAT for the 15 month period to June 2016 is forecast to be a loss of \$9.7 million. For a reconciliation between statutory and pro forma forecast results, see Section 4.3.3.</p> <p>(5) Annualised forecast dividend yield is calculated as the implied dividend per Share based on the midpoint of the Company's target dividend payout ratio range of 50% to 60% of the Vitaco Group's pro forma NPAT from FY16 (adjusted to exclude the impact of non-recurring legacy Musashi operating costs to be incurred in FY16 prior to integration into Vitaco's business model). The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and financial condition of the Vitaco Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. For more information on the Company's dividend policy, see Section 4.10.</p> <p>(6) This ratio is commonly referred to as a net debt/EBITDA ratio. The forecast net debt/EBITDA ratio is calculated by dividing a company's net debt by its forecast EBITDA.</p> <p>(7) This ratio is calculated as the pro forma forecast consolidated EBITDA for FY16 divided by the forecast interest expense.</p>



1.7 Directors and key management

Topic	Summary
Who are the Directors?	<p>Greg Richards – Independent Non-Executive Chairman</p> <p>Ryan d’Almeida – Chief Executive Officer</p> <p>Emmet Hobbs – Independent Non-Executive Director</p> <p>Katrina Onishi – Independent Non-Executive Director</p> <p>Sandy Lockhart – Non-Executive Director (representative of Next Capital)</p> <p>For more information see Section 6.1</p>
Who are the leadership team of the Vitaco Group?	<p>Ryan d’Almeida – Chief Executive Officer</p> <p>Phil Wiltshire – Chief Financial Officer</p> <p>Roger Scott – Chief Operating Officer</p> <p>John Stanton – General Manager, Vitamins and Supplements</p> <p>Martin Drinkrow – General Manager, Sports and Active Nutrition and Health Foods</p> <p>Brent Hall – General Manager, Supply Chain and Contract Manufacturing</p> <p>Jay Drezner – General Manager, International and Business Development</p> <p>For more information see Section 6.3</p>

1.8 Significant interests of key people and related party transactions

Topic	Summary				
Who are the Existing Shareholders and what will be the interests of the Existing Shareholders at Completion of the Offer?		VHGL Shares ¹ held at Prospectus Date	Pre offer (%)	Shares held at Completion of the Offer (m)	Shares held at Completion of the Offer (%)
	Next Entities	230,969	70.7%	21.3	15.3%
	Management Shareholders ²	11,868	3.6%	1.5	1.1%
	Other Shareholders ²	83,880	25.7%	6.0	4.3%
	New Shares to be issued under the Offer	–	–	110.3	79.3%
	Total	326,717	100.0%	139.1	100.0%
	<p>(1) The Existing Shareholders currently hold VHGL Shares. Under the Sale Deed, these will be acquired by the Company in consideration for cash (funded by the proceeds of the Offer) and new Shares. The Existing Shareholders also hold (or hold options to acquire (to be exercised immediately prior to Completion)) certain other securities in VHGL, which will be bought back and/or cancelled by VHGL upon Completion of the Offer. See Section 7.1.6 and Section 9.4 for further details.</p> <p>(2) Excludes VHGL Shares to be issued upon exercise of 316,333 options issued by VHGL (and exercisable for 1,175 VHGL Shares) to certain of its shareholders. This exercise will occur immediately prior to Settlement.</p>				
For more information see Section 6.4 and Section 7.1.6					



Topic	Summary										
What significant benefits are payable to the Directors and other persons connected with the Company or the Offer and what significant interests do they hold?	<p style="text-align: right;">Approximate value of Shares held following Completion of the Offer (\$)</p> <table> <tr> <td>Greg Richards</td><td>200,000</td></tr> <tr> <td>Ryan d'Almeida</td><td>750,000</td></tr> <tr> <td>Emmet Hobbs</td><td>100,000</td></tr> <tr> <td>Katrina Onishi</td><td>100,000</td></tr> <tr> <td>Sandy Lockhart</td><td>300,000</td></tr> </table> <p>Directors and key Management are entitled to remuneration and fees on commercial terms, including in the case of Management, the New LTIP described in Section 6.4.4.1.</p> <p>After Completion of the Offer, the Directors are expected to hold a total of approximately 690,000 Shares as outlined above.</p> <p>As noted above, the Existing Shareholders (including Ryan d'Almeida and, indirectly, Sandy Lockhart) hold VHGL Shares (and, in the case of Mr d'Almeida, options over new VHGL Shares which will be exercised immediately prior to Settlement), which will be acquired by the Company under the Sale Deed. In addition, certain other outstanding securities of VHGL held by the Existing Shareholders will be bought back and/or cancelled using the proceeds of the Offer. Advisers and other service providers to the Company will receive fees for their services in connection with the Offer.</p> <p>Ryan d'Almeida will also receive an incentive fee of up to a maximum of NZ\$2.2 million which may be paid by the Vitaco Group (in its absolute discretion before, at or following Completion) in recognition of his efforts in assisting the Vitaco Group in preparing for the Offer.</p> <p>For more information see Section 6.4</p>	Greg Richards	200,000	Ryan d'Almeida	750,000	Emmet Hobbs	100,000	Katrina Onishi	100,000	Sandy Lockhart	300,000
Greg Richards	200,000										
Ryan d'Almeida	750,000										
Emmet Hobbs	100,000										
Katrina Onishi	100,000										
Sandy Lockhart	300,000										
Will any Shares be subject to restrictions on disposal following Completion?	<p>Certain of the Shares held at Completion by the Existing Shareholders (Escrowed Shareholders) (Escrowed Shares) will be subject to voluntary escrow arrangements. The Escrowed Shares will be held in escrow until the date on which the Company provides to the ASX the preliminary final report for FY16. Subject to certain exceptions, the Escrowed Shareholders may not dispose of their Escrowed Shares during the Escrow Period.</p> <p>For more information see Section 7.8</p>										

1.9 Financials and dividend policy

Topic	Summary
What is the Vitaco Group's historical and forecast financial performance?	A selected summary of the Vitaco Group's pro forma financial information is set out below. Investors should read this information in conjunction with the more detailed discussion of the Financial Information set out in Section 4, including the assumptions, management discussion and analysis and sensitivity analysis as well as the key risks set out in Section 5.



Topic	Summary
What is the Vitaco Group's dividend policy?	<p>The Board currently intends to pay dividends subject to the availability of profits and the financial position of the Vitaco Group.</p> <p>The Directors intend to target a dividend payout ratio of between 50% and 60% of the Vitaco Group's pro forma NPAT from FY16 (excluding the impact of non-recurring legacy Musashi operating costs to be incurred in FY16 prior to integration into Vitaco's business model. For more information on the impact of the Musashi acquisition see Section 4.7). This level of payout may vary between periods depending on a number of factors including the general business environment, the operating results and financial condition of the Vitaco Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits and imputation credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Vitaco Group and any other factors the Directors may consider relevant.</p> <p>The dividends expected to be paid to Shareholders will be franked with Australian franking credits and imputed with New Zealand imputation credits to the maximum extent appropriate taking into account the Company's tax position.</p> <p>No assurances can be given by any person, including the Directors about the payment of any dividend and the level of franking and imputation on any such dividend.</p> <p>For more information see Section 4.10</p>
When will the first dividend be paid?	<p>The Directors expect the first dividend to Shareholders will be determined in respect of the period from the date of Completion of the Offer to 31 December 2015 and will become payable in March 2016.</p> <p>For more information see Section 4.10</p>

1.10 Overview of the Offer

Topic	Summary
Who is the issuer of this Prospectus?	<p>Vitaco Holdings Limited [ACN 606 826 493], a company incorporated in Victoria, Australia. The Company will be the holding company of the Vitaco Group at Completion of the Offer.</p> <p>For more information see Section 7.1</p>
What is the Offer?	<p>The Offer is an invitation to apply for 110.3 million new Shares that will be issued by the Company at \$2.10 per Share.</p> <p>The Offer is expected to raise approximately \$231.6 million. The Shares being offered under the Offer will represent 79.3% of the Shares on issue on Completion of the Offer.</p> <p>For more information see Section 7.1</p>
Why is the Offer being conducted?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> • provide the Vitaco Group with access to a strengthened balance sheet and to improve capital management flexibility and capacity to fund future growth initiatives; • repay existing debt facilities; • redeem certain outstanding securities of VHGL; • pay, in part, the consideration payable to the Existing Shareholders for, among other things, the transfer of the VHGL Shares held by the Existing Shareholders to the Company under the Sale Deed; • pay the costs of the Offer; and • broaden the Vitaco Group's shareholder base and provide a liquid market for the Company's Shares. <p>The use of proceeds received in connection with the Offer is set out below and in Section 7.1.3.</p> <p>For more information see Section 7.1.2</p>



Topic	Summary																														
What will happen on or around Completion of the Offer?	<p>On or about Completion of the Offer:</p> <ul style="list-style-type: none">the Company will issue new Shares to investors under the Offer;VHGL will:<ul style="list-style-type: none">buy-back the Convertible Preference Shares (CPSs) which it has on issue, as a result of which the CPSs will be cancelled; andcancel the Mandatory Convertible Notes (MCNs) which it has on issue, with the result that VHGL will only have one class of securities on issue, being ordinary shares, all of which will be held by the Company on Completion of the Offer; andthe Company will acquire the Vitaco Group by completing the acquisition of all VHGL Shares under the Sale Deed. This includes applying part of the proceeds of the Offer towards payment to the Existing Shareholders and issuing Shares to them, as described in Section 7.1.3. <p>For more information see Section 7.1</p>																														
What is the proposed use of proceeds received in connection with the Offer?	<p>The Offer is expected to raise gross proceeds of approximately \$231.6 million. Assuming Completion of the Offer occurs on 16 September 2015, the costs of the Offer are in line with estimates and no material changes in the AUD:NZD exchange rate, this amount, together with debt of \$40.0 million drawn on Completion of the Offer will be applied as follows:</p> <ul style="list-style-type: none">\$96.4 million will be paid to the Existing Shareholders in part consideration for, among other things, the transfer of their VHGL Shares under the Sale Deed¹;\$82.7 million will be used to repay existing debt facilities²;\$74.5 million will be used to fund the payment of cash consideration for the buy-back and/or cancellation of the CPSs and MCNs; and\$18.0 million will be used to pay the Offer costs. <table><tr><th>Sources of funds</th><th>\$m</th><th>%</th></tr><tr><td>Cash proceeds received from the issue of new Shares by the Company</td><td>231.6</td><td>85.3%</td></tr><tr><td>Cash proceeds from the New Banking Facility</td><td>40.0</td><td>14.7%</td></tr><tr><td>Total sources</td><td>271.6</td><td>100.0%</td></tr></table> <table><tr><th>Uses of funds</th><th>\$m</th><th>%</th></tr><tr><td>Payment of proceeds to Existing Shareholders¹</td><td>96.4</td><td>35.5%</td></tr><tr><td>Repayment of existing debt facilities²</td><td>82.7</td><td>30.4%</td></tr><tr><td>Payment of cash consideration for the buy-back and/or cancellation of the CPSs and MCNs¹</td><td>74.5</td><td>27.4%</td></tr><tr><td>Payment of Offer costs</td><td>18.0</td><td>6.6%</td></tr><tr><td>Total uses</td><td>271.6</td><td>100.0%</td></tr></table> <p>(1) Part of the proceeds payable to certain Existing Shareholders or their closely related parties or to VHGL security holders will be applied in repayment of loans to certain Existing Shareholders under which VHGL or certain entities affiliated with Next Capital loaned them monies for the purchase of VHGL securities.</p> <p>(2) Company's estimate of debt facilities at Completion of the Offer.</p> <p>For more information see Section 7.1</p>	Sources of funds	\$m	%	Cash proceeds received from the issue of new Shares by the Company	231.6	85.3%	Cash proceeds from the New Banking Facility	40.0	14.7%	Total sources	271.6	100.0%	Uses of funds	\$m	%	Payment of proceeds to Existing Shareholders ¹	96.4	35.5%	Repayment of existing debt facilities ²	82.7	30.4%	Payment of cash consideration for the buy-back and/or cancellation of the CPSs and MCNs ¹	74.5	27.4%	Payment of Offer costs	18.0	6.6%	Total uses	271.6	100.0%
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Payment of Offer costs	18.0	6.6%																													
Total uses	271.6	100.0%																													
Will the Shares be quoted on the ASX?	<p>The Company has applied to ASX for its admission to the Official List of, and quotation of its Shares by, ASX (under the code 'VIT') within seven days of the date of the Original Prospectus. It is anticipated that quotation will initially be on a deferred settlement basis.</p> <p>Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>For more information see Section 7.12</p>																														



Topic	Summary
How is the Offer structured/who is eligible to participate in the Offer?	<p>The Offer comprises:</p> <ul style="list-style-type: none">the Retail Offer, which consists of:<ul style="list-style-type: none">the Broker Firm Offer, which consists of an offer to investors in Australia or New Zealand who are not Institutional Investors and who have received an invitation to participate from their Broker; andthe Priority Offer, which consists of an invitation to certain investors in Australia or New Zealand invited by the Company to subscribe for Shares; andthe Institutional Offer, which consisted of an offer to Institutional Investors in Australia, New Zealand and certain other jurisdictions around the world. <p>No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares.</p> <p>For more information see Sections 7.1.1, 7.3, 7.4 and 7.5</p>
Is the Offer underwritten?	<p>The Offer is fully underwritten by the Joint Lead Managers.</p> <p>For more information see Section 7.7</p>
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by the Company in consultation with the Joint Lead Managers.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among eligible retail clients.</p> <p>The allocation of Shares among Applicants in the Priority Offer will be determined at the absolute discretion of the Company, subject to the guaranteed minimum allocations notified to Applicants invited to participate in the Priority Offer.</p> <p>The allocation of Shares among Applicants in the Institutional Offer was determined by the Company in consultation with the Joint Lead Managers.</p> <p>The Company and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for. In addition, the Company and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Retail Offer which are for more than \$100,000 worth of Shares.</p> <p>For more information see Sections 7.3.6, 7.4.6 and 7.5.2</p>
Is there any brokerage commission or stamp duty payable by applicants?	<p>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.</p> <p>For more information see Sections 7.2</p>
What are the tax implications of investing in the Shares?	<p>The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest in the Offer.</p> <p>For more information see Sections 9.10</p>
How can I apply?	<p>Applicants under the Broker Firm Offer should follow the instructions provided by their Broker.</p> <p>If you have received a personalised invitation to apply for Shares under the Priority Offer and wish to apply for some or all of those Shares, you should follow the instructions on your personalised invitation to apply.</p> <p>The Joint Lead Managers have separately advised Institutional Investors of the Application procedure under the Institutional Offer.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p> <p>For more information see Section 7.3.2 and Section 7.4.2</p>



Topic	Summary
When will I receive confirmation that my application has been successful?	<p>It is expected that initial holding statements will be mailed to successful Applicants by standard post on or about 17 September 2015.</p> <p>For more information see Section 7.2</p>
What is the minimum Application size under the Offer?	<p>The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker.</p> <p>The minimum Application size under the Priority Offer is \$2,000 worth of Shares and in multiples of \$1,000 worth of Shares thereafter.</p> <p>There is no maximum value of Shares that may be applied for under the Retail Offer.</p> <p>For more information see Section 7.3.2 and Section 7.4.2</p>
Can the Offer be withdrawn?	<p>The Company reserves the right not to proceed with the Offer at any time before the issue and transfer of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p> <p>For more information see Section 7.10</p>
Where can I find out more about this Prospectus or the Offer?	<p>Call the Vitaco Offer Information Line on 1800 653 805 (toll free within Australia) or +61 1800 653 805 (outside Australia) between 8.30am and 5.30pm (Sydney Time), Monday to Friday (Business Days only).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Vitaco Group is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.</p> <p>For more information see Key Offer Statistics and Important Dates on pages 3 and 4</p>



SECTION 2

Industry overview

For personal use only





2.1 Background

The Vitaco Group operates in what it considers to be the “nutrition, health and wellness industry”, which comprises the following categories:

- vitamins and dietary supplements;
- sports nutrition; and
- health and wellness, packaged food.

The Vitaco Group’s products are sold primarily in Australia and New Zealand, and are exported to over 30 countries around the world.

In Australia and New Zealand, the Vitaco Group primarily distributes its products through five key channels:

- grocery;
- pharmacy;
- health food and sports specialty;
- route (including gyms, petrol stations and convenience stores); and
- direct-to-consumer/online (DTC).

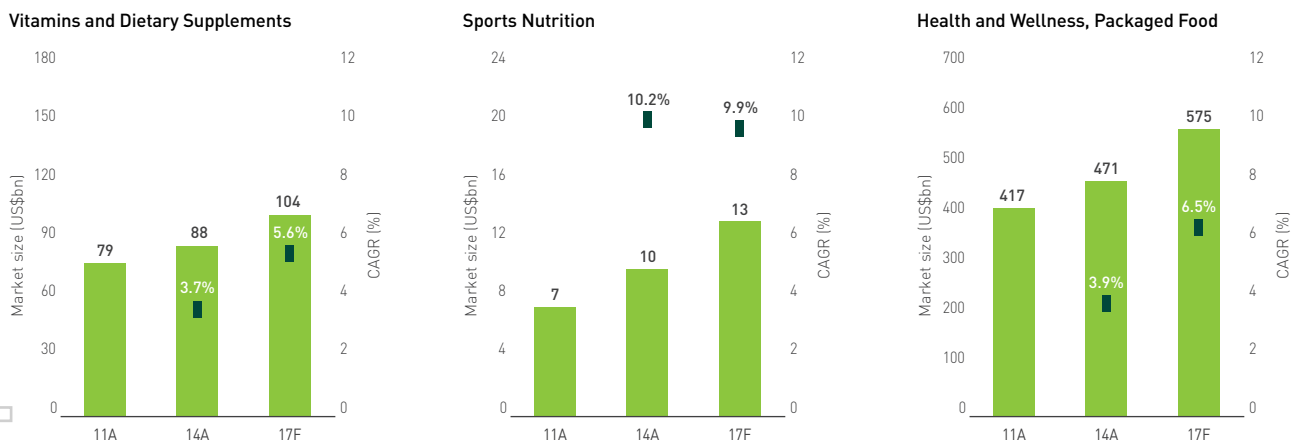
In addition, other non-traditional channels have been recently emerging, most notably souvenir stores and local export companies believed to be servicing Asian based consumers. Internationally, the Vitaco Group’s products are either sold through distributors or the DTC channel.

2.2 Nutrition, health and wellness industry overview

2.2.1 Global nutrition, health and wellness industry size and performance

The nutrition, health and wellness industry had an estimated global market size of approximately US\$570 billion in 2014¹. During the period from 2011 to 2014, this industry experienced strong growth which the Vitaco Group believes was largely due to an increasing consumer focus on health and wellness objectives. Figure 3 outlines the estimated global market sizes in addition to the historical and forecast growth rates of the categories within the nutrition, health and wellness industry.

FIGURE 3: VITAMINS AND DIETARY SUPPLEMENTS, SPORTS NUTRITION, AND HEALTH AND WELLNESS, PACKAGED FOOD GLOBAL MARKET SIZE AND GROWTH RATES



Source: Euromonitor International, Consumer Health system, 2015 edition; Vitamins and Dietary Supplements, Sports Nutrition, Health and Wellness, Packaged Food system, 2015 edition, from trade sources/statistics.

Note: Retail value (retail sales price), current prices, year-on-year exchange rates. Historical sales figures have been converted by Euromonitor International from local currency using the average exchange rate for each year of the historical period. The U.S. Dollar percentage growth trend calculated from this data will therefore include the impact of exchange rate fluctuations.

[1] Source: Euromonitor International, Consumer Health system, 2015 edition; Vitamins and Dietary Supplements, Sports Nutrition; Health and Wellness, Packaged Food system 2015, from trade sources/statistics.

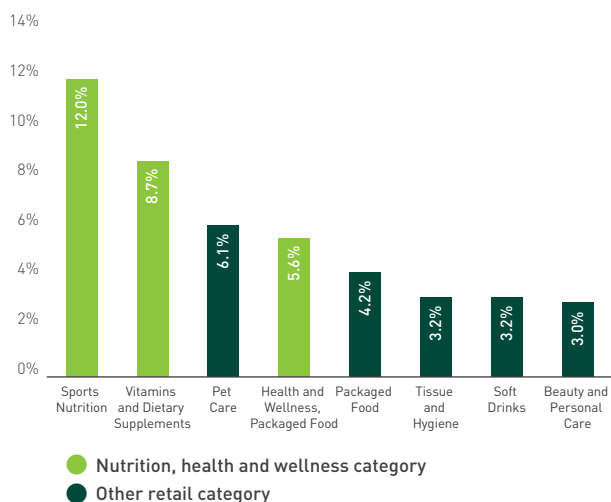


2.2.2 Australia and New Zealand nutrition, health and wellness industry size and performance

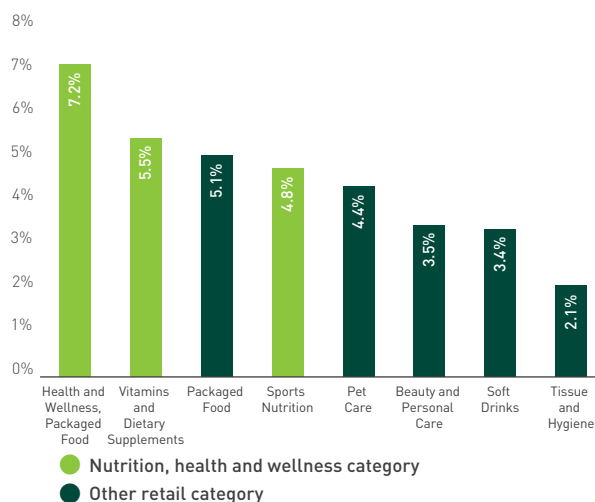
The Australian and New Zealand nutrition, health and wellness industry had an estimated market size of approximately A\$21 billion in 2013². Consistent with trends seen in the global nutrition, health and wellness industry, growth rates within the Australian and New Zealand markets have been strong. Consumers favour, and have been prepared to pay a premium for, nutrition products that have perceived health and wellness benefits. Figure 4 outlines the growth rates of the categories within the nutrition, health and wellness industry in the Australian and New Zealand markets.

FIGURE 4: AUSTRALIA AND NEW ZEALAND SELECTED RETAIL CATEGORY GROWTH RATES

Australia 10 year market size CAGR (04-14A)



New Zealand 10 year market size CAGR (04-14A)



Source: Euromonitor International Beauty and Personal Care system, 2015 edition, Consumer Health system 2015 edition, Health and Wellness, Packaged Food system, 2015 edition, Packaged Food system, 2015 edition, Pet Care system, 2016 edition, Soft Drinks system, 2015 edition, Tissue and Hygiene system, 2015 edition, from trade sources/statistics.

Note: Retail value (retail sales price), current prices, year on year exchange rates.

The Vitaco Group believes that the categories within the nutrition, health and wellness industry in Australia and New Zealand are beginning to converge. Packaged food products are increasingly making health-related claims, while sports nutrition products are increasingly being consumed like mainstream foods. Consumers are becoming more knowledgeable about the benefits of the products in these categories, and as such the consumption of these products is increasingly prevalent. The Vitaco Group believes that companies who operate across multiple categories within the nutrition, health and wellness industry gain better insights into changing consumer preferences. These insights can be leveraged across categories in order to develop and position products to better meet consumer demand.

Each category within the nutrition, health and wellness industry is developing rapidly, with evolving consumer preferences driving continuous innovation and NPD. Branding is an important success factor for industry participants, as consumers associate levels of product efficacy, ingredient integrity and overall quality with particular brands.

There are a variety of operating models pursued by companies in the industry. Some manufacture their products in-house while others outsource their manufacturing requirements to third parties.

[2] Euromonitor International, Health and Wellness in Australia report, May 2014; Euromonitor International, Health and Wellness in New Zealand report, August 2014; Euromonitor International, Sports Nutrition in Australia report, June 2015; Euromonitor International, Sports Nutrition in New Zealand report, June 2015; Euromonitor International, Vitamins and Dietary Supplements in Australia report, June 2015; Euromonitor International, Vitamins and Dietary Supplements in New Zealand report, June 2015. NZ\$ converted to A\$ at the 31 December 2014 exchange rate.



2.3 Overview of categories within the nutrition, health and wellness industry

2.3.1 Vitamins and dietary supplements category – Australia and New Zealand

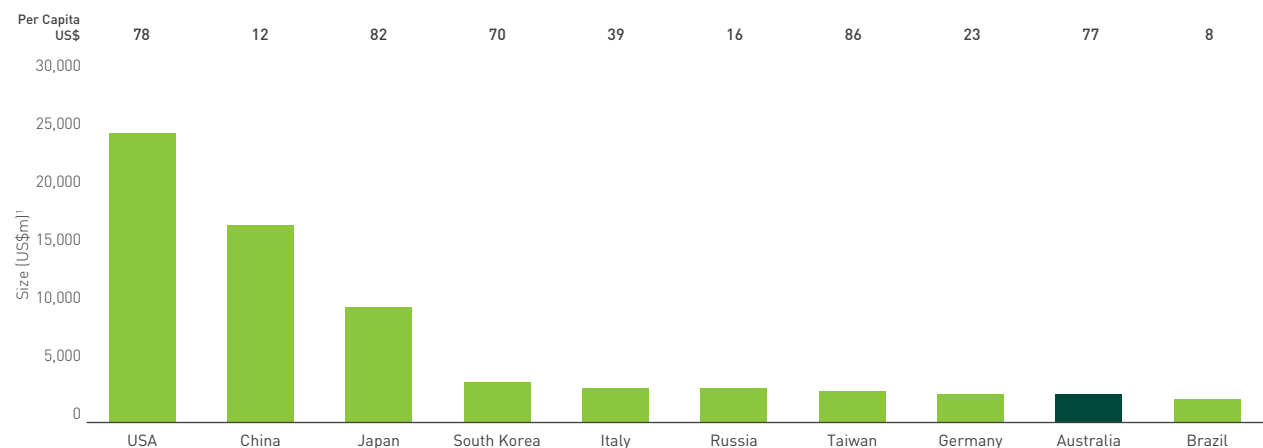
2.3.1.1 Introduction

The vitamins and dietary supplements category comprises vitamins, minerals, herbs and specialty supplements. Vitamins and dietary supplements products generally compete based on either brand, product formulation or price. Those products which compete on product formulation typically comprise complex formulations or proprietary ingredients which are targeted at specific health conditions. In contrast, products which compete on price generally comprise simple ingredients or well-established products (such as multi-vitamins) which have progressively become commoditised.

With an estimated market size of A\$2.3 billion in 2014, the Australian and New Zealand vitamins and dietary supplements market is estimated to be the seventh largest market globally³ with Australia and New Zealand having the seventh and tenth highest level of per capita expenditure globally⁴. This market has grown as consumers have adopted a more proactive approach to preventative healthcare and chronic condition treatment. Vitamins and dietary supplements have also become more widely consumed as the population has aged, life expectancy has improved and consumer confidence in product safety has increased.

Figure 5 outlines the world's top ten vitamins and dietary supplements markets and their respective per capita expenditure on vitamins and dietary supplements products. It should be noted that in some countries basic vitamins and dietary supplements are available on prescription, or are heavily subsidised and / or have price controls, all of which may impact retail expenditure.

FIGURE 5: GLOBAL TOP TEN VITAMINS AND DIETARY SUPPLEMENTS EXPENDITURE BY GEOGRAPHY AND PER CAPITA VITAMINS AND DIETARY SUPPLEMENTS SALES (RETAIL VALUE) BY GEOGRAPHY IN 2014



Source: Euromonitor International, Consumer Health system, 2015 edition. Vitamins and Dietary Supplements, from trade sources/statistics.

Note: Individually, the Australian market is the ninth largest global market. When combined with the New Zealand market, the combined market is the seventh largest global market.

Brand strength is an important success factor in the vitamins and dietary supplements category. While price is a consideration for some low specification commoditised products, premium products within the category make claims regarding their health benefits, efficacy and potency, and consumers will often make purchase decisions based in part on these claims. Accordingly, the trust consumers place in the brand making a particular claim is important when evaluating the relative merits of competing products.

NPD is another important success factor in this category, particularly for vitamins and dietary supplements which are designed to treat specific conditions (for example, vitamins used to support heart health). For these products, ingredients, formulations and scientific research are continuously updated as consumer preferences evolve. As a result, speed to market is also an important success factor. Gaining first mover advantage by releasing a new product to the market ahead of other market participants provides the ability to capture a shift in consumer preference before competitors. Local and flexible manufacturing can also assist to reduce lead times to consumers.

All vitamins and dietary supplements products sold in Australia must comply with the regulatory framework prescribed by the Therapeutic Goods Administration (TGA). In particular, approval from the TGA is required not only for products prior to their launch but also for the facilities in which the products are manufactured. Companies within the vitamins and dietary supplements category may manufacture products either domestically (in Australia or New Zealand) or internationally. The Vitaco Group believes that those companies that manufacture products in Australia and New Zealand have a point of differentiation over those that manufacture internationally.

[3] Source: Euromonitor International, Vitamins and Dietary Supplements in Australia report, June 2015; Euromonitor International, Vitamins and Dietary Supplements in New Zealand report, June 2015. NZ\$ converted to A\$ at the 31 December 2014 exchange rate. Euromonitor International Consumer Health system, 2015 edition: Vitamins and Dietary Supplements, from trade sources/statistics.

[4] Source: Euromonitor International, Consumer Health system, 2015 edition: Vitamins and Dietary Supplements, from trade sources/statistics.



2.3.1.2 Historical growth

The Australian vitamins and dietary supplements category grew at a CAGR of 9.6% between 2009 and 2014, while the New Zealand category grew at a CAGR of 5.7% over the same period⁵. The Vitaco Group believes that the key drivers of historical growth in this category are similar to the key drivers of future growth outlined in Section 2.3.1.3. Figure 6 outlines the size and historical growth rates for both the Australian and New Zealand vitamins and dietary supplements category.

FIGURE 6: AUSTRALASIAN VITAMINS AND DIETARY SUPPLEMENTS CATEGORY

Vitamins and Dietary Supplements Category	2014 Size	2009-2014 CAGR
Australia	A\$2.0 billion	9.6%
New Zealand	NZ\$275 million	5.7%
Total	A\$2.3 billion	9.1%

Source: Euromonitor International, Vitamins and Dietary Supplements in Australia report, June 2015; Euromonitor International, Vitamins and Dietary Supplements in New Zealand report, June 2015. NZ\$ converted to A\$ using the 31 December 2014 exchange rate.

Note: Retail value (retail sales price), current prices.

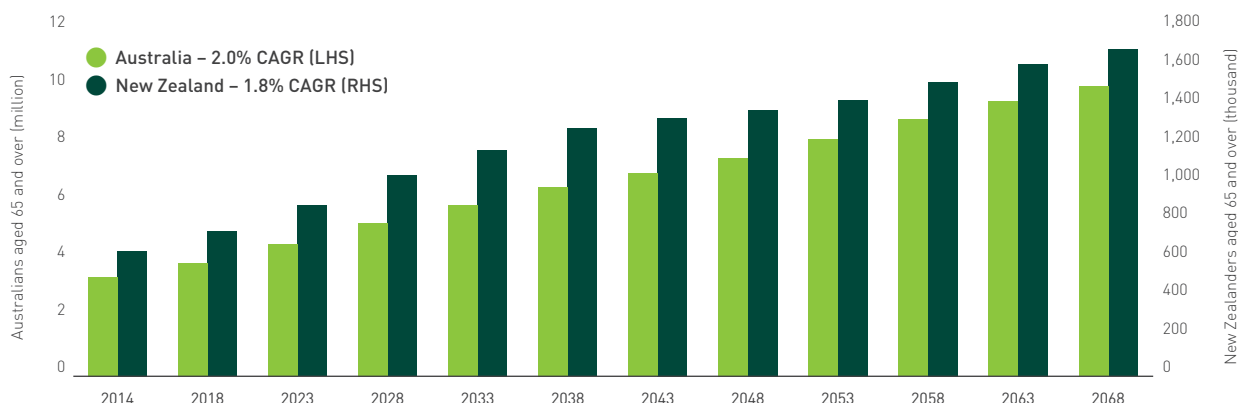
2.3.1.3 Future growth drivers

The Vitaco Group believes that the key drivers of growth for the vitamins and dietary supplements category are:

- changes in population demographics, and in particular an aging population;
- consumers' increasingly proactive approach to a healthier lifestyle;
- an increased knowledge of the benefits associated with the use of vitamins and dietary supplements products; and
- industry innovation/NPD.

The vitamins and dietary supplements category is particularly impacted by changes in population demographics. Among adults, older consumers typically consume greater quantities of vitamins and dietary supplements. The number of people aged 65 and older in Australia and New Zealand is expected to increase significantly over the next 50 years, as outlined in Figure 7. The Vitaco Group believes that this creates attractive market conditions for participants within the vitamins and dietary supplements category.

FIGURE 7: FORECAST AUSTRALIA AND NEW ZEALAND POPULATION AGED 65 AND OVER



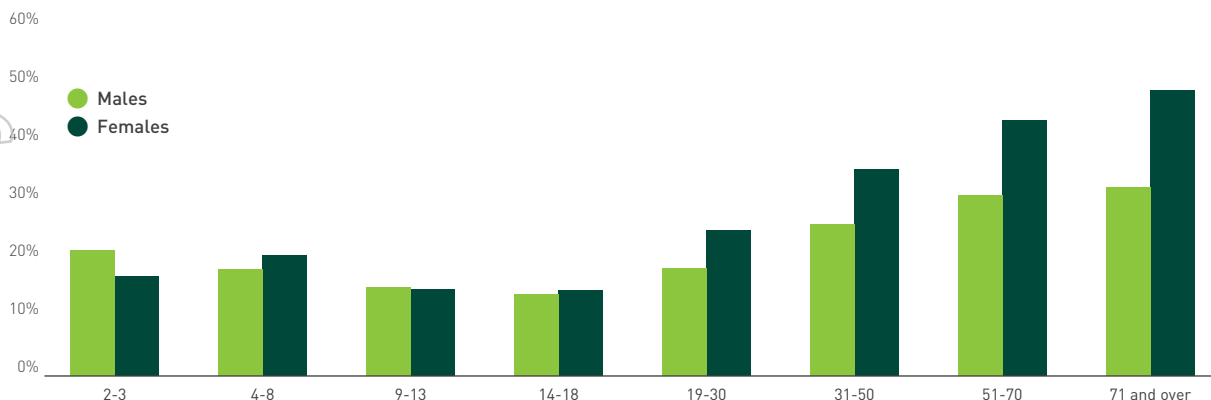
Source: Australian Bureau of Statistics, 2013; Statistics New Zealand, 2014.

⁽⁵⁾ Source: Euromonitor International, Vitamins and Dietary Supplements in Australia report, June 2015; Euromonitor International, Vitamins and Dietary Supplements in New Zealand report, June 2015. Retail value, current prices.



Figure 8 outlines the percentage of Australians who had consumed a dietary supplement the day before by age group. The chart demonstrates that those Australians aged above 51 consume a higher amount of dietary supplements than any other age bracket.

FIGURE 8: PERCENTAGE OF AUSTRALIANS WHO HAD CONSUMED A DIETARY SUPPLEMENT THE DAY BEFORE THE 2011-12 AUSTRALIAN HEALTH SURVEY, BY AGE



Source: Australia Bureau of Statistics, 2012.

NPD within the vitamins and dietary supplements category is likely to result in products that better meet evolving consumer demand. The Vitaco Group believes that the recent growth in the vitamins and dietary supplements category demonstrates the willingness of consumers to purchase products that may prevent or defer future illnesses and that the increased use of vitamins and dietary supplements products in turn enhances consumer knowledge, as they experience product benefits first hand. Consumer knowledge is also enhanced through various marketing campaigns undertaken by market participants.

2.3.1.4 Competitive environment

The Australian and New Zealand vitamins and dietary supplements category is relatively fragmented and competitive. In New Zealand, the Vitaco Group is the market leader holding an estimated 23% market share in 2014, while Bayer New Zealand holds the second largest market share with an estimated 9%⁶. In Australia, Swisse Wellness and Blackmores held the leading market positions, with each having an estimated market share of 15% in 2014. The Vitaco Group had an estimated market share in Australia of approximately 1% in 2014⁷. This is reflective of its approach to distribution within the Australian market which has targeted premium rather than mass-market channels.

2.3.2 Sports nutrition category – Australia and New Zealand

2.3.2.1 Introduction

The sports nutrition category includes products used by professional and amateur athletes, as well as a broader base of consumers with an interest in physical fitness, sporting performance and weight management. Products within this category include protein-based products in three distinct formats being bars, powders, and drinks (RTDs), as well as non-protein products such as pre-workout, energy, mass gainers and amino acid supplements.

There are three consumer sub-categories within the sports nutrition category:

- weight management;
- active nutrition; and
- sports performance.

Until recently, sports nutrition products were primarily used for weight management or sports performance. However, NPD in this category has seen the development of the active nutrition sub-category, which has a greater mass-market appeal than either the weight management or sports performance sub-categories. Products developed to service the active nutrition sub-category typically have the functional benefits of the weight management or sports performance sub-categories, but are marketed to a broader consumer base and are generally positioned on a more gender-neutral basis, resulting in a wider target demographic.

The Australian and New Zealand sports nutrition market is the world's second largest market, with an estimated value of A\$849 million in 2014⁸ and has per capita consumption that is the highest in the world⁹. One of the reasons for Australia's high per capita consumption is broad-based consumer understanding of the benefits of high protein consumption combined with moderate carbohydrate intake, which sports nutrition products are well suited to service. Figure 9 outlines the world's top ten sports nutrition markets and associated levels of per capita consumption.

[6] Source: Euromonitor International, Vitamins and Dietary Supplements in New Zealand report, June 2015.

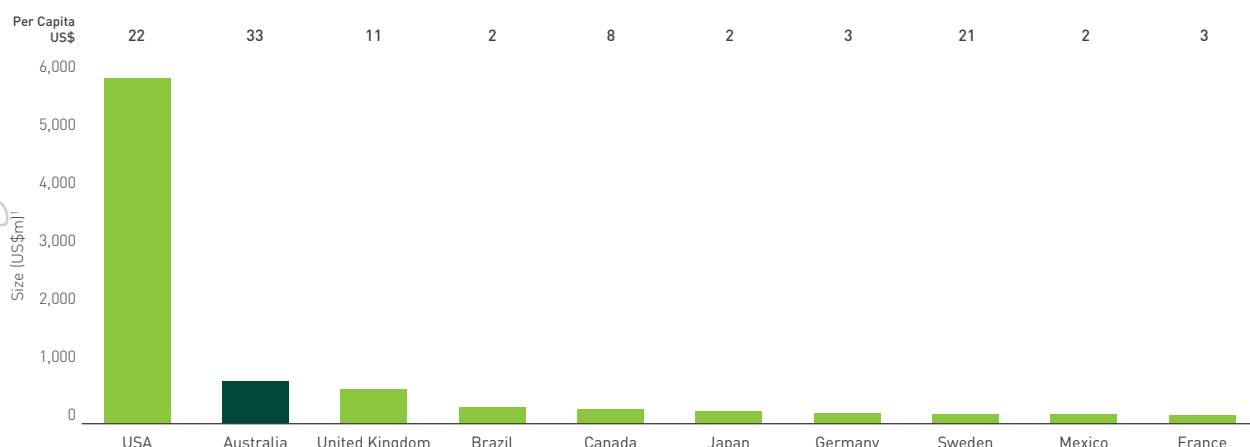
[7] Source: Euromonitor International, Vitamins and Dietary Supplements in Australia report, June 2015.

[8] Source: Euromonitor International, Sports Nutrition in Australia report, June 2015; Euromonitor International, Sports Nutrition in New Zealand report, June 2015. NZ\$ converted to A\$ at 31 December 2014 exchange rate.

[9] Source: Consumer Health system, 2015 edition: Sports Nutrition, from trade sources/statistics.



FIGURE 9: GLOBAL TOP TEN SPORTS NUTRITION EXPENDITURE BY GEOGRAPHY AND PER CAPITA SPORTS NUTRITION SALES (RETAIL VALUE) BY GEOGRAPHY IN 2014



Source: Euromonitor International, Consumer Health system, 2015 edition: Sports Nutrition, from trade sources/statistics.

Note: Excludes paediatric products for all countries. The majority of sports nutrition products are banned or illegal to be given to children. According to Euromonitor's definition, paediatric products are products for children aged 0-12 years.

Similar to the vitamins and dietary supplements category, having a strong brand is important to success in the sports nutrition category as consumers develop strong brand loyalty. Consumers are attracted to brands not only because of the perception of product quality, but also the alignment of a particular brand with their own personal sports nutrition objectives, whether they be weight management related, sports and performance related, or focused on an active nutrition outcome.

NPD is also an important success factor for the sports nutrition category. As consumer preferences evolve, participants in this market need to keep pace with these changes in order to maintain market share. Being first to market with a new or expanded range or application allows participants to gain a first mover advantage in capturing shifts in consumer preferences.

2.3.2.2 Historical growth

The Australian sports nutrition category grew at a CAGR of 14% throughout the period from 2009 to 2014¹⁰. The Vitaco Group believes that this is largely a result of sports nutrition products becoming increasingly used by consumers as part of a regular dietary regime.

Growth within the New Zealand market has been lower than in the Australian market, having grown at a CAGR of 3% from 2009 to 2014¹¹. The Vitaco Group believes that this reflects New Zealand's status as a relatively newer, less mature market for sports nutrition products compared to the Australian market. Figure 10 outlines the size and growth of the product sub-categories within both the Australian and New Zealand sports nutrition categories.

FIGURE 10: SUMMARY OF PRODUCT SUB-CATEGORIES AND HISTORICAL GROWTH RATES IN THE AUSTRALIAN AND NEW ZEALAND SPORTS NUTRITION CATEGORIES

	Australia		New Zealand	
	Size (A\$m)	'09-'14 CAGR	Size (NZ\$m)	'09-'14 CAGR
Protein bars	105	20%	3	4%
Protein powders	389	13%	28	3%
Protein drinks (RTDs)	46	15%	10	3%
Other Protein	6	9%	1	2%
Non-Protein Based	258	14%	4	3%
Total	805	14%	47	3%

Source: Euromonitor International, Sports Nutrition in Australia report, June 2015; Euromonitor International, Sports Nutrition in New Zealand report, June 2015. Market sizes as at 2014.

Note: Retail value (retail sales price), current prices.

2.3.2.3 Future growth drivers

The Vitaco Group believes that increasingly active and healthy lifestyles and a more knowledgeable consumer base are key growth drivers in the sports nutrition category. Together these trends are driving mass-market consumption of sports nutrition products across both Australia and New Zealand.

Growth within the sports nutrition category is also being driven by companies diversifying their product ranges to ensure that they provide multi-purpose products and brands aimed not just towards specific exercise regimes, but towards everyday health and convenience. This has resulted in a high level of innovation in the sports nutrition category.

[10] Source: Euromonitor International, Sports Nutrition in Australia report, June 2015. Retail value retail sales price, current prices.

[11] Source: Euromonitor International, Sports Nutrition in New Zealand report, June 2015. Retail value retail sales price, current prices.



2.3.2.4 Competitive environment

The sports nutrition category is relatively fragmented in both Australia and New Zealand. In Australia, the Vitaco Group is the market leader with an estimated 20% market share in 2014 (after aggregating Musashi's 2014 market share). Nutrition Systems, an importer of sports nutrition products, has the second largest market share, estimated at 14%¹².

In New Zealand, the Vitaco Group is the largest market participant with an estimated 19% market share in 2014. The second largest market share is held by Etika (Horley's), with an estimated 14%¹³ market share in 2014.

2.3.3 Health and wellness, packaged food category – Australia and New Zealand

2.3.3.1 Introduction

The Australian and New Zealand health and wellness, packaged food category was valued at A\$11.7 billion in 2014¹⁴. This category encompasses a diverse range of products, and includes products which are considered 'better for you', including 'free from' products, food intolerance products and organic products. Over the past five years the category has experienced attractive growth as consumers have increasingly prioritised healthier and more nutritious diets. The category is very fragmented, with Lion Pty Ltd having the leading market share in Australia with 8% and Goodman Fielder having the leading market share in New Zealand with 18%¹⁵.

Growth in this category partly reflects the increasing prevalence of food allergies and intolerances, as consumers seek to eliminate allergens and other potentially unhealthy food ingredients from their diets.

Australian and New Zealand consumers have also increasingly exhibited a preference for packaged food and beverages with health and wellness properties, and are seeking to reduce sugar and fat consumption in order to lose weight and remain healthy. Consumers, particularly in Australia, are prepared to pay a premium for these products¹⁶.

In addition to focusing on product quality, Management believes that consumers within the health and wellness, packaged food category are attracted to the various health claims made by products, and purchase decisions therefore require the consumer to trust the brand making the health claim.

2.4 Major channels to market in Australia and New Zealand

The Vitaco Group believes that products within the nutrition, health and wellness industry are distributed through five primary channels, an overview of which can be seen in Figure 11.

FIGURE 11: SUMMARY OF CHANNELS TO MARKET

Channel	Approx. no of outlets		Description of the Vitaco Group's participation in channel	Categories		
	Aus	NZ		V&S	SN	HWPF
Grocery	2,250	427	Major supermarket chains, including Woolworths and Coles in Australia and Progressive Enterprises and Foodstuffs in New Zealand	✓	✓	✓
Pharmacy	5,633	977	Major national pharmacy chains, including Chemist Warehouse and Priceline in Australia and Green Cross Health in New Zealand, in addition to a large number of independent Australian pharmacy stores primarily serviced through national pharmaceutical product wholesalers	✓	✓	✗
Health food and sports specialty	680	220	Major national health food store chains such as Go Vita in Australia and Health 2000 in New Zealand, as well as sports nutrition specialty stores such as Nutrition Warehouse and specialty sports stores such as Rebel Sport	✓	✓	✓
Route	8,350	683	Major national petrol stations, national gym chains and gym franchises and convenience stores, including 7/11, BP, Caltex and Fitness First	✗	✓	✗
DTC	N/A	N/A	Internet based, with consumers receiving products delivered directly to them rather than through an intermediary retailer. This channel is still developing, with the largest players being the online arms of retailers such as Chemist Warehouse	✓	✓	✗

Source: Management.

Key: V&S = Vitamins and dietary supplements, SN = Sport nutrition, HWPF = Health and wellness, packaged food.

[12] Source: Euromonitor International, Sports Nutrition in Australia report, June 2015.

[13] Source: Euromonitor International, Sports Nutrition in New Zealand report, June 2015.

[14] Source: Euromonitor International, Health and Wellness in Australia report, July 2015; Euromonitor International, Health and Wellness in New Zealand report, August 2014. NZ\$ converted to A\$ at 31 December 2014 exchange rate.

[15] Source: Euromonitor International, Health and Wellness in Australia report, July 2015; Euromonitor International, Health and Wellness in New Zealand report, August 2014.

[16] Source: Euromonitor International, Health and Wellness in Australia report, May 2014; Euromonitor International, Health and Wellness in New Zealand report, August 2014.

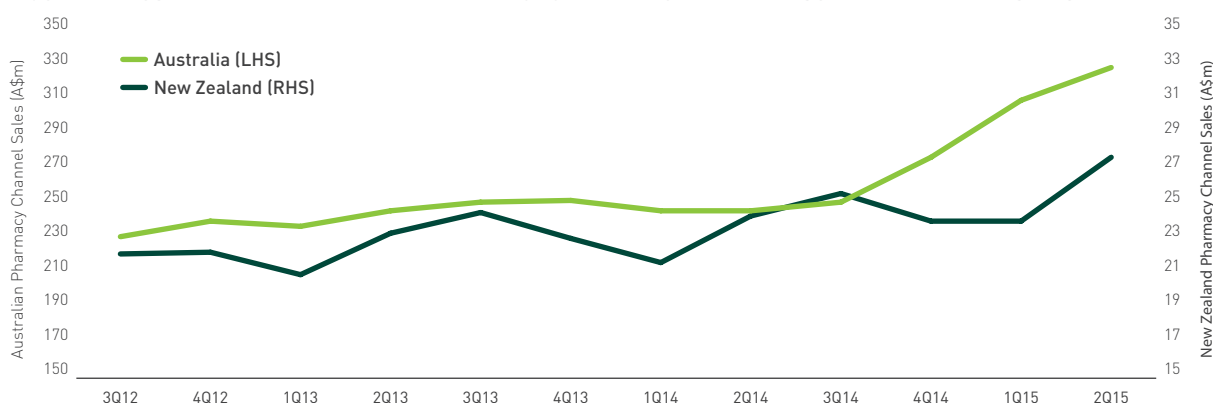


In Australia and New Zealand, the pharmacy channel is the largest channel for the vitamins and dietary supplements category, while the grocery channel is the largest channel for the health and wellness, packaged food category. Sports nutrition products tend to be distributed more evenly across the channels, with major volumes distributed through the grocery, DTC and health food and sports specialty channels. The availability of nutrition, health and wellness products in supermarkets has recently improved as consumer demand for these products has grown and these products have become increasingly mainstream¹⁷.

Brands within the nutrition, health and wellness industry may be multi-channel or they may target specific channels. Channels require different marketing approaches. In more mainstream channels (such as the grocery channel) where consumers select the products themselves, greater emphasis is placed on consumer marketing in order to seek to differentiate each brand from its competitors. Specialty channels typically have a focus on trade marketing as these channels benefit from trade support and retailer recommendations. Some market participants within the industry, such as the Vitaco Group, operate a brand portfolio strategy, with certain brands distributed through dedicated channels, or designed to target specific consumer sub-segments. A brand portfolio strategy allows the products themselves, and the marketing messages associated with them, to be more focused on particular consumer preferences.

Management believes that an increasing amount of products which are purchased in the traditional channels described in Figure 11 are being exported and consumed in offshore markets, particularly throughout Asia. Such purchases are especially prevalent in the pharmacy channel as well as through more traditional souvenir stores. This is often referred to as the 'souvenir' channel and is a new and developing trend being observed within the Australian and New Zealand markets. This is largely attributable to Australian and New Zealand food products being highly regarded by Asian consumers who focus on both trusted foreign brands and countries' reputations as producers of 'clean and green' (or organic or environmentally friendly) nutritional products. It is believed that purchases through the souvenir channel have increased in recent months. Sales in the Australian and New Zealand pharmacy channels grew at 34% and 14% respectively over the 12 months to April 2015 for the Australian pharmacy channel and 12 months to May for the New Zealand pharmacy channel as outlined in Figure 12. The Vitaco Group believes that the majority of this increase, while purchased in Australia and New Zealand, is ultimately being consumed offshore.

FIGURE 12: AUSTRALIA AND NEW ZEALAND PHARMACY CHANNEL TOTAL DIETARY SUPPLEMENT RETAIL SALES



Source: IRI-Aztec National Pharmacy – Dollar Value Quarters ending July 2012 to April 2015. IRI-Aztec Market Read (NZ pharmacy, 44% store sample; Australia pharmacy, 33% store sample. Both projected to national pharmacy).

Note: Australian quarters end January, April, July and October. New Zealand quarters end February, May, August and November. NZ\$ converted to A\$ at 29 May 2015 exchange rate. The data includes any potential export sales processed through pharmacies.

2.5 International Markets

There are large global markets in the nutrition, health and wellness industry, many of which are not as well developed as the Australian and New Zealand markets.

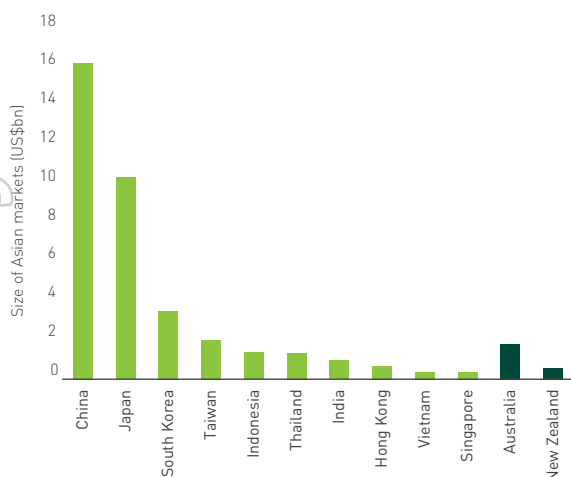
In more affluent countries such as Japan and Singapore, the per capita consumption of vitamins and dietary supplements is high and relatively stable, whilst in other countries per capita consumption is low but growing. Euromonitor International forecasts strong growth in the Asian vitamins and dietary supplements market, underpinned by the relatively low per capita consumption in many Asian markets relative to most western markets. However in many Asian markets, basic supplements such as vitamin A, B, calcium, and others are heavily subsidised through health systems and thus could impact growth. Figure 13 outlines the market size and per capita consumption of various Asian countries relative to Australia and New Zealand.

[17] Source: Euromonitor International, Health and Wellness in Australia report, May 2014.

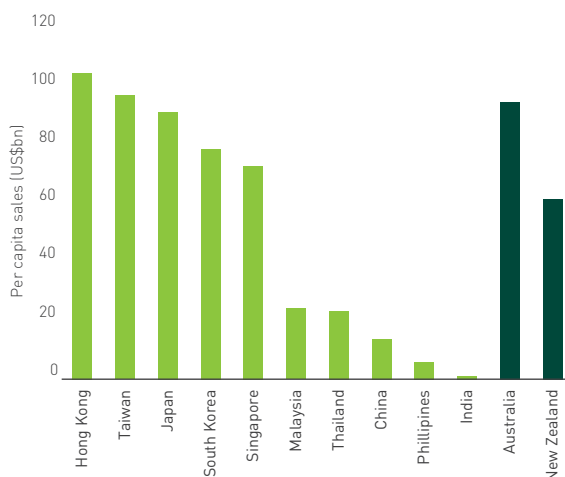


FIGURE 13: ASIAN VITAMINS AND DIETARY SUPPLEMENTS 2014 MARKET SIZES AND 2014 PER CAPITA SALES

Size of Asian markets (US\$bn)



Per Capita sales (US\$)



Source: Euromonitor International, Consumer Health system, 2015 edition Vitamins and Dietary Supplements, from trade sources/national statistics.

Note: Retail prices (retail sales price).

Traditionally, sales into international markets have been conducted either via a local distributor, whose relationships as a wholesaler were leveraged to provide a channel to retailers, or direct to the retailers or consumers themselves. Channel selection is based on each market participant's brand strategy in a given country.

Recently, there has been strong and growing demand for Australian and New Zealand sourced nutrition, health and wellness products from Chinese consumers. Sales are increasingly being made directly to Chinese consumers via cross-border e-Commerce platforms such as TMall Global (Alibaba Groups' DTC platform) and JD Worldwide (another Chinese e-Commerce platform). A recent Australian Trade Commission survey that found 39% of Chinese e-Commerce shoppers on TMall Global had purchased products from Australia¹⁸. The volume and value of transactions occurring on these e-Commerce sites is growing strongly and is forecast to continue to do so given the growth in e-Commerce markets in China, as outlined in Figure 14.

FIGURE 14: CHINA E-COMMERCE STATISTICS

Market size	A\$500 billion
Year on year growth (2014)	50%
Chinese internet users	632 million
Chinese e-commerce users	300 million

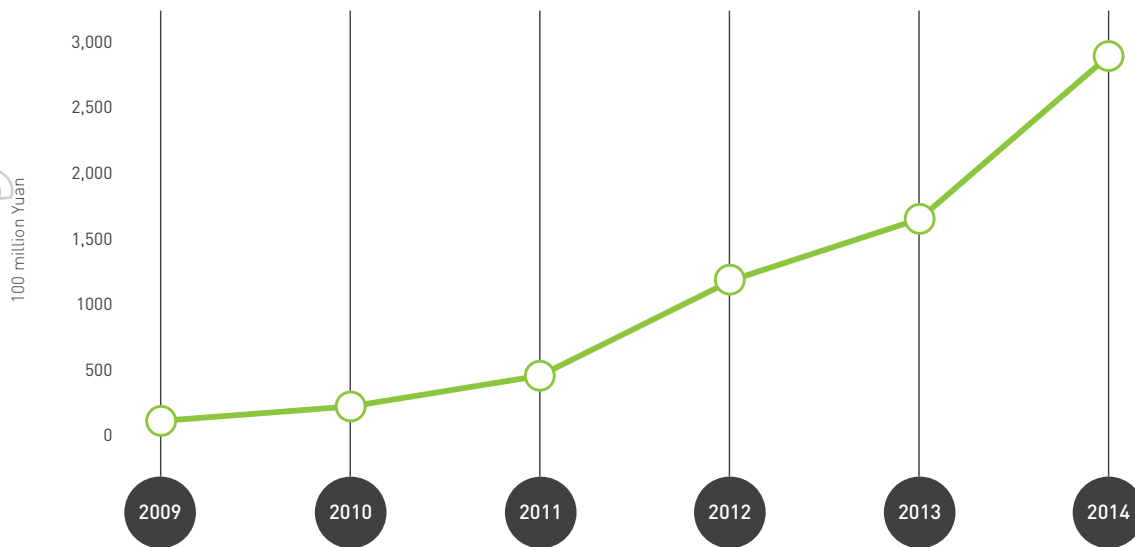
Source: Australian Trade Commission, E-Commerce in China: A Guide for Australian Small Businesses, June 2015.

[18] Source: E Commerce in China: A Guide for Australian Small Businesses, Australian Trade Commission, June 2015.



Figure 15 shows the historical growth in Chinese e-Commerce sales.

FIGURE 15: CHINA E-COMMERCE TOTAL SALES VALUE



Source: Australian Trade Commission, E-Commerce in China: A Guide for Australian Small Businesses, June 2015.

Sales made directly to consumers via these online channels provide additional benefits for the supplier. So long as their product complies with product standards in its market of origin, the supplier can deliver the product 'as is' into the international market at retail prices. This removes regulatory and operational hurdles, such as the need to redesign product packaging and to have displays in the native language of the export country, as well as expensive and time-consuming product registrations.



SECTION 3

Company overview

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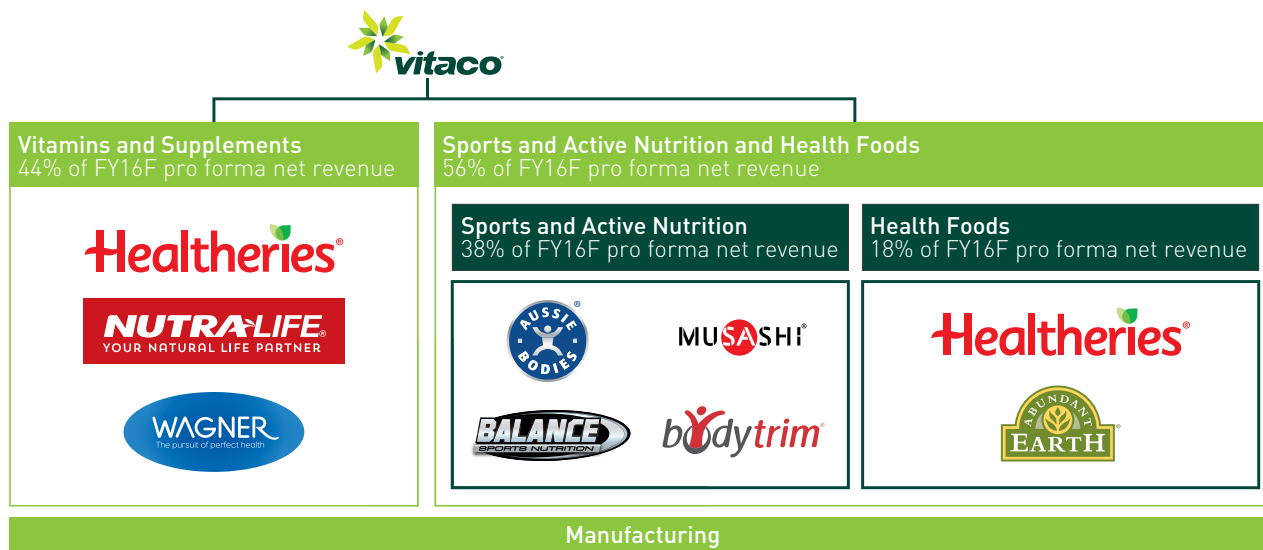


The Vitaco Group is a nutritional products business that aims to empower healthier lives by developing, manufacturing and distributing a range of branded products within the broader nutrition, health and wellness industry. While the Vitaco Group's major markets are Australia and New Zealand, it has a long-established and growing international business, particularly in Asia.

The Vitaco Group considers itself a brand-led business with a goal to empower healthier lives. Many of the Group's brands hold leading positions in their respective markets. With operations underpinned by in-house manufacturing capabilities, the Vitaco Group is vertically integrated and controls its supply chain from procurement to distribution.

Figure 16 provides an overview of the Vitaco Group outlining its categories and brands.

FIGURE 16: THE VITACO GROUP'S DIVISIONS AND BRANDS



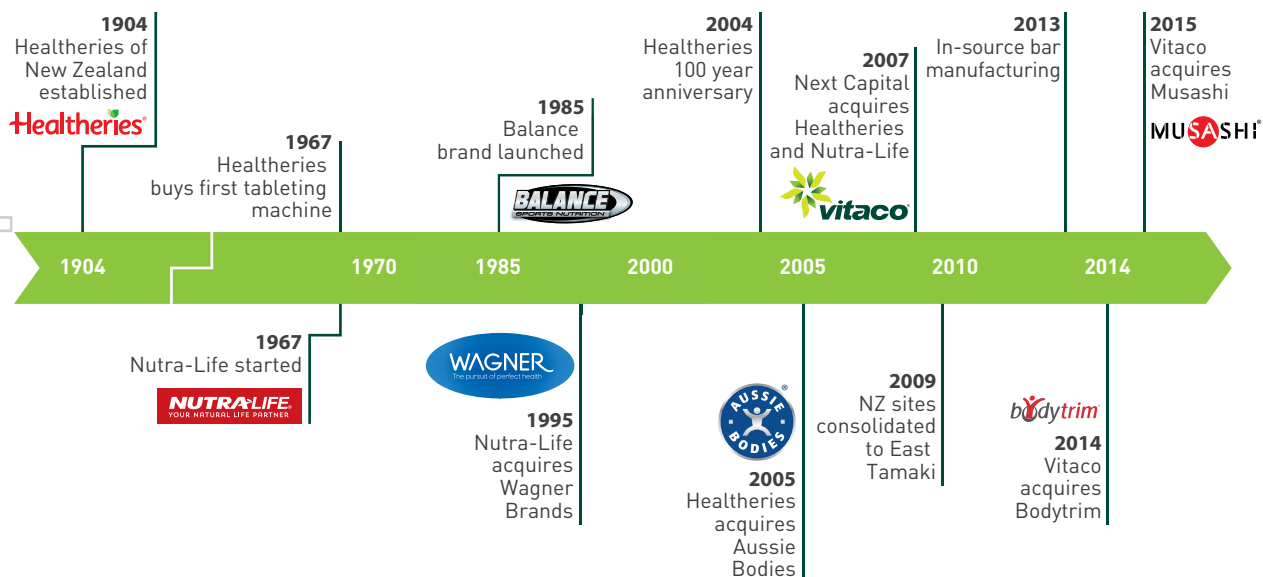
Source: Management.

Note: Excludes head office sales of raw materials at cost to sub-contractors.

3.1 The Vitaco Group history

The Vitaco Group commenced operations in 1904 when the Healththeries brand was established in New Zealand. Initially a flourmill, Healththeries grew both organically and via acquisition throughout the twentieth century to become an integrated health food and supplements business. Nutra-Life commenced operations in Australia in 1967. In 2007, Healththeries merged with Nutra-Life, to create what is now the Vitaco Group. An overview of the Vitaco Group's history is outlined in Figure 17.

FIGURE 17: THE VITACO GROUP HISTORY












Source: Management.



3.2 Brands and products

The Vitaco Group's brand portfolio is diversified across channel, geography and consumer groups and its brands target specific consumer segments and / or market channels. The Vitaco Group holds approximately 400 registered / approved trademarks internationally. An overview of the Vitaco Group's owned brand portfolio can be seen in Figure 18.

FIGURE 18: THE VITACO GROUP BRAND PORTFOLIO

		Age of brand (years)	% of FY16F PF revenue	Market position
Vitamins and Supplements		111	11%	#1 Vitamin and dietary supplements brand in the New Zealand grocery channel
		48	23%	A leading brand in the New Zealand pharmacy and health food channels with a longstanding presence in the Australian health food channel
		35+	9%	Fast growing vitamin and dietary supplements brand in the Australian pharmacy channel
Sports and Active Nutrition and Health Foods		24	19%	The leading sports nutrition brand in the Australian sports nutrition market, with wide distribution through mainstream channels
		28	12%	One of the leading brands in the Australian sports nutrition market, with wide distribution in mainstream channels
		30	7%	A leading sports nutrition brand in the New Zealand market and a longstanding presence in the Australian health food channel
		8	1%	Weight management brand in the Australian grocery, pharmacy and DTC channels
		111	16%	Grocery and health food channel brand, holding a leading position in a number of specialist grocery channel sub-categories
		35+	2%	Stable brand in the Australian grocery and health food channels

Source: Management, Euromonitor International, Sports Nutrition in Australia report, June 2015, Euromonitor International, Sports Nutrition in New Zealand report, June 2015, IRI-Aztec National Pharmacy, MarketEdge Sample Read, IRI-Aztec National Grocery, MarketEdge Sample Read 12 months to June 2015 (NZ Pharmacy: 42% sample projected to national).

Note: Percentage of revenue is based on pro-forma forecast of the Vitaco Group's owned brands for the year ended 30 June 2016 and excludes revenue forecast to be derived from contract manufacturing, export sales and Triology and Convita distribution agency

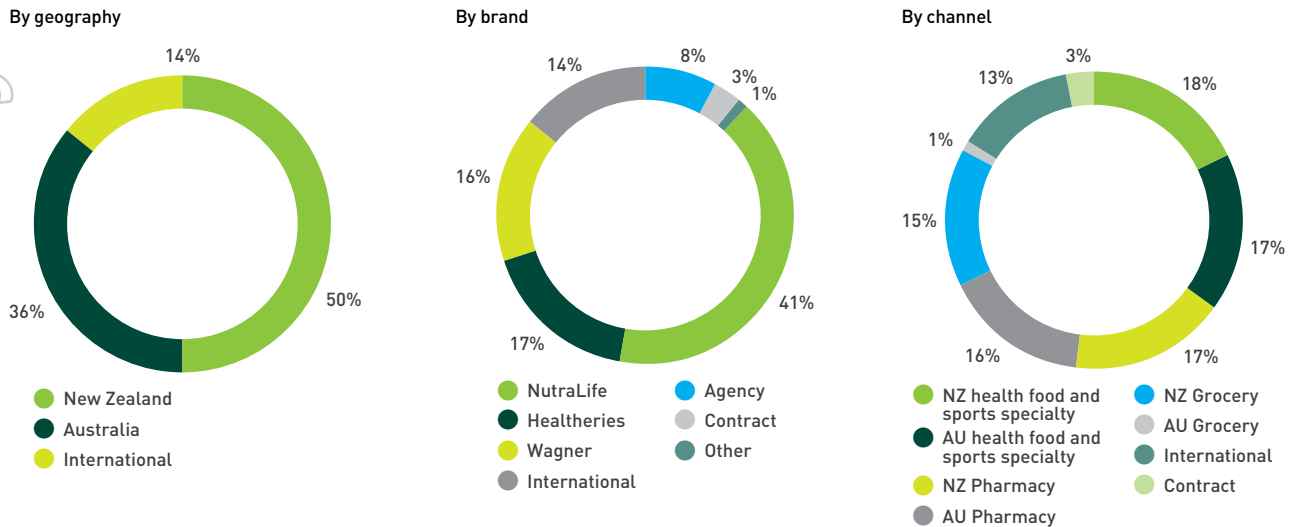
The marketing for each brand within the Vitaco Group's portfolio is focused on a specific target audience. The Healtheries, Aussie Bodies, Musashi and Bodytrim brands are mass-market oriented, and are distributed through channels with the broadest customer reach (including grocery). Consequently, greater emphasis is placed on consumer marketing in order to seek to differentiate each brand from their competitors. Each of the Wagner, Nutra-Life and Balance brands are distributed through specialty channels, and benefit from trade support and retailer recommendations. Accordingly, the marketing focus for these brands is on trade marketing. The Abundant Earth brand is distributed primarily in the grocery channel, and has a stable sales base that does not require significant marketing expenditure.



3.2.1 Vitamins and Supplements

The Vitaco Group operates in the vitamins and dietary supplements category through three brands: Healtheries, Nutra-Life and Wagner. Figure 19 outlines the geographic, brand and channel sales breakdown for the Vitamins and Supplements division.

FIGURE 19: VITAMINS AND SUPPLEMENTS FY16F PRO FORMA NET REVENUE






Source: Management.

Note: The pro forma forecast financial information included in this Prospectus has been prepared based on the assumptions and accounting policies described in Sections 4 and 12, and is subject to the risks set out in Section 5. The pro forma forecast financial information varies significantly from the statutory historical financial information, primarily due to changes in year-end and currency and the acquisition of the Musashi business, as explained in the reconciliation tables in Sections 4 and 11.

According to Euromonitor International, the Vitaco Group had an estimated 23% share of the New Zealand vitamins and dietary supplements market by retail sales value, and an estimated 1% share of the Australian vitamins and dietary supplements market by retail sales value, in 2014. The Vitaco Group's relatively low share of the Australian market reflects its channel strategy to date, which has targeted specialist rather than mass-market channels. The Vitaco Group believes that this represents an opportunity for it to broaden its exposure within mass-market channels such as pharmacy and grocery.

Figure 20 provides an overview of the Vitaco Group's vitamins and supplements division's brands and their key markets.

FIGURE 20: THE VITACO GROUP'S VITAMINS AND SUPPLEMENTS DIVISION'S BRAND POSITIONING

Brand	Major channel	Major geography
	Grocery	New Zealand
	Pharmacy Health Food	Australia and New Zealand Australia and New Zealand
	Pharmacy	Australia

Source: Management.









3.2.1.1 Healtheries



The iconic Healtheries brand, which was established in New Zealand in 1904, produces a wide variety of vitamins and dietary supplements products with over 80 stock keeping units (SKUs). These products are primarily sold through the mass-market New Zealand grocery channel. Healtheries has been voted New Zealand's Most Trusted Brand in the vitamins and supplements category by Reader's Digest in each of the nine years that the vitamins and supplements category has been graded.

An overview of Healtheries' key vitamins and dietary supplements products is shown in Figure 21.

FIGURE 21: HEALTHERIES' KEY VITAMINS AND DIETARY SUPPLEMENTS PRODUCTS

	Boost Immunity effervescent tablets		Fish Oil 1500mg
	Jointex Glucosamine/Chondroitin tablets		Vit C Chewable Tablets
	Kidscare Multivitamin chewable tablet		50+ Mens and Womens Multi One a Day Tablets

Source: Management.

Given its longevity, the Healtheries vitamins and supplements brand strategy is built around its brand loyalty, the trust it has accrued with its consumer base and its value proposition. Dan Carter, a well-known New Zealand rugby union player, has been an ambassador for the Healtheries brand since 2013.





FIGURE 22: HEALTHERIES' DAN CARTER ADVERTISING MATERIAL



Source: Management.

In addition to its domestic products, Healtheries also produces a range of products targeted to Asian consumers which are sold in the souvenir channel in Australia and New Zealand (see Section 3.8.4.1 for further information) and direct to consumers in China via the Healtheries Tmall Global flagship store.

Figure 23 provides an example of an advertisement for products within Healtheries' souvenir range.

FIGURE 23: HEALTHERIES' SOUVENIR RANGE



Source: Management.



3.2.1.2 Nutra-Life



Nutra-Life is a premium vitamins and dietary supplements brand, with a broad range, comprising over 150 SKUs. The brand has a 48-year history, commencing operations in Australia in 1967. Nutra-Life is distinguished from the Healthies brand by virtue of its different market and channel focuses. Its 'specialist' products are marketed as high potency and effective formulations.

Figure 24 provides an overview of the Nutra-Life brand's key products.

FIGURE 24: NUTRA-LIFE'S KEY VITAMINS AND DIETARY SUPPLEMENTS PRODUCTS



Magnesium complete



Jointcare 200 caps



Probiotic 50 billion caps



Co Q Max



Triple strength Omega 3 Fish Oil softgel caps

Source: Management.

As a result of its specialist channel focus across the Australian health food and New Zealand health food and pharmacy channels, Nutra-Life's marketing initiatives have historically included robust trade marketing, in-store merchandising units, training programs for health food store and pharmacy employees and other co-operative advertising media.

A key focus of Nutra-Life is to expand its distribution within the Australian pharmacy channel. The brand has established a preferred partners program, to continue to support existing core health food store channel partners and to pursue new distribution opportunities in the pharmacy channel. Figure 25 shows an example of the Nutra-Life "health hub", which is being installed in select preferred partner stores.





FIGURE 25: NUTRA-LIFE PREFERRED PARTNERS PROGRAM “HEALTH HUB”



Source: Management

Similar to Healtheries vitamins and supplements, Nutra-Life has developed a range of products that are targeted to Asian consumers. Certain new Nutra-Life SKUs now number amongst its best selling, due in large part to incremental demand from Asian consumers. Figure 26 provides an example of an advertisement for products within Nutra-Life's range that are marketed towards Asian consumer preferences.

FIGURE 26: NUTRA-LIFE PRODUCTS TARGETED TO ASIAN CONSUMERS



Source: Management.



3.2.1.3 Wagner



Wagner is a premium Australian pharmacy brand which is largely focused on products that utilise either branded ingredients or superior formulations. The Vitaco Group believes that using branded ingredients as part of proprietary formulations that are supported by clinical research is a key competitive advantage for the Wagner brand. Wagner produces a targeted range of SKUs, with its product portfolio targeted at specific sub-categories within the broader vitamins and dietary supplements category. Its core focuses are joint health, heart and circulation, digestive health, immunity, colds and flu, and muscle cramps and tension.

Figure 27 outlines Wagner's key products.

FIGURE 27: WAGNER'S KEY PRODUCTS



Kyolic® High Potency Form 112
120 cap



Bio-Curcumin



Green Lipped Mussel 850mg



Probiotica P50



Ester-C®

Source: Management.

An example of an ingredient exclusive to the Wagner brand is Kyolic, a premium branded ingredient that seeks to provide the dual benefits of increased immunity and improvements in blood pressure. To the Vitaco Group's knowledge, it is the only aged garlic extract available in the Australian market, and is supported by clinical research studies. Recent results of a clinical trial conducted by the University of Adelaide showing the benefits of Kyolic on blood pressure have been used by Wagner in its marketing of the product.





3.2.2 Sports and Active Nutrition and Health Foods

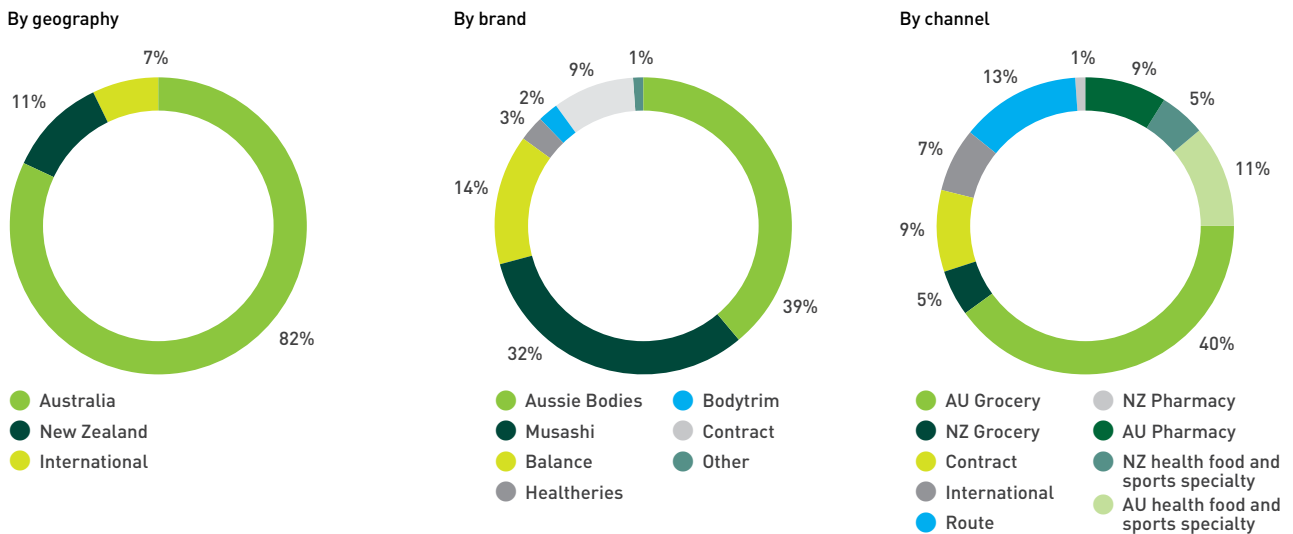
The Vitaco Group operates in the sports nutrition and health and wellness, packaged food categories through six brands across two sub-divisions: Sports and Active Nutrition, comprising the Aussie Bodies, Musashi, Balance and Bodytrim brands, and Health Foods, comprising the Healtheries and Abundant Earth brands.

3.2.2.1 Sports and Active Nutrition

The Vitaco Group's Sports and Active Nutrition sub-division produces products in the sports nutrition category through its Aussie Bodies, Balance and Musashi brands, and weight management products through its Bodytrim brand. The Vitaco Group's Aussie Bodies, Balance and Musashi brands together hold the leading position by market share in the Australian and New Zealand sports nutrition category, with an estimated 20% share in 2014¹. The Vitaco Group seeks to be highly innovative with its Sports and Active Nutrition suite of brands through a strong focus on NPD to seek to ensure appropriate reaction to changing consumer preferences.

Figure 28 outlines the geographic, brand and channel sales breakdown of the Vitaco Group's Sports and Active nutrition sub-division.

FIGURE 28: SPORTS AND ACTIVE NUTRITION FY16F PRO FORMA NET REVENUE

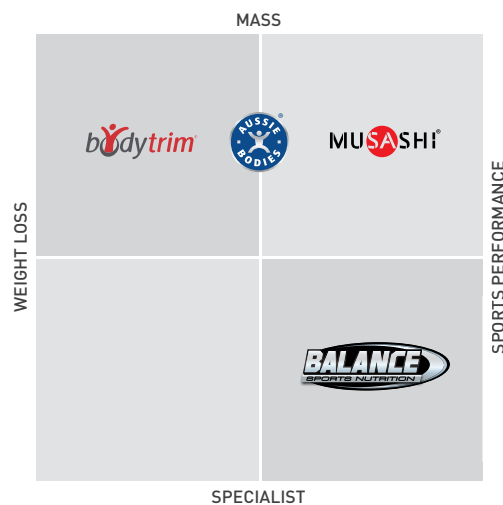


Source: Management.

Note: The pro forma forecast financial information included in this Prospectus has been prepared based on the assumptions and accounting policies described in Sections 4 and 12 of this Prospectus, and is subject to the risks set out in Section 5. The pro forma forecast financial information varies significantly from the statutory historical financial information, primarily due to changes in year-end and currency and the acquisition of the Musashi business, as explained in the reconciliation tables in Sections 4 and 11.

Within the sports nutrition category, the Vitaco Group uses its brand portfolio to target different consumer segments and markets through both mass-market channels and more targeted channels. The sports performance sub-category is targeted by the Balance brand in a targeted channel and the Musashi brand in the mass-market channel. The broader active nutrition sub-category is targeted by Aussie Bodies and the weight management sub-category is targeted by Bodytrim. Figure 29 outlines the relative brand positioning and target markets of each of the brands within the Vitaco Group's Sports and Active Nutrition portfolio.

FIGURE 29: THE VITACO GROUP'S SPORTS AND ACTIVE NUTRITION BRAND PORTFOLIO STRATEGY







Source: Management.

[1] Source: Euromonitor International, Sports Nutrition in Australia report, June 2015; Euromonitor International, Sports Nutrition in New Zealand report, June 2015.



Figure 30 provides an overview of the Vitaco Group's Sports and Active Nutrition brands and their major channels and geographies.

FIGURE 30: THE VITACO GROUP'S SPORTS AND ACTIVE NUTRITION BRAND POSITIONING

Brand	Major channel	Major geography
	Grocery, Pharmacy, Health food and sports specialty, Route	Australia and New Zealand
	Grocery, Pharmacy, Health food and sports specialty, Route	Australia and Japan
	Health food and sports specialty, Route	New Zealand and Australia
	Grocery, Pharmacy, DTC	Australia

Source: Management.

As with the Vitamins and Supplements division, marketing campaigns within the Sports and Active Nutrition sub-division are brand specific with more consumer-oriented advertising for the Aussie Bodies, Musashi and Bodytrim brands given their mass-market positioning. Marketing expenditure for the Balance brand is trade-oriented given the specialist channels on which the brand focuses.

3.2.2.2 Aussie Bodies








The Aussie Bodies brand comprises products across multiple formats including bars, protein powder, RTD beverages and snacks. In 2014 Aussie Bodies was the number one brand in the Australian sports nutrition category in Australia by value of sales, a position it has enjoyed since 2011. Aussie Bodies seeks to target 'everyday' consumers who do not necessarily associate with either traditional weight loss or sports performance nutrition categories. These consumers are in the active nutrition sub-category, which the Vitaco Group believes is now larger than both the sports performance and weight loss markets combined. The Aussie Bodies brand has seen significant growth over the past four years. Management believes this reflects consumers having taken a proactive approach to their health and wellness, using Aussie Bodies products as a healthier alternative to traditional snacks or beverages.



Figure 31 outlines a number of Aussie Bodies' key products.

FIGURE 31: AUSSIE BODIES' KEY PRODUCTS

	HPLC Bar Chocolate 100g		Protein Revival Chocolate 375ml
	Protein FX Lo Carb Choc Honeycomb 30g		Protein FX Lo Carb Crunch Honey Almond 40g
	Perfect Protein Vanilla 375g		

Source: Management.

Aussie Bodies has three primary sub-brands: Lo Carb, Protein Revival and Perfect Protein. Each sub-brand is individually positioned to target the concerns and needs of different areas of the active nutrition market. An example of Aussie Bodies' marketing can be seen in Figure 32.

FIGURE 32: AUSSIE BODIES' MARKETING IMAGERY



Source: Management.

Over the past five years, the Aussie Bodies brand has enjoyed a relatively stable market share², and for the past four years has been the number one brand in the Australian sports nutrition category.

NPD has been an important part of Aussie Bodies' growth, contributing approximately 37% of the brand's sales over the three years ended 30 June 2015. The Vitaco Group believes its innovative capabilities and speed to market provide it with a competitive edge, and that innovation will remain key to growing market share in the sports nutrition category. The Vitaco Group is also seeking to take advantage of the strong brand position Aussie Bodies enjoys in Australia to establish presence in international markets.

[2] Source: Euromonitor International, Sports Nutrition in Australia report, June 2015.



3.2.2.3 Musashi



Established in 1987, Musashi is one of the leading sports nutrition brands in Australia by value of sales. Its products include protein powders, functional bars, drinks and amino acids. Of Musashi's products, protein powders and RTD beverages represent the largest part of the Musashi brand portfolio. The Vitaco Group acquired the Musashi brand in July 2015 from US-based consumer foods group Post Holdings. Please refer to Section 9.4 for further details on the acquisition of the Musashi brand.

Musashi's products are designed to assist with the performance needs of athletes, from those competing at the elite level to everyday athletes, and to assist with muscle development, energy, recovery, toning and general vitality. Accordingly, its products appeal to a wide range of consumers with diverse athletic and health goals.

Figure 33 provides an overview of a number of Musashi's key products.

FIGURE 33: MUSASHI'S KEY PRODUCTS



P30 Milk Drink Chocolate



BULK Mass Gain Protein Bar



P45 High protein Chocolate Nut bar



BULK Creatine stack raspberry



P High Protein Vanilla Powder

Source: Management.





The grocery channel is Musashi's largest channel to market, though a large number of sales are also made through the pharmacy channel. Musashi also has a significant export business, mostly exporting product to Japan.

Musashi markets its products through traditional mass-market advertising mediums. Musashi also has a number of sponsorship agreements with well-known franchises across a number of popular sporting codes.

Figure 34 provides examples of Musashi's mass-market advertising.

FIGURE 34: MUSASHI MASS-MARKET ADVERTISING EXAMPLES



Source: Management.

The Musashi range complements the balance of the Vitaco Group's sports and active nutrition brand range, and the Vitaco Group has a strong understanding of the products and channels that Musashi operates in. As well as broadening its sports and active nutrition product suite, the Vitaco Group believes it can leverage its distribution and sales force, both in Australia and New Zealand, to open new channels for sales of Musashi branded product. The Vitaco Group further believes it can utilise Musashi's international distribution capabilities to enter new markets such as Japan with its Aussie Bodies product range. There also exists opportunities to leverage the Vitaco Group's manufacturing facilities and procurement efficiencies to deliver earnings growth.

Section 4.7 sets out details of Musashi's forecast performance for the year ending 30 June 2016. The business is forecast to generate \$25.8 million net sales and \$0.2 million EBITDA in that period (after deducting \$3.8 million in duplicate costs arising from the acquired operating model). Management considers \$4.0 million EBITDA to be representative of the underlying profitability of Musashi under the ownership of the Vitaco Group.



3.2.2.4 Balance



Balance is a sports performance-focused brand, which targets athletes and physical fitness enthusiasts. Balance's products are diversified across powders, RTDs, gels and bars. The Balance brand has a long heritage in the protein powder market and targets established exercise and sports performers. Balance has recently introduced a RTD beverage product range. These RTD beverage products address consumer appetite for on-the-go protein drinks and have achieved strong distribution to date.

Figure 35 outlines a selection of Balance's key products.

FIGURE 35: SELECTED BALANCE KEY PRODUCTS



Muscle recovery protein shake



100% whey divide chocolate protein powder



Ultra ripped protein cookies and cream powder



Massive chocolate protein powder

Source: Management.

In addition to its primary 'Balance' brand, Balance also operates a sub-brand, Physique, which specifically targets the female market. The Physique sub-brand is consistent with Vitaco Group's brand portfolio strategy of capturing diverse demographics through multiple brands.

Balance has higher market share in New Zealand compared to the Australian market, with Euromonitor International estimating it to have held approximately 16% of the market share in New Zealand and approximately 1% of the market share in Australia in 2014 by retail value. These market shares reflect the Balance brand's focus on New Zealand distribution.

The Balance brand also has an active athlete sponsorship program, including sponsorship of gold medal winning Olympic kayaker Lisa Carrington, 11 times ironman champion Cameron Brown, and other high performance athletes across several sporting disciplines.





3.2.2.5 Bodytrim



The Vitaco Group acquired the Bodytrim brand in 2014. This brand offers consumers a scientific approach to fast and sustainable weight loss via an online weight loss program along with branded snack foods.

FIGURE 36: BODYTRIM PRODUCT PORTFOLIO



Source: Management.

Bodytrim originated as a DTC brand but has since expanded into retail distribution (primarily via the grocery channel) with its branded snack foods. The Vitaco Group believes that the weight loss program component (which is sold via the DTC channel) underpins the brand's credibility and sustainability. To sell the program, Bodytrim undertakes DTC advertising, which creates the opportunity to generate sufficient revenue to fund part, or all, of its cost of customer acquisition, allowing for further advertising. This increases brand awareness, which supports the products sold through traditional retail channels.

FIGURE 37: BODYTRIM OFFERING



Source: Management.

Bodytrim targets middle-aged females seeking to lose weight through dietary regimes as opposed to strenuous exercise programs. It is marketed direct to consumers based on the efficacy of its program and has an extensive database of former members, with 145,000 users having been members of the program over its life.

In March 2015, Bodytrim launched a new online (mobile enhanced) program, and the Vitaco Group believes that there is further scope to expand the product offering and distribution footprint, both domestically and internationally. The Vitaco Group believes that there is also the potential for Bodytrim's DTC platform to be leveraged across other Vitaco Group brands and categories.

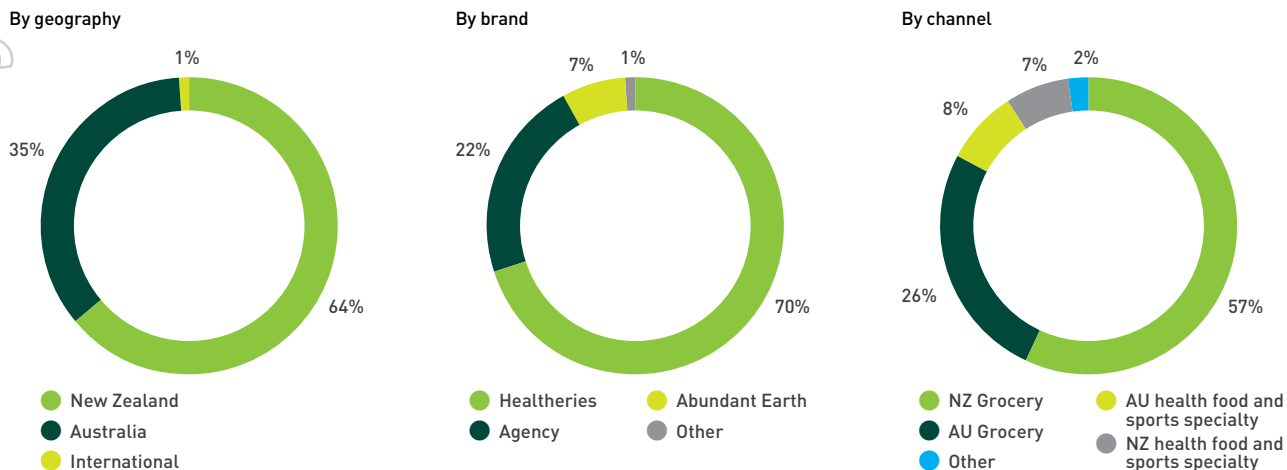


3.2.3 Health Foods

The Vitaco Group's Health Foods sub-division produces products within the health and wellness, packaged food category. The Vitaco Group markets these products under two brands: Healtheries and Abundant Earth.

Figure 38 outlines the geographic, brand and channel sales breakdown for the Health Foods sub-division.

FIGURE 38: HEALTH FOODS FY16F PRO FORMA NET REVENUE



Source: Management.

Note: The pro forma forecast financial information included in this Prospectus has been prepared based on the assumptions and accounting policies described in Sections 4 and 12 of this Prospectus, and is subject to the risks set out in Section 5. The pro forma forecast financial information varies significantly from the statutory historical financial information, primarily due to changes in year-end and currency and the acquisition of the Musashi business, as explained in the reconciliation tables in Sections 4 and 11.

The Vitaco Group's health food products are targeted at health conscious consumers with the major distribution channel being the grocery channel. The majority of sales in the sub-division are attributable to the Healtheries brand, which also accounts for the majority of the sub-division's marketing expenditure.

3.2.3.1 Healtheries



Healtheries' food and beverage products include healthier snacking products (including healthier kids snacks and rice wafers), teas, cereals, oils (including flaxseed and almond), superfoods (including linseeds, sunflower seeds and almonds, wheatgerm, and chia seeds), 'free-from' (including sugar-free and gluten-free), baking and bread mixes and dairy products.

Healtheries has a strong shelf presence and based on the last twelve months sales holds a market leading position in a number of categories within the New Zealand grocery channel, including:

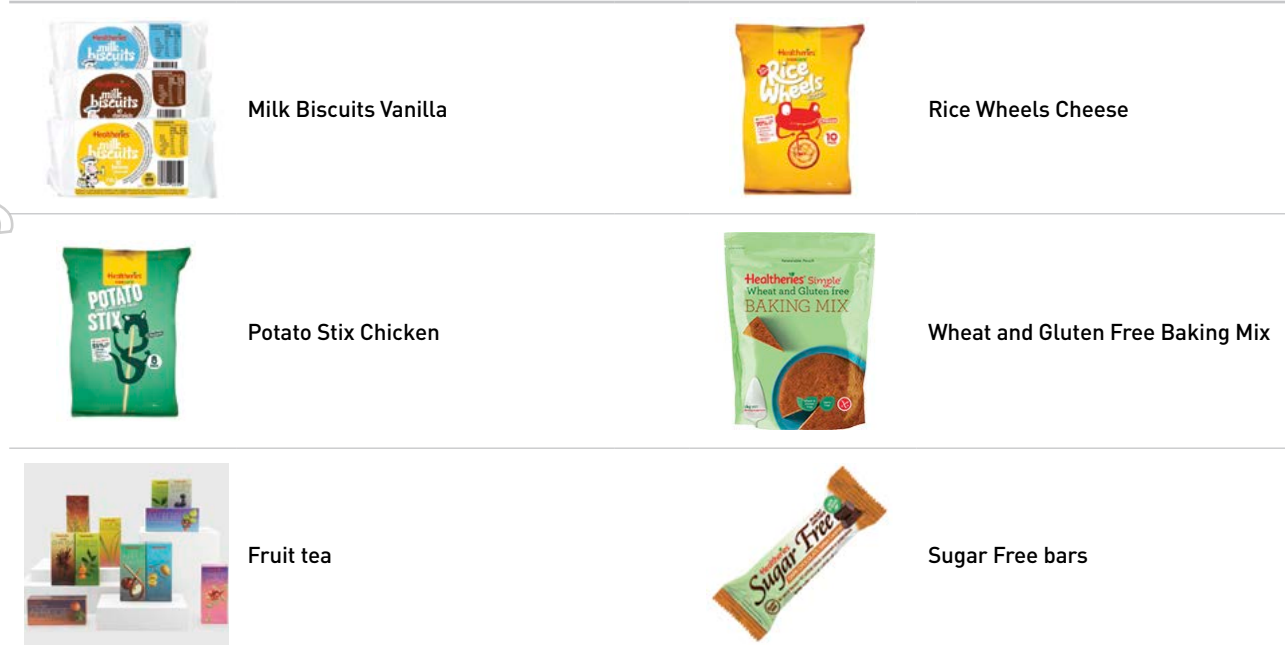
- Number 1 brand in the total herbal and green tea category by sales dollars;
- Number 1 brand in fruit teas by sales dollars; and
- Number 1 brand in functional teas by sales dollars.

The Healtheries range of products is exploiting a clear market trend towards healthier and nutritious eating. The Vitaco Group believes an opportunity to expand the Healtheries brand into other sub-categories including "better-for-you" bars, dairy-based snacks and ancient grains also exists. While the grocery channel is Healtheries' main distribution channel, other products are also sold through the health food and sports specialty channel.

Figure 39 provides an overview of a number of Healtheries' key food and beverage products.



FIGURE 39: HEALTHERIES' FOOD AND BEVERAGE KEY PRODUCTS



Source: Management.

The Vitaco Group believes that its Healtheries food range is well-positioned to capture growth from international markets, as the Healthcare food range is marketed to consumers who place importance on products sourced from countries with 'clean and green' reputations, a characteristic which the New Zealand government uses in its marketing campaigns for New Zealand tourism. Healtheries' Milk Biscuits and Milk Bites, which are snack products produced using 100% natural, preservative-free New Zealand sourced milk, have seen significant interest and sales growth from Asian consumers. Healtheries is also the second largest retailer of milk tablets by sales volume on the Alibaba platform of e-Commerce websites (Taobao, TMall and TMall Global).

3.2.3.2 Abundant Earth



Abundant Earth is a brand of certified organic and natural foods that was established in 1984. The brand targets health conscious consumers looking for 'natural' and 'authentic' products and is primarily distributed through the grocery and health food and sports specialty channels. Abundant Earth has a targeted product range focused on cereals, drinking chocolate and tamari sauces. The Abundant Earth brand undertakes limited consumer marketing and NPD.

Figure 40 highlights some of Abundant Earth's products.

FIGURE 40: SELECTED ABUNDANT EARTH PRODUCTS



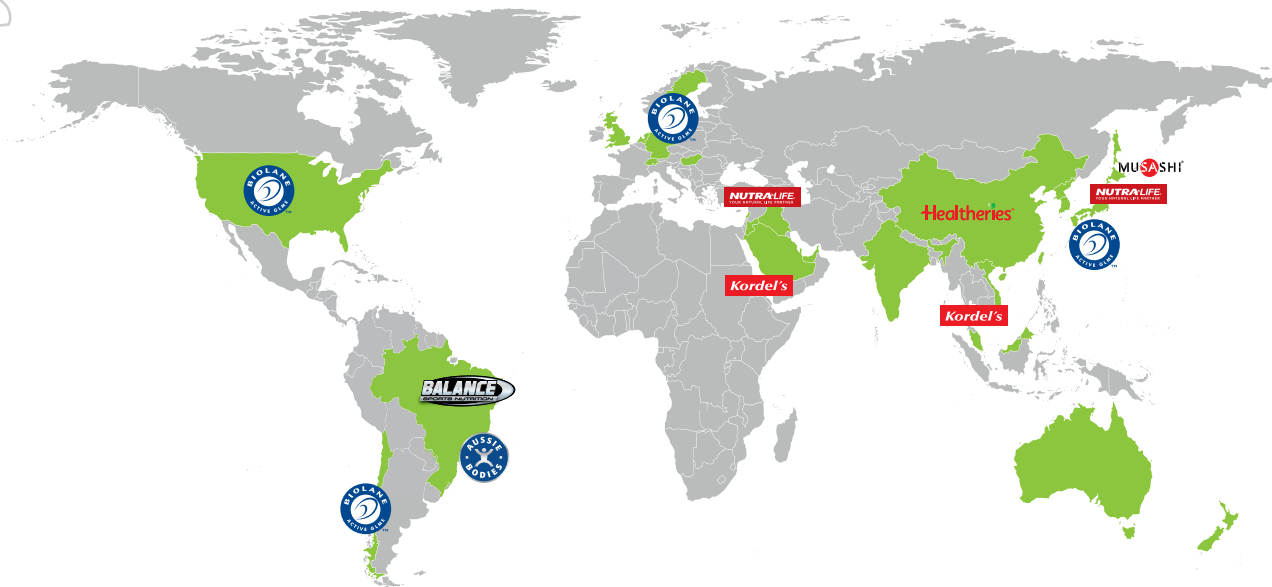
Source: Management.



3.3 International platform

The Vitaco Group has been exporting its products into international markets (outside of Australia and New Zealand) since 1974. During this time, the Vitaco Group has built a network of partners, distributors and on the ground specialists, and gained experience operating in international regulatory environments. The Vitaco Group holds approximately 148 registrations for vitamins and dietary supplements and health foods across 6 countries. An overview of Vitaco Group's international distribution footprint can be seen in Figure 41.

FIGURE 41: THE VITACO GROUP'S INTERNATIONAL DISTRIBUTION FOOTPRINT AND KEY BRANDS BY REGION

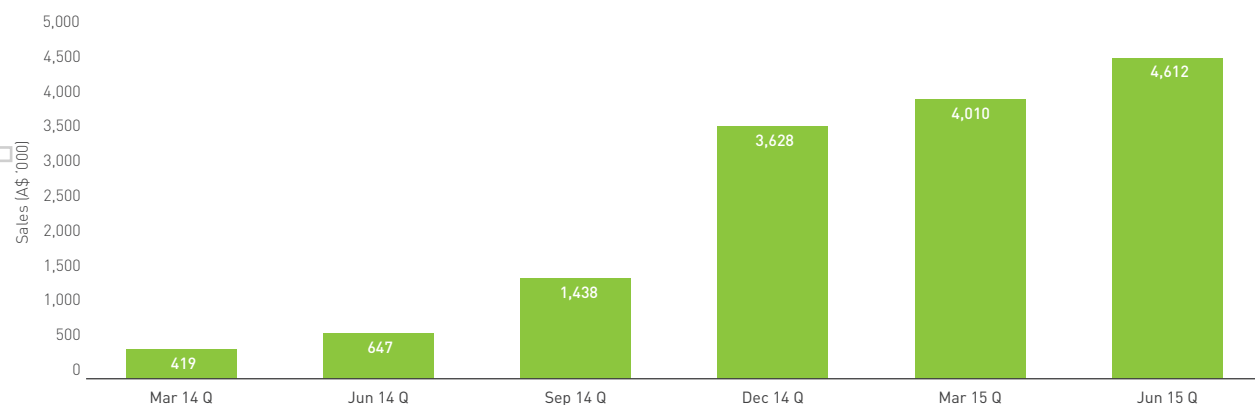


Source: Management.

3.3.1 Vitamins and dietary supplements and health foods in China

The Vitaco Group has an established presence in China via the Healtheries brand. The Vitaco Group also markets products in Australia and New Zealand under both the Nutra-Life and Healtheries brands which are intended for Asian consumers (particularly Chinese consumers) either through the souvenir channel or via exporters. Over the course of the past year, the Vitaco Group, and the nutrition, health and wellness industry as a whole, has seen significant growth in sales of its Asian product ranges as Asian consumers have demonstrated a clear trend towards purchasing Australian and New Zealand 'clean and green' products, as outlined in Figure 42.

FIGURE 42: NEW ZEALAND AND AUSTRALIAN SALES OF THE VITACO GROUP'S ASIAN PRODUCT RANGES BY QUARTER (A\$'000)



Source: Management.

Note: Sales have been converted from NZD to AUD based on NZD/AUD exchange rate of A\$0.8781, as at 30 June 2015.

Further information on the Asian growth opportunity can be seen in Section 3.8.4.



3.3.2 Other international markets

The Vitaco Group's largest direct export regions are South East Asia, Japan and the Middle East.

In South East Asia, the Vitaco Group has an established presence in Malaysia and Singapore through the Vitaco Group's regional partner, Cambert and its Kordel's brand. Cambert is a supplements distributor focused on the Malaysian and Singaporean markets. Healthieries' vitamins and dietary supplements products and dairy products are also sold in Singapore and the Vitaco Group believes that there are further opportunities to expand into additional South East Asian markets such as Vietnam, Indonesia, Thailand and the Philippines.

The Vitaco Group exports products to the Japanese market through its Musashi brand via an agreement with a local Japanese distributor. The distributor is responsible for the sales and marketing of the products, with Musashi providing the branded product to the distributor.

In the Middle East, the Vitaco Group has been selling vitamins and dietary supplements under the Kordel's brand (licensed from Cambert) for over ten years in five Gulf Coast Cooperative countries. The Vitaco Group's products are marketed primarily to medical practitioners and are sold predominantly in pharmacies based on doctor recommendation. The Vitaco Group holds approximately 100 product registrations in the Middle East. These registrations typically take between one and two years to obtain and represent a substantial market barrier. In addition, the Vitaco Group's manufacturing site in East Tamaki, New Zealand, has also been certified to supply vitamins and dietary supplements into Saudi Arabia, the United Arab Emirates, Qatar, Kuwait and Bahrain.

3.4 Manufacturing capability

The Vitaco Group has three relatively modern manufacturing facilities located in Auckland, New Zealand. The facilities have been developed to accommodate future growth in the Vitaco Group's business, and across the Vitaco Group's certain manufacturing lines utilisation is currently at or below 50%. The Vitaco Group believes that this utilisation can be increased substantially, and in a short period of time if required, through the recruitment of additional employees. An overview of the Vitaco Group's manufacturing facilities can be seen in Figure 43.

FIGURE 43: OVERVIEW OF MANUFACTURING FACILITIES

East Tamaki Site	4 Kordel Place	5 Kordel Place
Number of lines	11	1
Capabilities	Supplements, Powder Blending, Warehouse	Bars, Warehouse
5 (3 shift) day capacity and current utilisation	Tablets (50% utilisation) Hard shell capsules (60% utilisation) Bottles (71% utilisation) Blister cards (20% utilisation) Sachets (53% utilisation) Dairy blending (36% utilisation) Cans (30% utilisation)	Bars (45% utilisation)
Lease expiry	2027, with a right to renew	2023, with a right to renew

Avondale Site	
Number of lines	3
Capabilities	Tea Packing, Blending, Freeze Drying, Oil Packing
5 (3 shift) day capacity and current utilisation	Tea bags (59% utilisation) Freeze drying (38% utilisation)
Lease expiry	2017, with a right to renew

Source: Management.

Note: Utilisation figures are based on FY16F budget, as additional capacity has been added which makes FY15A utilisation non-representative of the current position. Forecast is based on a review of sales orders received as at 13 July 2015.

The Vitaco Group believes that there are significant operating advantages to manufacturing in New Zealand. Manufacturers within New Zealand typically have lower operating costs and lower average wage costs relative to those operating in Australia. New Zealand has a large pool of skilled labour from which to draw operational personnel. Manufacturing in New Zealand also allows the Vitaco Group to benefit from New Zealand's reputation as a 'clean and green' source of products.

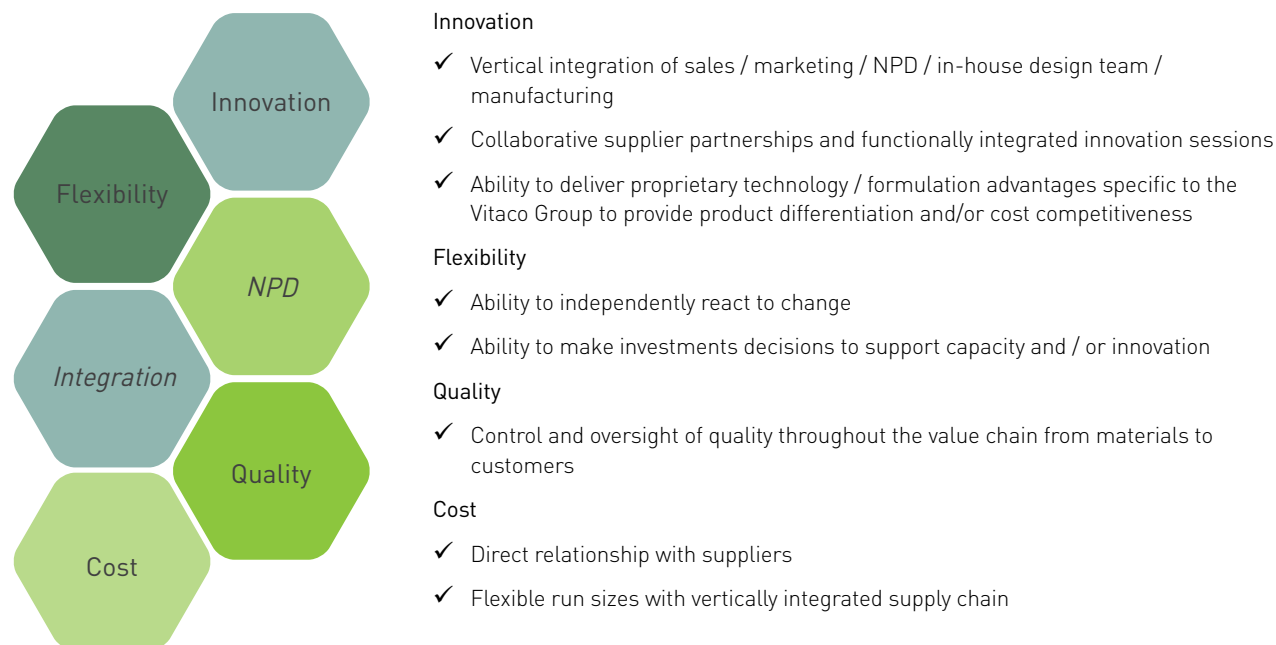
The Vitaco Group manufactures approximately 60% of its product range in-house, with the remaining 40% supplied through third-party manufacturers. In the future, the Vitaco Group may in-source a greater share of its externally manufactured products if bringing the manufacturing of those products in-house makes economic and commercial sense. The Vitaco Group also has the potential to expand its manufacturing footprint in the future, either through the use of additional adjacent sites to its existing facilities or by acquiring larger or more efficient capital equipment for use at its existing sites. Management believes that the cost



of increasing capacity is relatively low in comparison to the earnings uplift that could be achieved given the Vitaco Group already possesses an accredited manufacturing facility.

The Vitaco Group believes that its vertically integrated manufacturing capabilities provide a competitive advantage relative to those market participants who outsource their manufacturing. Vertical integration provides broader control and oversight of quality throughout the entire value chain, collaborative relationships with ingredient and service suppliers, and flexibility and speed to market. There exists a strong continuous improvement culture at the Vitaco Group's manufacturing sites, balancing objectives across cost, quality and speed. Figure 44 outlines the benefit's that Management believes accrue from control of manufacturing.

FIGURE 44: COMPETITIVE ADVANTAGE OF VERTICALLY INTEGRATED MANUFACTURING CAPABILITY



Source: Management.

3.4.1 East Tamaki, Auckland, sites

The Vitaco Group has long-term leases over two properties at East Tamaki, Auckland, comprising 12,726 sqm. The sites produce supplements, powders, and bars. The East Tamaki facilities also provide packing and warehousing functions.

FIGURE 45: AERIAL VIEW OF EAST TAMAKI, AUCKLAND, FACILITIES



Source: Management.

The Vitaco Group has invested heavily in its East Tamaki manufacturing facilities to ensure that they remain best in-class and as efficient as possible. Over the seven years to 31 March 2015, the Vitaco Group has invested over \$30 million in the sites and in 2013, the Vitaco Group commissioned a state of the art purpose-built bar manufacturing and packing facility. This investment expanded the Vitaco Group's production capabilities and improved the quality of all outputs for specialist protein bars, specialist food bars and enrobed bars.

3.4.2 Avondale, Auckland, site

The Vitaco Group blends, manufactures and packs teas at its Avondale site located just outside of Auckland. The Avondale facility also freeze-dries various marine, fruit and animal products.



3.4.3 Contract manufacturing








































In addition to supporting its own manufacturing requirements, the Vitaco Group offers a contract manufacturing service. Services provided include NPD services, regulatory management, graphic design and a consumer services function. The Vitaco Group's contract manufacturing operations are strategic and targeted in nature. The Vitaco Group uses its contract manufacturing operations to further build strategic relationships with key customers. The Vitaco Group has secured contracts with several of its larger retail customers in Australia to contract manufacture products under the retailer's own brands. Some of the Vitaco Group's contract manufacturing operations have also provided it with anchor capacity, which allows for innovation in its own manufactured ranges, such as sachet and can packing, as well as providing opportunities for further capital investment and cost reduction.

3.5 Sales, distribution channels and customer services

The Vitaco Group pursues a multi-channel distribution strategy through five primary channels including grocery, pharmacy, health food and sports specialty, route and DTC. The Vitaco Group employs in-house sales professionals in both Australia and New Zealand who are responsible for the sale and distribution of the Vitaco Group's products. A key focus of the Vitaco Group is to increase its DTC capabilities through online sales. The acquisition of the Bodytrim brand in 2014 has provided the Vitaco Group with the core competency to operate in, as well as assisted it to better understand, the DTC channel. More recently the Vitaco Group has been establishing relationships with Chinese online distributors to take advantage of the growing Chinese e-Commerce market.

Figure 46 provides an overview of the Vitaco Group's distribution channels by product.

FIGURE 46: VITACO GROUP'S DISTRIBUTION CHANNELS BY PRODUCT

		Australia					New Zealand		International
		Grocery	Health Food	Pharmacy	Route (inc. gyms)	D2C	Grocery	Health Food + Pharmacy	
Number of stores		2,250 stores	680 stores	5,633 stores	8,350 stores		427 stores	1,197 stores	
Vitamins and Supplements		<div><div></div><div></div></div>					<div><div></div><div></div></div>		
Sports and Active Nutrition and Health Foods		Sports and Active Nutrition							
		<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Health Foods		<div><div></div><div></div></div>					<div><div></div><div></div></div>		

Source: Management.



The Vitaco Group has a diversified customer base with its largest ten customers accounting for approximately 58% of its FY15 net invoiced revenue. The Vitaco Group's key customers include major supermarket chains in both Australia (Woolworths and Coles) and New Zealand (Progressive Enterprises and Foodstuffs) as well as pharmacies (Chemist Warehouse and Priceline) supplied via pharmaceutical wholesalers such as Sigma Pharmaceuticals.

The Vitaco Group has longstanding relationships with its key customers, and maintains close working relationships with those customers working collaboratively with them to develop effective promotional campaigns for the Group's products.

In New Zealand, the Vitaco Group also acts as the sales and distribution agent for Comvita Limited and Trilogy International Limited, two companies that also operate in the nutrition, health and wellness industry.

The Vitaco Group places an emphasis on its consumer care services capability. Through its brands the Vitaco Group endeavours to have an active dialogue with consumers. To support this, the Vitaco Group employs an experienced team which provides naturopathic and nutritional advice in the context of a healthier lifestyle and to assist people with their general well being. This is provided through a series of online articles, blogs, recipes or personal contact via phone or e-mail.

3.6 Warehousing and distribution

The Vitaco Group's manufacturing sites are supported by modern warehousing and distribution infrastructure. Both manufacturing sites in East Tamaki, Auckland, provide the primary warehousing capacity for the Vitaco Group, as well as meeting the manufacturing support requirements of the operations on the respective sites. Its warehouses are also export facilities, and undertake container shipping, customer service, documentation and permit functions.

In Australia, the Vitaco Group uses a third-party logistics provider who warehouses and distributes its products across the country. These partnerships provide the Vitaco Group with flexibility and capabilities to enable pick/pack to both national/regional distribution centres as well as small parcel deliveries to meet the requirements of its direct to store customers.

In New Zealand, the Vitaco Group primarily supplies customers direct to store in the grocery, pharmacy and health food and sports specialty store channels, with a small amount of product delivered via customer distribution centres. The Vitaco Group believes that maintaining a largely direct to store model facilitates lower distribution costs, improved visibility, better shelf inventory and greater shelf presence as a result of improved ordering and merchandising execution.

3.7 Suppliers

The Vitaco Group has a large and diversified supplier base across ingredients, packaging, distribution, services and indirect materials. Approximately 70-90% of the cost of the Vitaco Group's in-house manufactured products is raw materials and packaging products. To manage this, the Vitaco Group has experienced procurement teams focused on ensuring optimal outcomes are achieved for the Vitaco Group. The Vitaco Group's sourcing function has supported extensive NPD as well as delivered sustainable year on year procurement savings resulting margin improvements.

3.8 Growth drivers

The Vitaco Group anticipates its future growth to be derived from six main sources outlined below in Figure 47. These can be divided into those relating to the domestic Australian and New Zealand markets, from which the Vitaco Group believes it is likely to see growth in line with recent historical levels, and other expansion opportunities, representing opportunities for growth in excess of that in the underlying domestic markets.

FIGURE 47: THE VITACO GROUP GROWTH DRIVERS

Domestic Growth Drivers	<ul style="list-style-type: none">• Growth in the overall category• New product development• Expansion of distribution points
Other Expansion Opportunities	<ul style="list-style-type: none">• International growth• Capital projects to in-source product manufacturing• Industry consolidation and acquisition opportunities

Source: Management.

3.8.1 Category growth

The Vitaco Group believes that growth will continue to be experienced in the nutrition, health and wellness industry, driven by evolving population demographics and consumption trends. Health and wellness trends are becoming more prevalent as consumers embrace more active lifestyles, evidenced by expanding sports participation rates and growing levels of gym attendance. The categories in the nutrition, health and wellness industry have historically experienced above GDP growth, and are considered "on-trend" with changing consumer preferences.

Recent growth experienced in the vitamins and dietary supplements category is anticipated to continue. Sales through the pharmacy channel have grown significantly over the past three years, and in the past six months this growth has accelerated. Wagner continues to grow its market share in the Australian pharmacy channel via key customers such as Chemist Warehouse (through Sigma Pharmaceuticals).



Vitamins and dietary supplements retail sales have also been particularly strong for products popular in China. As described in Section 3.8.4, a large proportion of this growth is believed to be driven by products being exported to China and other Asian markets via the souvenir channel and through exporters. As the popularity of nutritional products grows in the Asian region, and the middle class population expands, the Vitaco Group expects that sales through the souvenir channel will continue to grow. The Vitaco Group is seeking to capitalise on this growth by releasing product ranges designed specifically to appeal to the Asian consumer, including various dairy, herbal, animal, marine and bee-related products.

3.8.2 Investment in NPD

NPD has been a key part of the Vitaco Group's historical growth, with approximately 20% of FY15's net revenue generated from products released in the preceding three years. The Vitaco Group places a strong emphasis on NPD, employing 17 dedicated full time NPD focused employees. Each business unit has separate, focused resources and in FY15 approximately 220 new products were released to the market. The Vitaco Group expects continued growth through its focus on product innovation.

The Vitaco Group has a strong track record in product innovation. The majority of the Vitaco Group's products represent discretionary purchases and innovation is necessary to maintain and expand market share. The Vitaco Group has a history of taking targeted products to the mass-market, and is one of very few companies with the infrastructure to innovate and support this transition. The Vitaco Group approaches these transitions from a credible industry base of health and wellness, which it believes is an advantage relative to less-healthy consumer products companies who are seeking to produce more healthy products.

To keep abreast of changing consumer preferences, the Vitaco Group takes an iterative approach to innovation, with new products that produce stronger sales growth being retained and their range expanded upon, while those whose performance is not as strong are discontinued. The Vitaco Group also undertakes product 'renovation', by extending existing lines and re-launching existing product ranges. The Vitaco Group's in-house manufacturing capability gives it control over and flexibility around NPD, while also aiding its speed to market with the new products it develops.

Within the vitamins and dietary supplements category, innovation is typically led by ingredient manufacturers who conduct research regarding new health benefits and claims for both existing and new ingredients. When this occurs, being first to market with a new application, health claim or ingredient provides an advantage over competitors. As a manufacturer, the Vitaco Group has strong direct supplier relationships with various ingredient manufacturers and has been able to secure exclusively licensed product ingredients.

The Vitaco Group's innovative nature has led to increases in revenue, mostly through an increase in allocated retail shelf space. The Aussie Bodies brand in particular has been a market leader in innovation bringing 107 new products to market over the past three and a half years. A case study on the Aussie Bodies Lo Carb bar, a 2010 NPD initiative, is outlined below.

CASE STUDY: AUSSIE BODIES INNOVATION EXAMPLE



LO CARB BARS

Aussie Bodies first released its Lo Carb bars concept in 2010 through a product range launch that included seven SKUs in that year. This initial release saw sales of approximately A\$1.6 million over the initial 12 month period.

In 2012, the Vitaco Group expanded the Lo Carb concept and product range to include an additional ten flavours and multi-packs, taking the product range to 17 SKUs. In the following year, Aussie Bodies Lo Carb bars generated sales of approximately A\$16.3 million.

The Vitaco Group has since further expanded the Lo Carb range with its Lo Carb Crunch bars, launched in FY15, which have already achieved significant market acceptance and represent the next generation opportunity for the Aussie Bodies Lo Carb range.

Source: Management.



3.8.3 Expansion of distribution points

Brands within the Vitaco Group's portfolio are seeking to expand their points of distribution within existing channels. For example, the Vitaco Group is seeking increase the presence of Nutra-Life in the Australian pharmacy channel as described in Section 3.2.1.2. In addition, the Vitaco Group is enhancing its capabilities in the DTC channel. The Vitaco Group believes that these initiatives will contribute to future growth.

3.8.4 International expansion

While the Vitaco Group has a well-established international platform, it believes that there is scope to significantly expand its exports, particularly to China. The Vitaco Group also believes there is an opportunity to expand its exports of sports nutrition products internationally, particularly into the United Kingdom and Brazil, and the Vitaco Group is actively pursuing opportunities in those markets.

3.8.4.1 China

The Vitaco Group is specifically targeting China as an export market. The growth rate of e-Commerce transactions in China through platforms such as TMall Global and JD Worldwide has been rapid.

There have been multiple food contamination incidents in China involving domestic producers which have left Chinese consumers less trusting of domestically-produced products and more trusting of well-known foreign brands from countries with reputations for manufacturing quality products. Australia and New Zealand have an international reputation as clean and unspoiled countries, and there are a number of uniquely Australia and New Zealand products, including in the dairy, marine, animal, bee and fruit and herbal categories. Awareness amongst Chinese consumers of these products, and the brands that produce them, is increasing, particularly as greater numbers of Chinese tourists travel to Australia and New Zealand. The Vitaco Group has seen an expansion in Asian demand for these products, and is seeking to take advantage of this, leveraging the reputation for products manufactured in Australia and New Zealand and its market leading brands, particularly Healththeries and Nutra-Life.

In May 2015, the Vitaco Group launched a Healththeries TMall Global flagship store, to sell products directly to Chinese consumers through the online e-Commerce channel. A flagship store is verified by TMall as being the genuine owner of the foreign brand, providing Chinese consumers certainty over the genuine nature of the products offered. Orders can be fulfilled via parcel shipments directly from a bonded warehouse in China. Neither of these channels require China Inspection and Quarantine clearance when products enter China, and there are minimal, if any, tariffs imposed on their import for products under RMB1,000 (approximately A\$220). The Vitaco Group is looking to take other brands such as Nutra-Life, Aussie Bodies and Musashi to Chinese consumers through this channel. The Vitaco Group has also commenced marketing programs on popular Chinese social media platform WeChat, and has undertaken marketing campaigns in tourist magazines.

Once the profile of its brands in the Chinese market reaches sufficient levels, the Vitaco Group expects to commence offline distribution with physical product, either directly through retailers or through distribution partners. The Vitaco Group has previously operated via offline distribution in the Chinese market, with its Colostrum range being stocked in Chinese mother and baby stores.

The Vitaco Group also believes there is an opportunity in the sports nutrition market in China, the retail market for which is currently immature and highly fragmented. However, there is a large government sponsored subsidy programme for athletes, consumption under which is not covered in Euromonitor International data. Limited product varieties are currently available, with the market estimated at US\$70 million in 2014³. This is expected to grow at a CAGR of 11% from 2014 to 2019⁴, with drivers of growth to include the growing Chinese middle class, expansion of the product into the mass-market channel, and a growing Chinese fitness culture. Furthermore, Chinese per capita dairy consumption is well below the world average, and as the average income of the population grows, diets are likely to become more closely aligned with those in developed countries. The OECD anticipates that Chinese dairy consumption growth will outstrip production between 2013 and 2023, with the volume of imported dairy products expected to increase by 38% during this period⁵.

3.8.4.2 Other international markets

The Vitaco Group is also seeking to increase the presence of its sports and active nutrition products (in particular the Aussie Bodies brand) in other international markets, including the United Kingdom and Brazil.

The Vitaco Group has been working with a Brazilian customer to distribute both its Aussie Bodies and Balance products into the country. Brazil is a developing market that is poised for growth in the sports nutrition space, with per capita consumption that is very low in comparison to more developed markets and a rapidly growing distribution base for sports nutrition products.

In the United Kingdom, the sports nutrition space is still relatively immature in comparison to the Australian market. The Vitaco Group believes there is significant opportunity to introduce the Aussie Bodies brand in the United Kingdom and help the market expand beyond the core sub-categories of sports performance and weight loss and introduce the active nutrition sub-category.

[3] Source: Euromonitor International, Consumer Health system, 2015 edition: Sports Nutrition, from trade sources / national statistics: current prices. Local currency converted to U.S. Dollars using the year on year exchange rate.

[4] Source: Euromonitor International, Consumer Health system: Sports Nutrition, from trade sources / national statistics. Retail value retail sales price, local currency.

[5] Source: OECD-FAO Agricultural Outlook 2014-2023.



3.8.5 Capital projects to in-source product manufacturing

The Vitaco Group currently manufactures approximately 60% of its product range in-house. Further, the Vitaco Group's existing facilities are currently under-utilised, with utilisation across a number of its various manufacturing lines at or below 50%. The Vitaco Group believes there is an opportunity to undertake additional capital projects to expand and augment its facilities to bring some of the 40% of its product range that it does not currently manufacture in-house.

Bringing currently out sourced production in-house may provide the Vitaco Group with the advantages it currently enjoys on the approximately 60% of its products that it manufactures in-house. These include:

- increased margins;
- increased control over manufacturing quality;
- better direct relationships with ingredient and service providers;
- greater NPD and innovation opportunities; and
- greater speed to market with newly developed products.

The Vitaco Group has identified various products that it could bring in-house, some of which may require capital expenditure. These identified projects range from the relatively inexpensive to those that are more transformative in nature and include business benefits beyond in-sourcing alone.

3.8.6 Market consolidation and acquisition opportunities

The markets that the Vitaco Group operates in are fragmented, with the largest players typically accounting for less than 25% market share, and there are channels in which the Vitaco Group and its brands are still sub-scale. This fragmentation provides opportunities to acquire brands or products in adjacent spaces or channels where it does not have scale, and extract synergies through the removal of duplicated roles and by bringing product manufacturing in-house. The Vitaco Group Management has a track record of successfully identifying and acquiring businesses, having acquired Bodytrim in 2014 and Musashi in 2015.

3.9 Employees

As at 30 June 2015, the Vitaco Group employed 440 employees (393 FTEs). A breakdown of the Vitaco Group's employees is provided in Figure 48 below. The Vitaco Group aims to create an employee proposition that attracts, recruits and retains the best people.

The workforce is managed by a centralised human resources function in Auckland.

FIGURE 48: THE VITACO GROUP EMPLOYEE BREAKDOWN

Location	Full-time	Part-time	Casual	FTE
Australia	57	6	4	63
New Zealand	296	68	9	330
Total	353	74	13	393

Source: Management.

Note: Includes all open positions currently being recruited and the pro-forma positions from the full integration of the Musashi brand.

The Vitaco Group's vision for "empowering healthier lives" and its people focused shared values "we care, we act, we succeed" has shaped the culture and ensures a positive, engaged and harmonious workforce.

Individual employment agreements are in place for salaried, specialist and management positions, and a collective employment agreement negotiated with the Northern Chemical and Workers Union in New Zealand is in place for waged positions (excluding supervisory and management) in the laboratory, warehouse, manufacturing and packing departments. The majority of waged employees are members of the union and are covered by the collective employment agreement.

To date the Vitaco Group's business has not been subject to any material work stoppages, and Management considers its employee relations to be positive.

3.9.1 Workplace health and safety

The Vitaco Group is committed to the safety, health and wellbeing of its employees and any contractors and visitors to its premises. The Vitaco Group maintains a robust Health and Safety Management System that meets legislative requirements.

Management and employees work collaboratively together, actively engaging and encouraging participation through the framework of a Safety Committee and Mini Safety Unit structure to shape and maintain the safety culture. Measurable objectives and targets are set to continuously improve safety and health performance, with the highest priority placed on maintaining a workplace free of incidents and injury.

The Vitaco Group's safety focus has seen its LTIFR (Loss Time Injury Frequency Rate) reduce by 77.5% from 16.0 incidents per million hours worked in 2010, to 3.6 incident per million hours worked in 2015 as at the end of April 2015.



SECTION 4

Financial information

For personal use only



紐西蘭之最
新西兰之最
뉴질랜드의 베스트
New Zealand's Best

NUTRA-LIFE®

*New Zealand's leading natural
health supplement manufacturer**

*AZTEC MAT TO 23-MARCH-2014

Note: Advertisement for products within Nutra-Life's range.



The Company was incorporated on 1 July 2015 and does not currently own the business conducted by the Vitaco Group. The business of the Vitaco Group is currently being conducted by VHGL. In connection with the Offer and pursuant to transactions contemplated by the Restructure, the Company will become the new parent company of the Vitaco Group, including VHGL. Completion of the Restructure is subject to successful Completion of the Offer and is scheduled to take effect on 16 September 2015. Certain of the Restructure steps are conditional on the Offer. The financial information set out in this Prospectus has been prepared as if the Restructure has already occurred and describes the Vitaco Group after the Restructure.

4.1 Overview of financial information

The financial information for the Vitaco Group contained in Section 4 includes:

- statutory historical financial information being the:
 - net revenue and net profit after tax (NPAT) for the years ended 31 March 2013, 31 March 2014 and 31 March 2015 (**Statutory Historical Results**);
 - net free cash flow before financing, tax and dividends for the years ended 31 March 2013, 31 March 2014 and 31 March 2015 (**Statutory Historical Cash Flows**); and
 - statement of financial position as at 31 March 2015 (**Statutory Historical Balance Sheet**),

(together, the **Statutory Historical Financial Information**);

- pro forma historical financial information being the:
 - pro forma statements of financial performance for the years ended 30 June 2013 (**FY13**), 30 June 2014 (**FY14**) and 30 June 2015 (**FY15**) (**Pro Forma Historical Results**);
 - pro forma cash flow statements for the years ended 30 June 2013, 30 June 2014 and 30 June 2015 (**Pro Forma Historical Cash Flows**); and
 - pro forma statement of financial position as at 31 March 2015 (**Pro Forma Historical Balance Sheet**),

(together, the **Pro Forma Historical Financial Information**).

(the Statutory Historical Financial Information and Pro Forma Historical Financial Information together, the **Historical Financial Information**); and

- forecast financial information for the Vitaco Group comprising:
 - statutory forecast statement of financial performance (**Statutory Forecast Results**) and cash flows (**Statutory Forecast Cash Flows**) for the 15 month period ending 30 June 2016 (together, the **Statutory Forecast Financial Information**); and
 - pro forma forecast statements of financial performance (**Pro Forma Forecast Results**) and cash flows (**Pro Forma Forecast Cash Flows**) for the year ending 30 June 2016 (**FY16**) (together, the **Pro Forma Forecast Financial Information**),

(the Pro Forma Forecast Financial Information, Statutory Forecast Financial Information, together, the **Forecast Financial Information**).

The Historical Financial Information and Forecast Financial Information together form the **Financial Information**.

Historically, VHGL had a 31 March year end and lodged its annual financial reports that consolidate the financial performance, financial position and cash flows of the Vitaco Group for the years ended 31 March 2013, 31 March 2014 and 31 March 2015 with the Companies Office in New Zealand. The historical annual financial reports for VHGL were presented in NZ\$.

The Company has adopted a 30 June year end, as a result of which, the next annual financial report for the Vitaco Group will be for the 15 month period ending 30 June 2016 reflecting the capital reorganisation set out in Section 4.2.1. This period is included on a statutory forecast basis. The Vitaco Group will present its future annual financial reports in A\$, being the functional currency. Accordingly, the statutory historical information included within this document has been presented in A\$ so as to ensure consistency with the presentation currency going forward.

Given the change to a 30 June year end, the historical pro forma financial information has been provided for the 12 months ended 30 June (i.e. year ended 30 June 2013, 30 June 2014 and 30 June 2015). In addition, the 12 months ended 30 June 2016 is also provided on a pro forma forecast basis (and are not referred to as statutory since the Company will not prepare statutory accounts for the 12 months ended 30 June 2016). The historical and forecast pro forma financial information has been presented in A\$.

FIGURE 49: HISTORICAL AND PRO FORMA PERIODS CONTAINED IN THIS SECTION 4

Quarter Ending	Jun 12	Sep 12	Dec 12	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16		
Statutory	12 months					12 months					12 months					15 months			
Pro Forma		12 months					12 months					12 months					12 months		



The Vitaco Group acquired Musashi from Post Holdings and Premier Nutrition on 1 July 2015 (as set out in Section 9.4) who had acquired Musashi's operations as part of a larger acquisition from Nestle on 1 October 2014. Musashi was acquired for \$6.5 million (net of \$1.1 million cash acquired). The Vitaco Group has forecast one-off transaction and integration costs of \$9.4 million (refer Section 4.3.3) to be incurred in order to restructure the acquired business and to realise the forecast synergies. In addition, Musashi is also forecast to result in an increased working capital requirement of \$3.0 million (refer Section 4.8.2)

As a result of the lack of access to financial information prior to Post Holding and Premier Nutrition ownership, and Musashi not having previously reported its stand-alone results prior to the acquisition by the Vitaco Group, there is limited availability of historical financial information in relation to Musashi. The impact from this acquisition has been reflected as follows within the Financial Information included in this Prospectus:

- Statutory Historical Financial Information: Musashi was not a part of the Vitaco Group during the historical period and hence the Statutory Historical Financial Information does not include Musashi;
- Pro Forma Historical Financial Information: Musashi has not been included within the Pro Forma Historical Results and Pro Forma Historical Cash Flows. The Pro Forma Historical Balance Sheet includes an adjustment to reflect the impact from the acquisition as if it had occurred on 31 March 2015;
- Statutory Forecast Financial Information: Musashi has been included from 1 July 2015, being the date on which the acquisition was completed and reflects Management's view of Musashi trading including duplicate costs associated with the legacy Musashi operating model of \$3.8 million and expected restructure costs of \$9.4 million for the 12 months ending 30 June 2016; and
- Pro Forma Forecast Financial Information: Musashi has been included from 1 July 2015, being the date on which the acquisition was completed. The Pro Forma Forecast Results and Pro Forma Forecast Cash Flows include adjustments to present Musashi on a pro forma basis to exclude the \$9.4 million restructure costs while the duplicate costs associated with the change in operating model of \$3.8 million remain in the pro forma forecast. The Vitaco Group considers that excluding these costs provides the most meaningful representation of Musashi's underlying profitability under the Vitaco Group's operating model. Further details are set out in Section 4.7.

Also summarised in this Section 4 are:

- the basis of preparation of the Financial Information (refer to Section 4.2);
- details of the Vitaco Group's indebtedness and a description of the New Banking Facilities (refer Section 4.5.2 and Section 4.5.3);
- Management's discussion and analysis of the Pro Forma Historical Financial Information (refer Section 4.6) and Pro Forma Forecast Financial Information (refer to Section 4.8);
- the specific and general assumptions underlying the Forecast Financial Information (refer to Section 4.7);
- the analysis of the sensitivity of the pro forma NPAT for FY16 to changes in certain key assumptions (refer to Section 4.9); and
- the Company's proposed dividend policy (refer to Section 4.10).

All amounts disclosed in this Section 4 are presented in A\$ and, unless otherwise noted, are rounded to the nearest \$0.1 million.

Further selected Statutory Accounts Information and reconciliations are included in Section 11.

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

The Company was incorporated as an Australian public company on 1 July 2015. The Company will acquire VHGL on Settlement.

There are no standalone statutory historical financial statements for the Company. The statutory consolidated historical financial statements of VHGL for the years ended 31 March 2013, 31 March 2014 and 31 March 2015 have been audited by PricewaterhouseCoopers New Zealand (**PwC NZ**). PwC NZ has issued unqualified opinions in respect of all periods.

The Restructure, which includes an internal restructure, will take place in connection with the Offer and Listing. This will result in the Company becoming the holding company of the Vitaco Group, conditional on Completion of the Offer.

The Directors elected to account for the acquisition of VHGL by the Company as a capital re-organisation rather than a business combination. In the Directors' judgement, the continuation of the existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to Offer and most appropriately reflects the substance of the internal restructure.

As such, the consolidated financial statements of the new Vitaco Holdings Limited group have been presented as a continuation of the pre-existing accounting values of assets and liabilities in VHGL's financial statements.

In adopting this approach the Directors note that there is an alternate view that such a restructure conditional on the Offer completing could be accounted for as a business combination that follows the legal structure of the Company being the acquirer. If this view had been taken, the net assets of the group would have been uplifted to fair value by \$158.3 million, based on a market capitalisation at Offer of \$292.2 million, with consequential impacts on the profit and loss and statement of financial position.

An IASB project on accounting for common control transactions is likely to address such restructures in the future. However, the precise nature of any new requirements and the timing of these are uncertain. In any event, history indicates that any potential changes are unlikely to require retrospective amendments to the financial statements.



The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the Australian Accounting Standards (AAS) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act. The Vitaco Group's key accounting policies have been consistently applied throughout the financial periods presented and are set out in Section 12 of this Prospectus. The Financial Information presented in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

The Financial Information has been reviewed and reported on by PricewaterhouseCoopers Securities Ltd (PwCS) as set out in the Independent Limited Assurance Report on Financial Information set out in Section 8. Investors should note the scope and limitations of the Independent Limited Assurance Report on Financial Information (refer to Section 8).

4.2.2 Segment reporting

The reportable segments for the Vitaco Group are described in Section 4.3.4.

In accordance with AASB 8 Operating Segments, and as reported in its audited consolidated financial statements for the year ended 31 March 2015, the Vitaco Group's revenue is reported in two segments:

- Vitamins and Supplements; and
- Sports and Active Nutrition and Health Foods.

The Vitaco Group reports an additional category titled Corporate, which consists of other income and unallocated expenses such as corporate head office costs, finance, operations and regulatory management, IT, human resources as well as depreciation and amortisation not allocated at the segment level.

4.2.3 Preparation of the Historical Financial Information

The Statutory Historical Financial Information has been extracted from the audited statutory consolidated financial statements of VHGL for the years ended 31 March 2013, 31 March 2014 and 31 March 2015.

The Historical Financial Information has been prepared and presented in accordance with the measurement and recognition principles of AAS (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (AASB), which are consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro Forma Historical Results and Pro Forma Historical Cash Flows have been derived from the Statutory Historical Financial Information, with pro forma adjustments being made to reflect:

- the impact of change in the year-end from 31 March to 30 June;
- change in reporting currency from NZ\$ to A\$;
- adjustments to reflect the Vitaco Group's operating and capital structure following completion of the Offer and completion of the Restructure; and
- other adjustments to reflect Management's intention to apply hedge accounting going forward, elimination of certain non-recurring items and adjustments to reflect standalone public company costs.

The Pro Forma Historical Results and Pro Forma Historical Cash Flows do not include any adjustments to reflect the acquisition of Musashi.

The Pro Forma Historical Balance Sheet as at 31 March 2015 is based on the audited consolidated financial statements of VHGL at that date and is adjusted to reflect:

- the change in reporting currency from NZ\$ to A\$;
- the Restructure, including the acquisition of VHGL by the Company;
- the impact of the Offer and the New Banking Facilities as described in Section 4.5.3; and
- the impact from the Musashi acquisition as if it had occurred on 31 March 2015.

The Historical Financial Information included in the Prospectus has been reviewed, but not audited, by PwCS. Investors should note the scope and limitations of the Independent Limited Assurance Report on Financial Information (refer to Section 8).

Refer to Section 11 for a reconciliation between Statutory Historical Results and Pro Forma Historical Results, to Section 4.4.2 and Section 11 for a reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows.

Investors should note that past results are not a guarantee of future performance.

4.2.3.1 Acquisition accounting

With respect to the acquisition of Musashi, the Company has performed a provisional assessment of the fair values of the assets and liabilities as at the date of acquisition. For the purposes of the Pro Forma Historical Balance Sheet, the assets and liabilities have been recorded at their provisional fair values with the excess of the consideration paid over the provisional fair values allocated to a provisional intangible asset. Under AAS, the Vitaco Group has up to 12 months from the date of acquisition to complete its initial acquisition accounting. Any adjustment to the fair values, including associated tax adjustments, will have an equal and opposite impact on the provisional intangible asset recorded on acquisition.



In accordance with AASB 3 Business Combinations, all of the acquisition's identifiable assets, liabilities and contingent liabilities, including intangible assets, must be identified and valued. The purchase price is then allocated across the fair values of these assets, liabilities and contingent liabilities with any residual allocated to goodwill.

Identified intangibles acquired may have a limited life and must be amortised over that life in contrast to goodwill, which is subject to annual impairment review. Indefinite life intangibles are not amortised and are reviewed for impairment annually. A detailed identification and valuation process will therefore be undertaken after Completion of the Offer.

The examples provided below are not intended to be an exhaustive list of items acquired in a business combination that meet the definition of an intangible asset. However, they provide some indication of the types of intangibles that may be acquired as part of the Musashi acquisition:

- customer contracts and relationships;
- brand names;
- computer software; and
- goodwill.

In addition, there are specific rules regarding the calculation of the fair values of assets, liabilities and contingent liabilities acquired. These rules may significantly vary the historical costs of the assets and liabilities acquired and significantly impact the profitability of the business going forward.

4.2.4 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Forecast Financial Information is presented on both a statutory basis for the 15 months ended 30 June 2016 and on a pro forma basis for the 12 months ended 30 June 2016.

This Prospectus includes Forecast Financial Information based on the specific and general assumptions of the Vitaco Group. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information.

The Statutory Forecast Results and Cash Flows for the period ending 30 June 2016 are based on unaudited actual results for the three months to 30 June 2015 and the Vitaco Group's specific and general assumptions for the 12 months to 30 June 2016. Musashi has been included within the Statutory Forecast Results and the Statutory Forecast Cash Flows from 1 July 2015, being the date on which the acquisition was completed.

The Pro Forma Forecast Financial Information for the year ended 30 June 2016 has been derived from the Statutory Forecast Financial Information, after adjusting for pro forma transactions adjustments, to reflect the Vitaco Group's operating and capital structure following Completion of the Offer, to reflect Management's intention to apply hedge accounting going forward, to eliminate certain non-recurring items, to reflect standalone public company costs and to adjust the Statutory Forecast Financial Information to a 12 month period ending 30 June 2016.

Pro Forma Forecast Financial information for FY16 is based on the Vitaco Group's specific and general assumptions for the 12 months ending 30 June 2016. Musashi is incorporated on a pro forma basis, excluding restructure costs of \$9.4 million while the duplicate costs associated with the change in operating model of \$3.8 million remain in the pro forma forecast.

The Forecast Financial Information has been prepared by the Vitaco Group based on an assessment of current economic and operating conditions, and on the specific and general assumptions regarding future events and actions as set out in Section 4.7. The Forecast Financial Information is subject to the risks set out in Section 5. The inclusion of these assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Forecast Financial Information presented in the Prospectus has been reviewed by PwCS but has not been audited. Investors should note the scope and limitations of the Independent Limited Assurance Report on Financial Information (refer to Section 8).

The Vitaco Group believes the specific and general assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on the Vitaco Group's actual financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of the Vitaco Group, the Directors and Management, and are not reliably predictable. Accordingly, none of the Company and its Directors and Management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Forecast Financial Information should be read in conjunction with the specific assumptions set out in Section 4.7, the general assumptions set out in Section 4.7, the sensitivity analysis set out in Section 4.9, the risk factors as set out in Section 5 and other information in this Prospectus.



The Vitaco Group has no intention to update or revise the Forecast Financial Information or other forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where the Forecast Financial Information, other forward-looking statements and prospective financial information are required to be updated or revised in order to allow investors to make an informed assessment of the rights and liabilities attaching to the Shares or the assets, liabilities and financial position and performance, profit and losses and prospectus of the Company.

4.2.5 Explanation of certain non-IFRS financial measures

The Vitaco Group uses certain measures to manage and report on its business that are not recognised under AAS. These measures are collectively referred in Section 4.2.5 as non-IFRS financial measures under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **gross margin** means net revenue less cost of goods sold;
- **EBITDA** is earnings before interest, tax, depreciation and amortisation including realised foreign exchange gains/losses, as if hedge accounting is in place.
Because it does not include the non-cash charges for depreciation and amortisation, EBITDA can be useful to help understand the cash generation potential of the business. However, Management believes that it should not be considered as an alternative to net free cash flow from operations and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the Vitaco Group's results of operations;
- **EBIT** is earnings before interest and tax.
Management uses EBIT to evaluate the operating performance of the business without the impact of interest and tax charges, which are significantly affected by the capital structure and historical tax position of the Vitaco Group.
The Vitaco Group also presents EBIT margin which is EBIT divided by net revenue, expressed as a percentage. EBIT margin is a measure that Management uses to evaluate the profitability of the overall business;
- **working capital** is trade and other receivables, inventories and other current assets less trade and other payables and provisions;
- **operating free cash flow** is EBITDA less non-cash items in EBITDA (such as non-cash foreign exchange gains and losses, share based payment expenses and the gifting of shares) and changes in working capital;
- **net free cash flow** is operating free cash flow less capital expenditure; and
- **net debt** is interest-bearing loans and borrowings net of cash and cash equivalents.

Certain financial data included in Section 4 is also non-IFRS financial information.

Although the Vitaco Group believes that these measures provide useful information about the financial performance of the Vitaco Group, they should be considered as supplements to the income statement measures that have been presented in accordance with AAS and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS, they do not have standard definitions, and the way the Vitaco Group calculated these measures may differ from similarly-titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.



4.3 Consolidated pro forma historical and forecast income statements

4.3.1 Overview

Figure 50 sets out the Pro Forma Historical Results for FY13, FY14 and FY15, Pro Forma Forecast Results for FY16 and the Statutory Forecast Result for the 15 months ending 30 June 2016.

FIGURE 50: PRO FORMA HISTORICAL AND FORECAST RESULTS

A\$ millions	Note	Pro Forma Historical Results			Pro Forma Forecast Results	Statutory Forecast Results
		FY13 12m Jun 13	FY14 12m Jun 14	FY15 12m Jun 15	FY16 12m Jun 16	15m to June 16
Net revenue		146.2	148.4	172.4	211.3	255.7
Vitamins and Supplements		64.2	69.0	79.5	91.8	114.7
Sports and Active Nutrition and Health Foods		78.8	78.7	92.3	118.5	139.7
Other		3.2	0.7	0.6	1.0	1.3
COGS		(82.1)	(79.3)	(97.3)	(122.8)	(148.0)
Gross margin		64.1	69.1	75.1	88.5	107.7
Marketing		(9.2)	(11.4)	(12.6)	(15.0)	(18.7)
Distribution and commission		(12.9)	(13.7)	(14.7)	(17.6)	(21.5)
SG&A	1	(24.7)	(24.3)	(27.2)	(32.2)	(60.5)
Total opex		(46.8)	(49.4)	(54.5)	(64.8)	(100.7)
EBITDA		17.3	19.7	20.6	23.7	7.0
Depreciation		(1.8)	(2.3)	(2.5)	(3.0)	(3.7)
Amortisation		(0.4)	(0.5)	(0.6)	(0.7)	(0.8)
EBIT		15.1	16.9	17.5	20.0	2.5
Net interest expense	2	(1.1)	(1.4)	(1.8)	(2.1)	(6.8)
PBT		14.0	15.5	15.7	17.9	(4.3)
Tax expense	1	(4.1)	(4.5)	(4.6)	(5.2)	(5.4)
NPAT		9.9	11.0	11.1	12.7	(9.7)
Gross Margin		43.8%	46.6%	43.6%	41.9%	42.1%
EBITDA Margin		11.8%	13.3%	11.9%	11.2%	2.7%
EBIT Margin		10.3%	11.4%	10.2%	9.5%	1.0%

Notes

- (1) The Statutory Forecast Results include a number of one-off costs including: (a) one-off estimated transaction expenses associated with the Offer of \$13.2 million; (b) one-off transaction and integration costs attributable to the Musashi acquisition of \$9.4 million (of which \$7.9 million will be paid by the Group before 30 June 2016); and (c) a one-off non-cash write off of a deferred tax asset (\$3.1 million) due to the capital reorganisation of the Vitaco Group. The costs identified in (a) and (b) above are included within SG&A costs, whereas the cost identified in (c) above is recognised in tax expense. The remaining difference between the Statutory Forecast Results and Pro Forma Forecast Results relates to Vitaco Group's trading in the period from 1 April 2015 to 30 June 2015 which is summarised in the reconciliation in Section 11.
- (2) Net interest in the FY16 Statutory Forecast Results includes: (a) \$3.9 million in estimated interest cost and the write-off of unamortised borrowing costs and break costs relating to the historical debt structure of the Vitaco Group that will be refinanced in part by proceeds of the Offer and in part by the New Banking Facilities. Net interest expense for the period following Completion of the Offer is based on the New Banking facilities; (b) \$2.9 million in revaluation losses associated with foreign currency denominated loans.



4.3.2 Key operating metrics

The table below sets out a summary of certain key operating and financial metrics for the financial periods reflected in the Financial Information.

FIGURE 51: KEY OPERATING METRICS

A\$ millions	Pro Forma Historical Results			Pro Forma Forecast Results
	FY13 12m Jun 13	FY14 12m Jun 14	FY15 12m Jun 15	FY16 12m Jun 16
Vitaco Group				
Pro Forma net revenue growth (excluding Musashi acquisition impact) %	n/a	1.5%	16.2%	7.6%
Pro Forma net revenue growth (after Musashi acquisition) %	n/a	n/a	n/a	22.6%
Pro Forma EBIT growth (excluding Musashi acquisition impact) %	n/a	11.9%	3.6%	14.1%
Pro Forma EBIT growth (after Musashi acquisition) %	n/a	n/a	n/a	14.3%
Pro Forma gross margin %	43.8%	46.6%	43.6%	41.9%
Pro Forma EBIT margin %	10.3%	11.4%	10.2%	9.5%
Free cash flow conversion %	57.8%	83.8%	84.5%	55.3%

4.3.3 Pro forma adjustments to the Statutory Historical Results and Statutory Forecast results

Figure 52 sets out the pro forma adjustments that have been made to the Vitaco Group's historical and forecast statutory net revenue and NPAT results to reflect the full year impact of the operating and capital structure that will be in place following Completion as if it was in place as at 1 July 2012. In addition, certain other adjustments have been made to reflect the impact of the change in year-end from 31 March to 30 June, change in reporting currency from NZ\$ to A\$, acquisition of Musashi, to eliminate certain non-recurring items and to reflect standalone public company costs, which have been reflected in the historical and forecast periods. These adjustments are summarised below.

FIGURE 52: PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL RESULTS AND STATUTORY FORECAST RESULTS

A\$ millions	Note	Historical Results			Forecast Results
		FY13	FY14	FY15	FY16
Statutory net revenue in NZ\$		183.9	170.3	173.3	n/a
Impact due to change in currency	1	(38.7)	(19.9)	(12.4)	n/a
Statutory net revenue in A\$ for the 12 months ended 31 March 2013/14/15 and the 15 months ending 30 June 2016		145.2	150.4	160.9	255.7
Impact due to change in year end	2	1.0	(2.0)	11.5	(44.4)
Pro Forma net revenue in A\$ for the 12 months ending/ ended 30 June		146.2	148.4	172.4	211.3



A\$ millions	Note	Historical Results			Forecast Results
		FY13	FY14	FY15	FY16
Statutory NPAT in NZ\$		15.3	13.9	4.8	n/a
Impact due to change in currency	1	(3.3)	(1.8)	(0.4)	n/a
Statutory NPAT in A\$ for the 12 months ended 31 March 2013/14/15 and the 15 months ending 30 June 2016		12.0	12.1	4.4	(9.7)
Impact due to change in year end	2	3.9	(4.0)	1.5	(0.8)
NPAT in A\$ for the 12 months ended/ending 30 June before pro forma adjustment		15.9	8.1	5.9	(10.5)
Other Pro Forma adjustments					
Offer transaction costs expensed	3	–	–	–	13.2
Incremental public company costs	4	(1.5)	(1.5)	(1.5)	(0.4)
Net interest adjustment	5	6.8	5.2	4.4	0.4
Musashi transaction and integration costs	6	–	–	–	9.4
Amortisation adjustment	7	1.1	0.9	–	–
Forgiveness of debt	8	(7.1)	–	–	–
Unrealised foreign exchange (gains)/losses	9	(5.2)	(3.0)	2.7	–
Other non-recurring items	10	1.5	2.6	1.5	0.4
Tax adjustment	11	(1.6)	(1.3)	(1.9)	0.2
Pro Forma NPAT in A\$ for the 12 months ended/ending 30 June		9.9	11.0	11.1	12.7

Notes:

- (1) **Impact due to change in currency** – Historically, the Vitaco Group's statutory financial statements were presented in NZ\$. Following the Listing, the Group will present its financial statements in A\$. This adjustment converts the historical financial information from NZ\$ to A\$ using the weighted average NZ\$/A\$ rate for the year.
- (2) **Impact due to change in year end** – Historically, the Vitaco Group had a 31 March year end (i.e. 31 March 2013, 31 March 2014 and 31 March 2015 for the Statutory Historical Results). Going forward, the Group will adopt a 30 June year-end and its Statutory Forecast Results will be for the 15 month period ending 30 June 2016. This adjustment presents the historical and forecast pro forma results on a 30 June year-end basis.
- (3) **Offer transaction costs expensed** – Total expenses of the Offer are estimated at \$18.0 million which include advisor fees and one off senior Management cash bonuses. \$4.8 million (before tax) of these costs are directly attributable to the issue of new Shares by the Company and will be offset against equity raised in the Offer. The remaining \$13.2 million (before tax) is expensed in the Statutory Forecast Results (within SG&A costs) and relates to the cancellation/buyback of the MCNs and CPSs and the issue of Shares under the Offer to the extent the proceeds are used by the Company to acquire for cash VHGL Shares from the Existing Shareholders.
- (4) **Incremental public company costs** – Reflects the Vitaco Group's estimate of the incremental annual costs that the Company will incur as a public entity. These costs include Chairman and other Non-Executive Director remuneration, additional audit and legal costs, listing fees, share registry costs, Directors' and Officers' insurance premiums as well as investor relations, annual general meeting and annual report costs. The FY13-16 adjustments result in an incremental cost of \$1.5 million being included within the Pro Forma Historical Results and Pro Forma Forecast Results.
- (5) **Net interest adjustment** – The Vitaco Group's historical debt structure will be refinanced in part by proceeds of the Offer and in part by New Banking Facilities. The net interest expense included in the Statutory Historical Results and Statutory Forecast Results has been adjusted to reflect the anticipated gross debt leverage ratio of the Vitaco Group following Completion using base rates that prevailed, or are assumed to prevail, during the relevant periods, based on the Bank Bill Reference Rate (BKBM), and margins under the terms of the New Banking Facilities following Completion. This adjustment takes into account interest revenue based on the anticipated net operating cash profile of the Vitaco Group following Completion using historical BKBM rates prevailing, or forecast BKBM rates assumed to prevail. In addition an adjustment has been made to remove the impact of the write-off of unamortised borrowing costs and break costs in the Statutory Forecast Results relating to the historical debt structure of the Vitaco Group.
- (6) **Musashi transaction and integration costs** – An adjustment has been made to remove one-off transaction, redundancy and integration costs relating to the Musashi acquisition that are expensed in the Statutory Forecast Results.
- (7) **Amortisation adjustment** – An adjustment has been made to exclude an amortisation charge incorrectly recorded in FY13 and FY14 which has been corrected in the FY15 audited statutory financial statements.
- (8) **Forgiveness of debt** – An adjustment has been made to remove the impact of one-off debt forgiveness and associated restructuring costs.
- (9) **Unrealised foreign exchange gains/losses** – It is Management's intention to apply hedge accounting going forward. This adjustment removes the impact of unrealised mark to market foreign currency gains and losses included within the statutory financial statements in relation to forward currency contracts. It also removes the impact of unrealised gains and losses arising on foreign currency debt.
- (10) **Other non-recurring items** – Adjustment to reverse the impact of other one-off and non-recurring items that were recorded in the Statutory Historical Results and Statutory Forecast Results. During the historical period, these largely relate to one-off costs associated with an earlier sale process of \$2.1 million and \$0.8 million in FY14 and FY15 respectively and some restructuring expenses.
- (11) **Tax adjustment** – The tax adjustment has been calculated as the difference between the pro forma tax expense (calculated using a tax rate of 29% being the estimate blended Australian and New Zealand rate across the Group) and the statutory tax expense.



4.3.4 Segment Pro Forma Historical Results and Pro Forma Forecast Results

An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenue and incur expenses; (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assets in its performance; and (c) for which discrete financial information is available.

Figure 53 sets out segment pro forma historical revenue and EBIT for FY13, FY14 and FY15 and the segment pro forma forecast revenue and EBIT for FY16.

FIGURE 53: PRO FORMA HISTORICAL AND FORECAST SEGMENT NET REVENUE AND EBIT

A\$ millions	Note	Pro Forma Historical Results			Pro Forma Forecast Results
		FY13 12m Jun 13	FY14 12m Jun 14	FY15 12m Jun 15	FY16 12m Jun 16
Net revenue					
Vitamins and Supplements		64.2	69.0	79.5	91.8
Sports and Active Nutrition and Health Foods		78.8	78.7	92.3	118.5
Corporate (Other Income)		3.2	0.7	0.6	1.0
Total net revenue		146.2	148.4	172.4	211.3
EBIT					
Vitamins and Supplements		13.3	10.0	11.3	15.9
Sports and Active Nutrition and Health Foods		14.4	18.5	19.6	18.4
Corporate		(12.6)	(11.6)	(13.4)	(14.3)
Total EBIT		15.1	16.9	17.5	20.0
<i>Pro Forma EBIT margin %</i>					
Vitamins and Supplements		20.7%	14.5%	14.2%	17.3%
Sports and Active Nutrition and Health Foods		18.3%	23.5%	21.2%	15.5%

Note: Pro forma adjustments impacting Figure 53 are described in Section 4.3.3.



4.4 Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flow

4.4.1 Overview

Figure 54 sets out the Pro Forma Historical Cash Flows for FY13, FY14 and FY15, Pro Forma Forecast Cash Flows for FY16 and the Statutory Forecast Cash Flows for the 15 months ending 30 June 2015.

FIGURE 54: PRO FORMA AND HISTORICAL AND FORECAST AND STATUTORY FORECAST CASH FLOWS

A\$ millions	Note	Pro Forma Historical Results			Pro Forma Forecast Cash Flows	Statutory Forecast Cash Flows
		FY13 12m Jun 13	FY14 12m Jun 14	FY15 12m Jun 15	FY16 12m Jun 16	FY16 15m Jun 16
EBITDA		17.3	19.7	20.6	23.7	7.0
Non-cash EBITDA items	1	0.3	0.1	–	0.3	0.6
Changes in NWC	1	(2.3)	(0.5)	0.6	(6.9)	(7.5)
OCF before capex		15.3	19.3	21.2	17.1	0.1
Capex		(5.3)	(2.8)	(3.8)	(4.0)	(5.1)
Net FCF before financing, tax and dividends		10.0	16.5	17.4	13.1	(5.0)
Net interest paid	2				(2.1)	(3.8)
Income tax (paid)/refunded					(5.2)	(2.7)
Acquisition of Musashi	3				–	(6.5)
Proceeds from issue of Shares	4				–	135.2
Net proceeds from senior debt and working capital facilities	4				–	(39.9)
Repayment of MCN/CPS	4				–	(74.5)
IPO transaction costs (capitalised to equity)	5				–	(4.8)
Net cash flow before dividends					5.8	(2.0)
Cash conversion ratio (post capital expenditure)	6	57.8%	83.8%	84.5%	55.3%	(71.4%)

Notes

- (1) Non-cash EBITDA items reflect share-based payment expenses and onerous lease costs. The change in net working capital (NWC) presented above is after eliminating any non-cash impact due to foreign currency movements.
- (2) Net interest paid in the FY16 Statutory Forecast Results comprises interest paid on the existing banking facilities up to and including Completion and estimated interest to be paid on the New Banking Facilities which will be drawn down on Completion for the period following Completion. It also includes break costs relating to the historical debt structure of the Vitaco Group. Net interest paid excludes non-cash amortisation of capitalised debt establishment costs and the write-off of unamortised borrowing costs relating to the historical debt structure of the Vitaco Group which will be refinanced in part by proceeds of the Offer and in part by the New Banking Facilities.
- (3) Musashi was acquired on 1 July 2015 for \$6.5 million (net of \$1.1 million cash acquired), with the consideration paid from a drawdown of debt facilities that existed at that date.
- (4) Non-recurring cash flows that are forecast to occur during the statutory forecast period in association with the repayment of the existing debt facilities, payments in relation to the MCN/CPS, drawdown of funds under the New Banking Facilities and receipts relating to the Offer. Refer to the sources and uses of funds in Section 7.1.3 for further details.
- (5) The FY16 Statutory Forecast EBITDA already includes the portion of expenses of the Offer and other transaction costs expensed in the FY16 Statutory Forecast Results (\$13.2 million). This adjustment comprises that portion of expenses of the Offer which are offset against equity raised in the Offer.
- (6) Cash conversion ratio is the ratio of net free cash flow before financing, taxation and dividends as a percentage of EBITDA.



4.4.2 Pro forma adjustments to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows

Figure 55 sets out the pro forma adjustments that have been made to the Vitaco Group's historical and forecast statutory cash flows to reflect the impact of the operating and financing structure that will be in place following Completion as if it was in place as at 1 July 2012. In addition, certain other adjustments have been made to reflect the impact of the change in year-end from 31 March to 30 June, change in reporting currency from NZ\$ to A\$, acquisition of Musashi, to eliminate certain non-recurring items and to include standalone public company costs, which have been reflected in the historical and forecast periods. These adjustments are summarised below.

FIGURE 55: PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL CASH FLOWS AND STATUTORY FORECAST CASH FLOWS

A\$ millions	Note	Pro Forma Historical Cash Flows			Pro Forma Forecast Cash Flows
		FY13	FY14	FY15	FY16
Statutory net FCF before financing, tax and dividends in NZ\$		7.6	16.4	21.3	n/a
Impact due to change in currency		(1.5)	(2.0)	(1.2)	n/a
Statutory net FCF before financing, tax and dividends in A\$ for the 12 months ended 31 March 2013/14/15 and the 15 months ending 30 June 2016		6.1	14.4	20.1	(5.0)
Impact due to change in year end		4.1	0.8	(2.9)	(2.5)
Net FCF before financing, tax and dividends and before pro forma adj, for the 12 months ended 30 June		10.2	15.2	17.2	(7.5)
Other Pro Forma adjustments					
Offer transaction costs expensed		–	–	–	13.2
Public company costs		(1.5)	(1.5)	(1.5)	(0.4)
Musashi transaction and integration costs		–	–	–	7.9
Other non-recurring items		1.3	2.8	1.7	(0.1)
Pro Forma net FCF before financing, tax and dividends for the 12 months ended/ending 30 June		10.0	16.5	17.4	13.1

Refer to the notes in Section 4.3.3 and 4.4.1 for details of the pro forma adjustments made.



4.5 Pro-Forma Historical Balance Sheet

4.5.1 Overview

Figure 56 sets out the adjustments that have been made to the audited Statutory Historical Balance Sheet for VHGL at 31 March 2015 in order to prepare the Pro Forma Historical Balance Sheet for the Vitaco Group. These adjustments reflect the events and assumptions discussed in the notes to Figure 52 and Figure 54, including the impact of the operating and capital structure that will be in place following Completion as if they had occurred or were in place as at 31 March 2015.

FIGURE 56: STATUTORY HISTORICAL BALANCE SHEET AND PRO FORMA HISTORICAL BALANCE SHEET AT 31 MARCH 2015

A\$ in millions	Audited Statutory ¹	Impact of Musashi acquisition ²	Impact of repayment of MCN/CPS ³	Impact of New Bank Facilities ⁴	Impact of the Offer ⁵	Pro forma
Current assets						
Cash and cash equivalents	3.4	0.7	(74.5)	(39.9)	117.2	6.9
Trade and other receivables	26.5	3.5	–	–	–	30.0
Inventories	32.9	4.5	–	–	–	37.4
Other current assets	1.6	–	–	–	–	1.6
Total current assets	64.4	8.7	(74.5)	(39.9)	117.2	75.9
Non-current assets						
Property, plant and equipment	17.0	1.2	–	–	–	18.2
Intangible assets	103.8	2.0	–	–	–	105.8
Deferred tax assets	3.3	–	–	–	0.6	3.9
Total non-current assets	124.1	3.2	–	–	0.6	127.9
Total assets	188.5	11.9	(74.5)	(39.9)	117.8	203.8
Current liabilities						
Trade and other payables	23.9	3.5	–	–	–	27.4
Borrowings	70.1	–	–	(70.1)	–	–
Other current liabilities	5.8	1.1	–	(4.4)	–	2.5
Total current liabilities	99.8	4.6	–	(74.5)	–	29.9
Non-current liabilities						
Borrowings	0.7	7.6	–	31.5	–	39.8
Other non-current liabilities	0.2	–	–	–	–	0.2
Total non-current liabilities	0.9	7.6	–	31.5	–	40.0
Total liabilities	100.7	12.2	–	(43.0)	–	69.9
Net assets	87.8	(0.3)	(74.5)	3.1	117.8	133.9
Contributed equity	73.9	–	(75.7)	0.3	131.9	130.4
Reserves	(3.3)	–	–	–	–	(3.3)
Accumulated (losses)/profits	17.2	(0.3)	1.2	2.8	(14.1)	6.8
Total equity	87.8	(0.3)	(74.5)	3.1	117.8	133.9

Notes

- (1) Audited statutory balance sheet represents the audited 31 March 2015 balance sheet for VHGL converted at an exchange rate of NZD1:AUD0.8950.
- (2) **Impact of Musashi acquisition** – Represents the consolidation of Musashi as if it had been acquired at 31 March 2015, based on Management's provisional assessment of the fair value of assets and liabilities acquired. Musashi was acquired on 1 July 2015 for \$6.5 million (net of \$1.1 million cash acquired), with the consideration paid from a drawdown of debt facilities that existed at that date. Estimated transaction costs totalling \$0.4 million have been expensed in the Statutory Forecast Result and have been included in the Pro Forma Historical Balance Sheet. Accounting standards allow a period of 12 months to finalise provisional accounting adjustments from the date of acquisition, including the impact of any completion adjustment mechanisms arising out of the acquisition agreements. The acquisition agreement for Musashi included a customary completion working capital adjustment mechanism which will be reflected in the final acquisition accounting.
- (3) **Impact of repayment of MCNs/CPSs** – The Company will fund VHGL's buy-back and/or cancellation, in consideration for cash, of the outstanding MCNs and CPSs from the proceeds of the Offer. These securities with a 31 March 2015 book value of \$75.7 million will be paid out for \$74.5 million.
- (4) **Impact of the New Banking Facilities** – Represents the drawdown of \$40 million of senior debt under Facility A (less \$0.2 million of borrowing costs capitalised against interest bearing loans and borrowings on the balance sheet) and the repayment of \$79.7 million of existing senior debt and working capital facilities. Note: Vitaco is expecting a nil cash balance at Completion of the Offer (see Section 4.5.2 for further information).
- (5) **Impact of the Offer** – As a consequence of the Offer, contributed equity increases by \$131.9 million through the issue of new Shares (\$135.2 million) less Offer transaction costs of \$4.8 million (\$3.3 million after tax) which is offset against equity. \$13.2 million (\$10.9 million after tax) of Offer transaction costs are expensed together with a \$3.1 million one-off deferred tax write off due to the capital reorganisation of the Group.
- (6) **Acquisition by the Company of VHGL** – The reverse acquisition accounting for this transaction has not been reflected within the pro forma balance sheet as at 31 March 2015. This will be on the basis described in Section 4.2.1 based on the VHGL entity balance sheet at acquisition date (16 September 2015). This will be finalised in future reporting and may affect the allocation of equity components among contributed equity, reserves, accumulated (losses)/profits and a capital reorganisation reserve.



4.5.2 Indebtedness

Figure 57 sets out the pro forma and statutory indebtedness of the Vitaco Group at 31 March 2015. The pro forma indebtedness has been adjusted for the impact of the Offer and New Banking Facilities. Figure 57 also sets out the pro forma indebtedness of the Vitaco Group at Completion of the Offer which is expected to be 16 September 2015.

The Vitaco Group expects a negative cash flow in the period between 1 April 2015 and 16 September 2015 primarily due to one-off Musashi integration costs of \$3.3 million, increased working capital of \$1.8 million due to the Musashi integration (refer Section 4.8.2) and other forecast operating outflows. As a result, the Vitaco Group expects to have a nil cash balance at Completion of the Offer as compared to the pro forma cash balance of \$6.9 million as at 31 March 2015 (refer Figure 56).

FIGURE 57: SUMMARY INDEBTEDNESS

A\$ millions	Statutory 31 March 2015	Pro forma 31 March 2015	Pro forma 16 September 2015
Long-term debt			
Existing senior debt	(0.7)	–	–
New banking facilities	–	(39.8)	(39.8)
Short-term debt			
Existing senior debt	(70.1)	–	–
New banking facilities	–	–	–
Total indebtedness	(70.8)	(39.8)	(39.8)
Cash and cash equivalents	3.4	6.9	–
Total net indebtedness	(67.4)	(32.9)	(39.8)

Note: Refer to the notes in Section 4.5.1 for details of pro forma adjustments made. The total net indebtedness of \$39.8 million as at 16 September 2015 is stated after \$0.2 million of capitalised borrowing costs.

4.5.3 Description of New Banking Facilities

Certain members of the Vitaco Group have entered into a facility agreement with ANZ Bank New Zealand Limited, Westpac New Zealand Limited and their Australian affiliates for the provision of a three year revolving cash advance facility and a three year working capital facility (**New Banking Facilities**). The New Banking Facilities are subject to the satisfaction of certain conditions precedent customary for an initial public offering-related refinancing, including the discharge of the relevant Vitaco Group members' existing debt. In addition, the intent is that the new financing will only proceed and refinance the existing financing if the Offer completes. A maximum of A\$42.0 million may be drawn at financial close (being the time that all the conditions precedent are satisfied under the New Banking Facilities).

The New Banking Facilities will comprise:

- a A\$62.0 million three year revolving cash advance facility (**Facility A**); and
- a A\$8.0 million three year working capital facility (**Facility B**).

Figure 58 sets out the New Banking Facilities.

FIGURE 58: SUMMARY OF NEW BANKING FACILITIES

A\$ Million	Facility commitment	Pro forma drawn
Facility A	62.0	40.0
Facility B	8.0	0.0
Total	70.0	40.0

4.5.3.1 Facility A

Facility A will be available for refinancing the existing debt of the relevant Vitaco Group members and for general corporate purposes, capital expenditure and acquisitions. Facility A is available to be drawn down in either A\$ or NZ\$.

Facility A is repayable in full at maturity, being three years from the date of financial close. No interim scheduled principal repayments are required during the term of Facility A. Facility A has a variable interest rate which is based on Bank Bill Swap Rate (BBSY) or BKBM depending on whether the debt is drawn in A\$ or NZ\$, plus a margin. A line fee will also be charged on the entire facility commitment of Facility A.

4.5.3.2 Facility B

Facility B will be available for general working capital purposes and may be drawn in either A\$ or NZ\$. It will have the same tenure and will attract the same interest rate and line fees as Facility A.



4.5.3.3 Financial undertakings

The New Banking Facilities contain financial, information and reporting undertakings customary for facilities of this nature. The undertakings include financial undertakings which will be tested at financial year end (being 30 June) and financial half-year (being 31 December) based on the preceding 12 month period (subject to some adjustments and agreed EBITDA setting until the first full year has elapsed). The financial undertakings relate to both leverage and interest coverage.

These undertakings include:

- leverage ratio to be not greater than 3.00 to 1, being the relevant Vitaco Group members Net Debt to EBITDA (with certain exclusions/adjustments to EBITDA) (each as defined under the New Banking Facilities); and
- interest cover ratio to be greater than 3.00 to 1, being the relevant Vitaco Group members EBITDA to Net Interest Expense (each as defined under the New Banking Facilities).

4.5.3.4 Representations, warranties and undertakings

The New Banking Facilities contain representations, warranties and undertakings which are usual for facilities of their nature, including the financial undertakings referred to above, undertakings to provide certain information, restrictions on making distributions in certain circumstances and restrictions on the disposal of assets (in each case subject to exceptions usual for facilities of their nature).

4.5.3.5 Default, review and prepayment

The New Banking Facilities prescribe events of default which are usual for facilities of their nature, including failure to pay, breach of financial undertaking, cross-default, insolvency and material adverse effect. The occurrence of an event of default, if not cured in a timely fashion, may lead to the funds borrowed becoming due on an accelerated basis, the New Banking Facilities being cancelled and the lenders exercising security enforcement and similar rights. The security taken by the lenders is over all of the assets of the relevant members of the Vitaco Group which have entered into the New Banking Facilities.

The New Banking Facilities contain a review event relating to change of control. If one occurs, the parties may be required to negotiate revised terms. If agreement cannot be reached within a certain period, it may lead to the funds borrowed becoming immediately due and payable and the New Banking Facilities being cancelled.

4.5.3.6 Mandatory prepayment

The New Banking Facilities provide for mandatory repayment in the event of the sale of all or substantially all of the business/assets of the Vitaco Group.

4.5.4 Liquidity and capital resources

Following Completion of the Offer, the Vitaco Group's principal sources of funds will be cash on its balance sheet, cash flow from operations and borrowings under its New Banking Facilities.

The Vitaco Group expects that it will have sufficient funds available from the cash proceeds of the Offer, in addition to the cash and cash equivalents available from its ongoing operations including available borrowings, to fulfil the purposes of the Offer and meet its operational requirements and business needs during the forecast period including integrating Musashi.

4.6 Management discussion and analysis of the Pro Forma Historical Financial Information

4.6.1 General factors affecting the operating results of the Vitaco Group

Section 4.6 sets out a discussion of the key factors which affected the Vitaco Group's operating and financial performance during FY13, FY14 and FY15 and which may affect the Company's operating and financial performance over the period of the Forecast Financial Information.

The general matters discussed below are a summary only and do not represent everything that affected the Vitaco Group's historical operating and financial performance, nor everything that may affect the Vitaco Group's operating and financial performance in future periods. The information in this Section should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

Net revenue

The Vitaco Group's products are categorised into two key categories, being Vitamins and Supplements, and Sports and Active Nutrition and Health Foods. Net revenue largely comprises sales generated from the Vitaco Group's own brands but also includes sales of third-party brands such as Comvita Limited and Trilogi International Limited (**Agency**) and private-label products (**Contract Manufacturing**).

Vitaco's net revenues are growing, influenced by volume growth in health and wellness product categories as consumers become more health aware, new product innovation, increase in Vitaco's market share, demand from Asian customers for products manufactured in Australia and New Zealand and annual/bi-annual supermarket reviews in relation to shelf space dedicated to specific brands of health and wellness products. Besides the volume drivers, net revenue is impacted by price of products sold reflecting market demand and level of trade and promotional discounts and other settlement terms offered to key customers.



Net revenue represents invoiced revenue less deferred discounts relating to agreed settlement terms and trade spend (e.g. store promotions). Net revenue is recognised when the Vitaco Group has transferred the risks and rewards of ownership of the products to the customer and collectability of the related receivables is reasonably assured. See Section 12 for further details on the Vitaco Group's revenue recognition policies.

Cost of goods sold (COGS)

COGS includes raw materials, direct labour and related production overheads for goods manufactured in-house, costs associated with sub-contracted manufacturing and the cost of finished goods purchased from third parties. Realised gains/losses in relation to operating hedges (e.g. NZ\$ or US\$ exposure on raw material costs) are also recorded within COGS. Approximately 60% of own label goods sold by the Group are manufactured in-house.

Other costs

Marketing includes external costs related to trade and consumer marketing associated with specific brands.

Commission and distribution includes freight costs, warehousing costs and distribution commission paid to agents in export markets.

SG&A includes selling and marketing (employee costs), new product development, regulatory and administration costs (e.g. corporate functions including IT, finance and legal, public company costs etc).

Depreciation and amortisation

Depreciation expenses predominantly relate to the Vitaco Group's fixed assets, comprising production and warehousing plant and equipment, office equipment and leasehold improvements. The Vitaco Group depreciates its fixed assets on a straight line basis. Amortisation charges relate to the Vitaco Group's computer software.

Refer Section 12 for details in regard to the accounting policy and useful lives for key asset categories.

Net finance costs

The pro forma historical net finance costs have been adjusted to reflect the anticipated net debt leverage ratio and interest rates applicable under the New Banking Facilities following Completion of the Offer.

The historical pro forma interest expense has been calculated by applying the pro forma leverage ratio in FY16 to all the historical periods to size the relative level of debt in each period. The statutory and pro forma interest expense in FY16 has been forecast based on the expected cash and debt positions throughout the year.

Interest rates have been applied to the above debt sizing each year based on the annual average BKBM interest rates that prevailed during the relevant historical period or are forecast to prevail in the forecast period and application of the contracted margin as described in the New Banking Facilities.

The interest calculation also reflects commitment fees relating to the undrawn portion of the revolver and borrowing cost amortisation of upfront fees for the New Banking Facilities.

Capital expenditure

The Vitaco Group incurs capital expenditure primarily in relation to the machinery and supporting infrastructure required for its manufacturing and warehousing activities. This includes expansion capex for new machinery, building and construction costs as well as costs incurred for improvement/replacement of existing machinery. Also included within Capital expenditure are costs incurred for acquiring IT infrastructure, IT software as well as purchase of software licences.

Working capital

Working capital relates to trade receivables, sundry debtors and prepayments, inventory less trade payables, accruals and provisions (excluding tax payable).

Tax

The primary jurisdictions in which the Vitaco Group operates and their applicable corporate tax rates are Australia (30%) and New Zealand (28%). Tax has been calculated based on the effective tax rates for each of the countries listed above.

Foreign currency

The financial information is presented in A\$, which is the currency of the primary geography in which the Company operates.

Net assets of the Vitaco Group's business in New Zealand are translated at the exchange rate applicable at each balance date.

Earnings in New Zealand for FY13, FY14 and FY15 have been translated at the weighted average monthly actual NZ\$/A\$ exchange rates applicable to each period. The annual average NZ\$/A\$ exchange rates for FY13, FY14 and FY15 were 0.804, 0.908 and 0.927 respectively (these are indicative only and calculated as a simple average of the monthly rates for the year).

Foreign exchange rate fluctuations are dependent on general macroeconomic conditions of both the Australian and New Zealand economies and global economic conditions, among other things.

A large proportion of the Vitaco Group's sales are denominated in A\$, while the majority of its products are manufactured in New Zealand and the associated costs are denominated in NZ\$. As such, the Vitaco Group bears the foreign exchange risk



associated with the goods manufactured in New Zealand and sold in the Australian and international markets. In addition, the Vitaco Group also purchases finished goods that are denominated in US\$.

Both the NZ\$ and US\$ exposures are partially hedged by sales in the same currency. The Company seeks to actively manage the residual transactional foreign exchange exposure by entering into currency hedge arrangements. The Vitaco Group's hedging policy is to hedge between 65% and 100% of its forecast exposure, on a rolling 12 months basis. The policy also provides for the Group to hedge (subject to Board approval) up to 65% of forecast exposure in the 13 to 24 month forecast period. Realised gains and losses in relation to hedging contracts linked to operating activities are recognised within COGS.

4.6.2 Management discussion and analysis: Pro Forma Historical Results for FY14 compared to FY13

FIGURE 59: PRO FORMA HISTORICAL FY13 AND FY14 RESULTS

A\$ millions	Pro Forma Historical Results		Change	
	FY13 12m Jun 13	FY14 12m Jun14	\$	%
Net revenue	146.2	148.4	2.2	1.5%
Vitamins and Supplements	64.2	69.0	4.8	7.5%
Sports and Active Nutrition and Health Foods	78.8	78.7	(0.1)	(0.1%)
Other	3.2	0.7	(2.5)	(78.1%)
COGS	(82.1)	(79.3)	2.8	(3.4%)
Gross margin	64.1	69.1	5.0	7.8%
Marketing	(9.2)	(11.4)	(2.2)	23.9%
Distribution & Commission	(12.9)	(13.7)	(0.8)	6.2%
SG&A	(24.7)	(24.3)	0.4	(1.6%)
Total opex	(46.8)	(49.4)	(2.6)	5.6%
EBITDA	17.3	19.7	2.4	13.9%
Depreciation	(1.8)	(2.3)	(0.5)	27.8%
Amortisation	(0.4)	(0.5)	(0.1)	25.0%
EBIT	15.1	16.9	1.8	11.9%
Gross Margin	43.8%	46.6%		
EBITDA Margin	11.8%	13.3%		
EBIT Margin	10.3%	11.4%		

Revenue

Total net revenue increased by \$2.2 million, or 1.5%, from \$146.2 million in FY13 to \$148.4 million in FY14.

Vitamins and Supplements increased by \$4.8 million, or 7.5%, from \$64.2 million in FY13 to \$69.0 million in FY14. This increase was primarily driven by a \$3.8 million, or 37.1%, increase in Wagner revenues due to market share growth in the pharmacy channel and in particular within Chemist Warehouse via Sigma Pharmaceuticals (one of the key pharmacy channel customers) accentuated by a strong third quarter. Other Vitamins and Supplements net revenue remained largely stable with a number of offsetting movements.

Sports and Active Nutrition and Health Foods net revenue remained stable during FY14, from \$78.8 million in FY13 to \$78.7 million in FY14, as growth from Comvita Limited (\$2.6 million or 87.4%) due to greater availability of Comvita Manuka honey was offset by slower trading in Aussie Bodies (\$1.9 million or 5.5%) and Balance (\$0.8 million or 6.0%) due to market competition.

Gross margin (GM)

GM increased by \$5.0 million from \$64.1 million in FY13 to \$69.1 million in FY14. GM percentage increased by 2.8 percentage points from 43.8% to 46.6% as cost synergies arising from the investment in an in-house bar line during FY13 (previously outsourced) more than offset changes in brand and channel mix and unfavourable foreign exchange movements. Weakness in the A\$ negatively impacts the cost of goods manufactured in New Zealand as well as raw materials procured from the US.

Operating costs

During FY14, total operating costs increased by \$2.6 million, or 5.6%, from \$46.8 million in FY13 to \$49.4 million in FY14.

Marketing costs increased by \$2.2 million, or 23.9%, primarily due to a \$1.9 million cost incurred in relation to a Nutra-Life re-branding exercise.

Distribution and commission increased by \$0.8 million, driven by higher sales to Middle East, which includes a higher commission cost as a percentage to net revenue, and \$0.3 million reclassification of GoVita distribution costs previously treated as discounts.



SG&A costs declined by \$0.4 million, or 1.6%, as the full year impact of cost synergies implemented in FY13 and lower bonus payments during FY14 were partially offset by the change in A\$:NZ\$ foreign exchange rate (non-cash translation impact) and an increase headcount within the NPD team.

EBITDA and EBIT

EBITDA increased by \$2.4 million from \$17.3 million in FY13 to \$19.7 million in FY14 and EBITDA margin grew by 1.5 percentage points from 11.8% to 13.3% largely due to the GM improvements achieved offset by the Nutra-life re-branding.

EBIT improved by \$1.8 million from \$15.1 million in FY13 to \$16.9 million in FY14 and EBIT margin lifted by 1.1 percentage points from 10.3% to 11.4% for the reasons described above.

The increase in depreciation was primarily due to the in-housing of bar production during FY13 leading to a full year depreciation charge in FY14 on the capital expenditure associated with the new bar line.

4.6.3 Management discussion and analysis: Pro Forma Historical Cash Flow for FY14 compared to FY13

FIGURE 60: PRO FORMA HISTORICAL FY13 AND FY14 CASH FLOWS

A\$ millions	Pro Forma Historical Cash flow		Change	
	FY13 12m Jun 13	FY14 12m Jun 14	\$	%
EBITDA	17.3	19.7	2.4	13.9%
Non cash EBITDA items	0.3	0.1	(0.2)	(66.7%)
Changes in NWC	(2.3)	(0.5)	1.8	(78.3%)
OCF before capex	15.3	19.3	4.0	26.1%
Capex	(5.3)	(2.8)	2.5	(47.2%)
Net FCF before financing, tax and dividends	10.0	16.5	6.5	65.0%
Cash conversion ratio (post capital expenditure)	57.8%	83.8%		

Operating free cash flow before capex

Operating free cash flow before capex of \$15.3 million was generated in FY13 compared to \$19.3 million in FY14.

Key changes are summarised below:

- a 13.9% improvement in EBITDA in FY14; and
- NWC increased by \$2.3 million in FY13 primarily due to an increase in inventory arising from in-sourcing of bar production. NWC remained broadly stable in FY14 in line with the net revenue trends for the year.

Net free cash flow before financing, tax and dividends

Net free cash flow before financing, tax and dividends of \$16.5 million was generated in FY14 compared to \$10.0 million in FY13.

Capital expenditure of \$2.8 million was incurred in FY14 compared to \$5.3 million in FY13. The higher level of capital expenditure in FY13 primarily related to the in-sourcing of bar production.



4.6.4 Management discussion and analysis: Pro Forma Historical Results for FY15 compared to FY14

Figure 61: Pro Forma Historical FY14 and FY15 Results

A\$ millions	Pro Forma Historical Results		Change	Change
	FY14 12m Jun 14	FY15 12m Jun 15	\$	%
Net revenue	148.4	172.4	24.0	16.2%
Vitamins and Supplements	69.0	79.5	10.5	15.2%
Sports and Active Nutrition and Health Foods	78.7	92.3	13.6	17.3%
Other	0.7	0.6	(0.1)	(14.3%)
COGS	(79.3)	(97.3)	(18.0)	22.7%
Gross margin	69.1	75.1	6.0	8.7%
Marketing	(11.4)	(12.6)	(1.2)	10.5%
Distribution and Commission	(13.7)	(14.7)	(1.0)	7.3%
SG&A	(24.3)	(27.2)	(2.9)	11.9%
Total opex	(49.4)	(54.5)	(5.1)	10.3%
EBITDA	19.7	20.6	0.9	4.6%
Depreciation	(2.3)	(2.5)	(0.2)	8.7%
Amortisation	(0.5)	(0.6)	(0.1)	20.0%
EBIT	16.9	17.5	0.6	3.6%
Gross Margin	46.6%	43.6%		
EBITDA Margin	13.3%	11.9%		
EBIT Margin	11.4%	10.2%		

Net revenue

Total net revenue increased by \$24.0 million, or 16.2%, from \$148.4 million in FY14 to \$172.4 million in FY15.

Vitamins and Supplements increased by \$10.5 million, or 15.2%, from \$69.0 million in FY14 to \$79.5 million in FY15. This increase was primarily driven by Asian demand for Nutra-Life supplements which increased by \$5.0 million, or 20.4% and growth within the Contract Manufacturing (Contract) and Agency businesses (\$3.5 million, or 48.2% due to new private label contracts and Trilogy International Limited growth).

The Vitaco Group's Asian market focused supplements across the Nutra-Life and Healtheries brands grew by \$6.3m in FY15.

Sports and Active Nutrition and Health Foods net revenue increased by \$13.6 million, or 17.3%, from \$78.7 million in FY14 to \$92.3 million in FY15, primarily driven by Asian demand for Healtheries Milk Biscuits (\$5.8m increase in net revenue), growth within the Contract and Agency business (\$7.3 million, or 119.0%) due to new private label contracts and increased availability of Comvita Manuka Honey, and the acquisition of Bodytrim (\$3.1 million in net revenue). Market competition resulted in some reductions in Aussie Bodies (\$2.1 million or 6.6% decline) and Balance (\$1.2 million or 8.6% decline) net revenues which were more than offset by the growth in other brands/products.

GM

GM increased by \$6.0 million from \$69.1 million in FY14 to \$75.1 million in FY15. GM percentage declined by 3.0 percentage points from 46.6% in FY14 to 43.6% in FY15 due to changes in the brand net revenue mix (particularly the increase in lower margin contract/agency revenues), increased level of promotional activity in certain brands (e.g. Aussie Bodies), as well as foreign exchange impacts. Weakness in the A\$ negatively impacts the cost of goods manufactured in New Zealand as well as raw materials procured from the US.

Operating costs

During FY15, total operating costs increased by \$5.1 million, or 10.3%, from \$49.4 million in FY14 to \$54.5 million in FY15.

Marketing increased by \$1.2 million, or 10.5%, as the growth in marketing spend to support key brands (e.g. Aussie Bodies, Healtheries) was partially offset by the absence of any Nutra-Life related rebranding costs (\$1.9 million in FY14).

Distribution and Commission increased by \$1.0 million, or 7.3%, due to an increase in variable costs in line with net revenue growth.

SG&A Expenses increased by \$2.9 million, or 11.9%, driven by salary and bonus payment increases and increased headcount within the NPD and Sales departments to support growth.



EBITDA and EBIT

EBITDA increased from \$19.7 million in FY14 to \$20.6 million in FY15 as sales grew while EBITDA margin declined by 1.4 percentage points from 13.3% to 11.9% largely as a result of the reduction in GM offset by the lower marketing spend compared to net revenues.

EBIT improved from \$16.9 million in FY14 to \$17.5 million in FY15 while EBIT margin declined by 1.2 percentage points from 11.4% to 10.2% for the reasons described above.

The increase in depreciation was primarily due to the additional capital expenditure incurred during the year to expand the manufacturing capacity for Milk Biscuits.

4.6.5 Management discussion and analysis: Pro Forma Cash Flows for FY15 compared to FY14

Figure 62: Pro Forma Historical FY14 and FY15 Cash Flows

A\$ millions	Pro Forma Historical Cash flow		Change	Change
	FY14 12m Jun 14	FY15 12m Jun 15	\$	%
EBITDA	19.7	20.6	0.9	4.6%
Non-cash EBITDA items	0.1	–	(0.1)	nmf
Changes in NWC	(0.5)	0.6	1.1	nmf
OCF before capex	19.3	21.2	1.9	9.8%
Capex	(2.8)	(3.8)	(1.0)	35.7%
Net FCF before financing, tax and dividends	16.5	17.4	0.9	5.5%
Cash conversion ratio (post capital expenditure)	83.8%	84.5%		

*nmf = no meaningful figure.

Operating free cash flow before capital expenditure

Operating free cash flow before capex of \$19.3 million was generated in FY14 compared to \$21.2 million in FY15.

Key changes are summarised below:

- a 4.6% improvement in EBITDA in FY15; and
- during FY15, both receivables and inventory balances increased in line with business growth. This was offset by an increase in supplier balances attributable to the timing of certain supplier payments.

Net free cash flow before financing, tax and dividends

Net free cash flow before financing, tax and dividends of \$16.5 million was generated in FY14 compared to \$17.4 million in FY15.

Capital expenditure of \$3.8 million was incurred in FY15 compared to \$2.8 million in FY14. The capital expenditure in FY15 primarily relates to costs incurred towards expanding the manufacturing capacity for Milk Biscuits as well as towards the re-launch of the Bodytrim website.

4.7 Forecast Financial Information

The Forecast Financial Information is based on various general and specific assumptions, including those set out below. In preparing the Forecast Financial Information, the Vitaco Group has undertaken an analysis of historical performance and applied assumptions where appropriate in order to forecast future performance for FY16. The Vitaco Group believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus, including each of the assumptions set forth below in Sections 4.7. However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative.

The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of the Vitaco Group and its Directors, and are not reliably predictable. Accordingly, none of the Vitaco Group, its Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and the Independent Limited Assurance Report on Financial Information set out in Section 8. A reconciliation of the Pro Forma Forecast Results to the Statutory Forecast Results is set out in Section 11.

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by the Vitaco Group, which are in accordance with the AAS, and are disclosed in Section 11. It is assumed that there will be no changes in the AAS, the Corporations Act or other financial reporting requirements that may have a material effect on the Vitaco Group's accounting policies during the forecast period.



General assumptions

In preparing the Pro Forma Forecast Financial Information, the following general assumptions have been adopted:

- no material change in the competitive environment in which the Vitaco Group operates;
- no significant deviation from current market expectations of Australian or New Zealand economic conditions;
- no material change in economic factors (e.g. business confidence and consumer sentiment);
- no material changes in key personnel, including key Management personnel, and the Vitaco Group maintains its ability to recruit and retain the personnel required to support future growth;
- no material change in applicable AAS or other mandatory professional reporting requirements of the Corporations Act which have a material effect on the Vitaco Group's financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of the Vitaco Group during the forecast period;
- no material changes in government regulation and policy;
- the Offer proceeds in accordance with the timetable set out in the Important dates section of this Prospectus;
- no material industry disturbances or disruptions to the continuity of operations of the Vitaco Group nor other material changes in its business;
- no material amendment to any material contract, agreement or arrangement or material change in licences and licence providers relating to the Vitaco Group's business;
- no material changes in the Australian, United States of America and New Zealand foreign exchange rates;
- no material adverse impact in relation to litigation or claims (existing or otherwise);
- no material change in the Vitaco Group's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- no material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus; and
- none of the key risks listed in Section 5 occurs, or if they do, none of them has a material adverse impact on the operations of the Vitaco Group.

Specific assumptions

The basis of the specific assumptions that have been used in the preparation of the Pro Forma Forecast Financial Information is set out below.

The average NZ\$/A\$ exchange rate in the forecast for translation purposes is 0.89¢ reflecting the NZ\$/A\$ exchange rates as at 22 July 2015.

Revenue assumptions

The Forecast Financial Information is based on the following key revenue assumptions:

- net revenue forecasts have been prepared for each brand by key distribution channel considering the different settlement terms and trade spend assumptions within each channel, with sales to grocery and pharmacy customers traditionally attracting higher deferred discounts. Unit selling prices are forecast based on actual prices charged in recent months;
- the Group expects to achieve organic volume growth in existing operations through the following key initiatives and market opportunities – particularly in the Vitamins and Supplements segment:
 - leverage sustained demand and drive additional Vitamins and Supplement sales volumes on indirect exports through the Asian/souvenir channel (in line with recent trading and growth achieved over FY15); and
 - continue to invest in NPD to support successful uptake of new product launches across relevant product ranges, like the new Crunch and Naked Aussie Bodies bars as well as additional supplements and Milk Biscuit product innovations aimed at Asian markets;
- benefit from a full year of contract manufacturing arrangements entered into in FY15;
- Management's Musashi revenue forecast is based on the forecast provided to Vitaco by Musashi which was subject to due diligence prior to acquisition. That forecast was updated to reflect the Vitaco Group's views of likely revenues based on knowledge of the channels Musashi operates in, trading trends up to 30 June 2015 and assessment of recent product innovation; and
- The FY16 forecast includes a \$25.8 million revenue contribution from the Musashi acquisition. As this is an established and complementary brand in the market, the Vitaco Group does not anticipate the acquisition to have a detrimental impact on the Group's existing market share in Sports Nutrition products.

Operating cost assumptions

The Forecast Financial Information is based on the following key cost assumptions:

- cost of goods sold has been forecast based on the latest standard cost estimate for each product. The standard cost includes a blended foreign exchange rate based on the Group's hedging contracts in place relating to imported goods, including Australian products imported from the Group's manufacturing facilities in New Zealand;



- distribution and warehousing costs have been forecast by individual expense type and activity and then allocated to brands based on those activity drivers. The Australian subcontracted costs are largely variable in nature, whereas New Zealand includes a partially fixed warehousing component (relating to the warehousing operations controlled by the Group);
- the Group prepared a marketing cost budget for FY16 for each brand based on the specific marketing plans and activities for each brand. Total marketing spend reflects both trade marketing costs as well as consumer marketing programmes; and
- SG&A primarily relates to staff costs which are forecast to increase by c.3% in FY16 on the back of general salary increases. The forecast also includes both long-term and short term Management incentive cost estimates based on the forecast performance and terms of the relevant incentive scheme.

Change in Musashi operating model

The acquired Musashi business currently operates on a standalone basis and is loss-making. The Vitaco Group has fully committed to integrating the business as a brand within the Vitaco portfolio. This will fundamentally change the operating model and therefore the cost base of the Musashi business as all manufacturing, distribution and most overhead functions will be shut down.

The Vitaco Group will continue to bear the costs associated with the acquired Musashi business until the restructure is completed and the costs associated with the standalone operation of Musashi are eliminated. These legacy operating model costs of \$3.8 million are included in both the pro forma and statutory forecasts in this section.

The \$3.8 million legacy costs comprise duplicate and non-recurring expenses of:

- \$1.1 million labour and overhead manufacturing costs incurred by Musashi which will be eliminated as the facilities are closed and the manufacture of capsules and powders is transferred to the Vitaco Group in August and October 2015 respectively;
- \$0.8 million for bought-in bars which will be manufactured by Vitaco from December 2015 representing the higher costs to buy, as opposed to manufacture, the bars;
- \$0.3 million for contracted raw material purchases at inherited supply contract prices which have been renegotiated effective 1 September 2015; and
- \$1.6 million salary and overhead costs incurred prior to the restructure related to duplicate sales and administration functions, largely incurred in the period over 1 July to 30 September 2015.

Management has prepared an implementation plan that envisages the transition of customer relationships and distribution by end of September 2015 and the full transition of manufacturing operations and in-sourcing of bar production by end December 2015. As at the date of the prospectus, all major operating model structure changes have been implemented or communicated to those affected.

The impact of the acquisition of Musashi on the pro forma and statutory forecasts is summarised in Figure 63 below. The investment case forecast prepared by Vitaco Group management excluded legacy operating model costs to present the underlying profitability of Musashi for the year ended 30 June 2016 after the restructure and integration. The impact on the Vitaco Group's forecast underlying performance has also been presented below for comparative purposes.

FIGURE 63: IMPACT OF ACQUISITION OF MUSASHI

A\$ millions	Investment case forecast	Pro forma forecast	Statutory forecast
Revenue	25.8	25.8	25.8
Operating EBITDA excluding legacy costs attributable to prior operating model	4.0	4.0	4.0
Legacy costs attributable to prior operating model	–	(3.8)	(3.8)
Operating EBITDA	4.0	0.2	0.2
One-off restructure costs	–	–	(9.4)
EBITDA	4.0	0.2	(9.2)
Group EBITDA as set out in 4.3.1		23.7	
Legacy costs attributable to prior Musashi operating model		3.8	
EBITDA excluding Musashi operating model legacy costs		27.5	
EBIT excluding Musashi operating model legacy costs		23.8	
NPAT excluding Musashi operating model legacy costs		15.4	

Statutory Forecast Financial Information

The Statutory Forecast Financial Information is based on the same specific and general assumptions as those underlying the Pro Forma Forecast Financial Information as set out in Section 4.7 above, with the exception of the specific assumptions set out below.

Public company costs

Public company costs are assumed to be incurred from 16 September 2015, and reflect the Vitaco Group's estimate of the incremental annual costs that the Company will incur as a public entity. These costs include Chairman and Non-Executive Director remuneration, additional audit and legal costs, listing fees, share registry costs, directors' and officers' insurance premiums as well as investor relations, annual general meeting and annual report costs.



One-off Offer and other transaction costs

Total expenses of offer are estimated at \$18.0 million which include advisor fees and one off senior Management cash bonuses. \$4.8 million (before tax) of these costs are directly attributable to the issue of new Shares by the Company and will be offset against equity raised in the Offer. The remaining \$13.2 million (before tax) is expensed in the Statutory Forecast Results and relates to the cancellation/buyback of the MCNs and CPSs and the issue of Shares under the Offer to the extent the proceeds are used by the Company to acquire for cash VHGL Shares from the Existing Shareholders.

Musashi statutory forecast and transaction and integration costs

The Statutory Forecast Musashi EBITDA loss of \$9.2 million for the 12 month period ending 30 June 2016 comprises estimated one-off transaction and integration costs of \$9.4 million, and forecast operating EBITDA profit (including duplicate legacy operating model costs of \$3.8 million) of \$0.2 million.

The one-off costs mainly relate to employee severance, onerous leases and other costs associated with closing the existing Musashi manufacturing facilities and moving production to Vitaco Group facilities in East Tamaki.

4.8 Management discussion of assumptions relating to the Pro Forma Forecast Financial Information

4.8.1 Management discussion of assumptions relating to the Pro Forma Forecast Result for FY16 compared to Pro Forma Historical Result for FY15

FIGURE 64: PRO FORMA HISTORICAL AND FORECAST FY15 AND FY16 RESULTS

A\$ millions	Pro Forma Historical and Forecast Results		Change	
	FY15 12m Jun 15	FY16 12m Jun 16	\$	%
Net revenue	172.4	211.3	38.9	22.6%
Vitamins and Supplements	79.5	91.8	12.3	15.5%
Sports and Active Nutrition and Health Foods	92.3	118.5	26.2	28.4%
Other	0.6	1.0	0.4	66.7%
COGS	(97.3)	(122.8)	(25.5)	26.2%
Gross margin	75.1	88.5	13.4	17.8%
Marketing	(12.6)	(15.0)	(2.4)	19.0%
Distribution and Commission	(14.7)	(17.6)	(2.9)	19.7%
SG&A	(27.2)	(32.2)	(5.0)	18.4%
Total opex	(54.5)	(64.8)	(10.3)	18.9%
EBITDA	20.6	23.7	3.1	15.0%
Depreciation	(2.5)	(3.0)	(0.5)	20.0%
Amortisation	(0.6)	(0.7)	(0.1)	16.7%
EBIT	17.5	20.0	2.5	14.3%
Gross Margin	43.6%	41.9%		
EBITDA Margin	11.9%	11.2%		
EBIT Margin	10.2%	9.5%		

Net revenue

Total net revenue is forecast to increase by \$38.9 million, or 22.6%, from \$172.4 million in FY15 to \$211.3 million in FY16.

Vitamins and Supplements net revenue is forecast to increase by \$12.3 million, or 15.5%, from \$79.5 million in FY15 to \$91.8 million in FY16, primarily driven by growing Asian demand and an ongoing Australian pharmacy channel rollout for Nutra-Life supplements (\$8.5 million, or 29.0% growth) and growth within the Wagner brand (\$2.6 million or 21.8% growth) via the pharmacy channel.

The Vitaco Group's Asian market focused supplements across the Nutra-Life and Healtheries brands are forecast to grow by \$9.7 million in FY16.

Sports and Active Nutrition and Health Foods net revenue is forecast to increase by \$26.2 million, or 28.4%, from \$92.3 million in FY15 to \$118.5 million in FY16. \$25.8 million of this increase is attributable to the acquisition of Musashi on 1 July 2015. The Aussie Bodies brand in Australia is forecast to grow by \$1.2 million or 4.4% based on new products that have been ranged in the Grocery channel. The growth in Aussie Bodies is partially offset by a decline in Bodytrim revenue due to the re-launch of the Bodytrim DTC program.



GM

GM is forecast to increase by \$13.4 million, or 17.8%, from \$75.1 million in FY15 to \$88.5 million in FY16. \$8.4 million of this increase is attributable to the acquisition of Musashi. GM percentage is forecast to decline by 1.7 percentage points from 43.6% in FY15 to 41.9% in FY16 driven largely by the lower margins earned under the legacy Musashi operating model. In addition there are a number of other factors including change in brand mix, and an adverse impact from weakening of the A\$ (after taking into account the impact due to foreign currency hedges), offset by reduced level of promotion activity in certain brands (e.g. Aussie Bodies) and raw material price decreases in relation to certain key input costs (e.g. dairy).

Operating costs

Total operating costs are forecast to increase by \$10.3 million, or 18.9%, from \$54.5 million in FY15 to \$64.8 million in FY16, \$8.2 million of which is attributable to the Musashi acquisition (including \$1.7 million of Distribution and commission costs, \$2.7 million of Marketing, and \$3.8 million of SG&A). The \$8.2 million of Musashi related operating costs includes duplicate costs associated with the change in the Musashi operating model of \$1.6 million.

The remaining \$2.1 million increase is due mainly to:

- \$1.1 million increase in distribution and commission costs in FY16 due to higher sales. Distribution and commission costs as a percentage of revenue remain in line with FY15 (c.8.7% excluding Musashi); and
- \$0.8 million increase in the short and long-term Management incentives.

EBITDA and EBIT

EBITDA is forecast to increase by \$3.1 million from \$20.6 million in FY15 to \$23.7 million in FY16 and EBITDA margin is forecast to decrease by 0.7 percentage points from 11.9% to 11.2% for the reasons described above.

EBIT is forecast to increase by \$2.5 million from \$17.5 million in FY15 to \$20.0 million in FY16 and EBIT margin is forecast to decrease by 0.7 percentage points from 10.2% to 9.5% for the reasons described above.

The increase in depreciation was primarily due to the acquisition of Musashi. FY16 also includes a full year depreciation charge in relation to the additional capital expenditure incurred during FY15 and FY16.

4.8.2 Management discussion of assumptions relating to the Pro Forma Forecast Cash Flows for FY16 compared to Pro Forma Historical Cash Flows for FY15

FIGURE 65: PRO FORMA HISTORICAL AND FORECAST FY15 AND FY16 CASH FLOWS

A\$ millions	Pro Forma Historical & Forecast Cash flow		Change \$	Change %
	FY15 12m Jun 15	FY16 12m Jun 16		
EBITDA	20.6	23.7	3.1	15.0%
Non-cash EBITDA items	–	0.3	0.3	nmf
Changes in NWC	0.6	(6.9)	(7.5)	nmf
OCF before capex	21.2	17.1	(4.1)	(19.3%)
Capex	(3.8)	(4.0)	(0.2)	5.3%
Net FCF before financing, tax and dividends	17.4	13.1	(4.3)	(24.7%)
Cash conversion ratio (post capital expenditure)	84.5%	55.3%		

*nmf – no meaningful figure.

Operating free cash flow before capital expenditure

Operating free cash flow before capex is expected to be \$17.1 million in FY16 compared to \$21.2 million generated in FY15.

Expected key changes are summarised below:

- a 15.0% improvement in EBITDA in FY16; and
- forecast net working capital increasing by \$6.9 million primarily due to the acquisition of Musashi and the forecast increase in net sales due to Asian demand. Net working capital balances associated with Musashi are forecast to increase by \$3.0 million post acquisition date as customers and supplier terms are aligned (\$1.2 million impact) and the Vitaco Group temporarily builds inventory levels (\$1.8 million impact) in order to manage the shift in manufacturing from Australia to New Zealand. Musashi working capital levels are expected to return to normal levels in the medium term. The remainder of the increase (\$3.9 million) is attributable to the forecast growth in net sales and increased raw material stocks in anticipation of continued demand from Asian customers.

Net free cash flow before financing, tax and dividends

Net free cash flow before financing, tax and dividends is expected to be \$13.1 million in FY16 compared to \$17.4 million generated in FY15.

The FY16 capital expenditure mainly includes costs to be incurred towards capacity expansion for baking and Musashi products.



4.9 Sensitivity analysis of Forecast Financial Information

The Forecast Financial Information is based on a number of specific and general assumptions, as described in Section 4.7. These specific and general assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Vitaco Group, the Directors and Management, and upon assumptions with respect to future business decisions, which are subject to change.

Set out in Figure 66 is a summary of the sensitivity of the Pro Forma Forecast Results to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown, and these variances may be substantial.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Pro Forma Forecast Results, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive, and it is likely that the Vitaco Group Management would respond to an adverse change in one item to seek to minimise the net effect on the Vitaco Group's earnings and cash flow.

For the purpose of the sensitivity analysis in Figure 66, each sensitivity is presented in terms of the impact on the FY16 pro-forma forecast NPAT of \$12.7 million.

FIGURE 66: KEY SENSITIVITIES

Assumptions	Note	Increase/ Decrease	FY16 pro forma NPAT impact (\$ millions)
Change in sales volume			
Vitamins and Supplements	1	+/- 100 bps	+/- 0.2
Sports and Active Nutrition and Health Foods	1	+/- 100 bps	+/- 0.3
Change in gross margin			
Vitamins and Supplements	2	+/- 50 bps	+/- 0.3
Sports and Active Nutrition and Health Foods	2	+/- 50 bps	+/- 0.4
SG&A change	3	+/- 100 bps	+/- 0.2
NZD exchange rate	4	+/- 1 cent	+/- 0.1
Change in interest rate	5	+/- 100 bps	+/- 0.3
Change in effective tax rate	6	+/- 100 bps	+/- 0.2

Notes:

- (1) Sensitivity based on +/- 100 bps movement in sales volumes for each segment (e.g. if Asian demand was more or less than forecast). The impact could vary if a volume change impacted a particular brand or product group within the segment.
- (2) Sensitivity based on +/- 50 bps movement in GM for each segment (e.g. attributable to pricing changes, variations in raw material inputs etc).
- (3) Sensitivity based on +/- 100 bps movement in SG&A costs.
- (4) Sensitivity based on +/- 1 cent movement in NZD/AUD foreign exchange rates applying to the NZD denominated portion of the Vitaco Group's unhedged revenues and expenses in FY16. Note that the Vitaco Group has a policy of hedging between 65-100% of its forecast exposure on a rolling 12 months basis.
- (5) Sensitivity based on +/- 100 bps movement in the BKBM rate used to calculate the Vitaco Group's net interest expense.
- (6) Sensitivity based on +/- 100 bps movement in the effective tax rate used to calculate the Vitaco Group's taxation expense.

4.10 Dividend policy

The Board currently intends to pay dividends subject to the availability of profits and the financial position of the Vitaco Group.

The Directors intend to target a dividend payout ratio of between 50% and 60% of the Vitaco Group's pro forma NPAT from FY16 (adjusted to exclude the impact of non-recurring legacy Musashi operating costs to be incurred in FY16 prior to integration into Vitaco's business model). This level of payout may vary between periods depending on a number of factors including the general business environment, the operating results and financial condition of the Vitaco Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits and imputation credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company and any other factors the Directors may consider relevant.

The dividends expected to be paid to Shareholders will be franked with Australian franking credits and imputed with New Zealand imputation credits to the maximum extent appropriate taking into account the Company's tax position.

No assurances can be given by any person, including the Directors about the payment of any dividend and the level of franking and imputation on any such dividend.

The Directors expect the first dividend to Shareholders will be determined in respect of the period from the date of Completion of the Offer to 31 December 2015 and will become payable in March 2016.



SECTION 5

Risks

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5.1 Introduction

This Section 5 describes the material risks associated with the Vitaco Group's business, the industry in which it operates and the risks associated with an investment in the Shares. It does not purport to list every risk that may be associated with an investment in the Vitaco Group now or in the future, and the occurrence of some of the risks described below are partially or completely outside the control of the Vitaco Group, the Directors and Management. Any or a combination of these risks may have a material adverse impact on the Vitaco Group's business, financial performance and operations and the price of the Company's Shares.

The selection of risks included in this Section 5 has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk on the Vitaco Group's business or an investment in the Shares if it did occur. The assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of the risks and other matters set out in this Prospectus and you should consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in the Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest in the Shares.

5.2 Risks specific to an investment in the Vitaco Group

Customer concentration

The Vitaco Group generated 45% of its net invoiced revenue for FY15 from its top five customers (namely, Woolworths, Coles, Progressive Enterprises, Foodstuffs and Chemist Warehouse via Sigma Pharmaceuticals) who purchase a broad range of products. These customers are large entities and could influence contractual terms with suppliers. As a result, the Vitaco Group's arrangements with these customers are based on the customers' standard trading terms and, as such, there is no guarantee that these customers will continue purchasing the Vitaco Group's products.

There is also a risk that the Vitaco Group's key customers could make decisions that adversely impact the Vitaco Group's business by using their commercial leverage to push for lower prices on the Vitaco Group's products or demanding higher trade discounts or allowances which could lead to lower profitability. The Vitaco Group may also be negatively affected by changes in the policies of its key customers, such as limitations on access to shelf space, delisting of the Vitaco Group's products, replacing the Vitaco Group's products with competitor or private label products, additional requirements related to safety, environmental, social and other sustainability issues and other commercial or operational conditions.

Agency business

A material portion of the Vitaco Group's revenue and profitability is derived from its representation of branded products which it does not own (in particular Comvita Limited and Trilogy International Limited). The arrangements which the Vitaco Group has with Comvita Limited and Trilogy International Limited are not governed by long-term contracts. In addition to the potential for financial loss should these agency arrangements change, there is also the risk that the Vitaco Group will not be able to secure sufficient stock of product from these suppliers to satisfy forecasted demand in the New Zealand market.

Reliance on suppliers and increases in raw material and packaging costs

The Vitaco Group has a number of important arrangements with its key suppliers of packaging materials and ingredients and relies on these arrangements to manufacture and distribute its products. While the Vitaco Group typically identifies alternate suppliers for all of its key materials, if relationships with any of its key suppliers deteriorate significantly, or the supplier ceases trading due to financial difficulties or fails to supply products at an adequate quality or in a timely fashion, and inventory (including any safety stock) is depleted, the Vitaco Group may not be able to source alternative products immediately or, if it can do so, it may be on less favourable terms. This could have an adverse impact on the operating and financial performance of the Vitaco Group. In addition, approximately 70–90% of the Vitaco Group's costs of goods sold are raw materials and packaging. If the cost of raw materials and packaging increases significantly and the Vitaco Group is unable to pass those costs on to its customers, the Vitaco Group could be adversely affected. Furthermore, the ability and speed with which the Vitaco Group can respond to increases in the cost of raw materials and packaging by adjusting the prices charged to its customers or sourcing more competitively priced materials may be limited and may result in lower margins on the sale of its products.

Regulatory risk

The industry in which the Vitaco Group operates is highly regulated. The manufacture, packaging, labelling and advertising for the Vitaco Group's products are regulated by various federal, state and local agencies in Australia and New Zealand as well as those of each foreign country in which the Vitaco Group sells its products. There can be no assurance that existing laws to which the Vitaco Group is subject will not be amended, repealed or replaced in the future. Any change to the existing statutory framework or the imposition of new laws, regulations, regulatory policies or changes to enforcement practices or the interpretation of laws and regulatory policies which are applicable to the industry that the Vitaco Group operates in could result in increased costs of production, impairing the profit margins of the Vitaco Group and may have a material adverse impact on the operating and financial performance of the Vitaco Group.



In particular, a substantial portion of the Vitaco Group's international sales are being driven by an increase in cross-border e-commerce demand in China, which has largely been facilitated by Chinese governmental policy allowing the import of products. Any change in Chinese governmental policy which restricts the ability of Vitaco to distribute its products in China could have an adverse effect on the operations and financial performance of the Vitaco Group.

Brand reputation

The success of the Vitaco Group is heavily reliant on its reputation and branding. The Vitaco Group's inability to address adverse publicity or other issues including concerns about product safety, quality, efficacy or similar matters, real or perceived, could negatively impact sentiments towards the Vitaco Group and its products and brands. Any facts or events that diminish the Vitaco Group's reputation, brand names or related trade marks may adversely affect the operating and financial performance of the Vitaco Group.

Consumer perception of nutritional products and the Vitaco Group's products in particular can be substantially influenced by scientific research or findings, national media attention and other publicity about product use. Adverse publicity from these sources regarding nutritional products and the Vitaco Group's products could harm the Vitaco Group's reputation and the results of its operations. The publication of news articles or reports asserting that such products may be harmful or questioning their efficacy could have an adverse effect on the operating and financial performance of the Vitaco Group.

Changing consumer preferences and market trends

The Vitaco Group's revenues are almost entirely generated from nutrition, health and wellness products which can be subject to changes in consumer preferences. As a consequence, failure by the Vitaco Group to predict or respond to changes in consumer preferences could adversely impact the Vitaco Group's future financial and operating performance.

If the Vitaco Group misjudges or fails to predict consumer preferences or fails to convert market trends into appealing product offerings on a timely basis, this may result in lower revenue and margins for the Vitaco Group and could adversely impact the Vitaco Group's future financial performance. Furthermore, any changes in consumer preferences may also lead to an increased obsolete inventory risk for the Vitaco Group. Notwithstanding that the Vitaco Group expects to capitalise on the growing Asian demand for Australian and New Zealand nutritional products which are perceived as 'clean and green', the volatility of market trends within the Asian market and the resulting impact this may have on consumer preferences, particularly in light of the Vitaco Group's product offerings, could adversely impact on the ability of the Vitaco Group to capitalise on the anticipated growth within this market.

Failure to compete effectively

The nutrition, health and wellness industry is competitive particularly with regards to:

- prices at which products are sold;
- shelf space and store placement;
- brand and product recognition; and
- new product introductions.

The Vitaco Group faces competition in the nutrition, health and wellness industry from a number of large nationally known brands, private label brands and many smaller wholesalers of nutritional products. While the Vitaco Group is competitive now, there can be no assurances that the actions of existing or new competitors or changes in consumer preferences will not adversely affect the Vitaco Group's performance. The Vitaco Group's response to aggressive pricing or promotional strategies of competitors differs from business to business and region to region. However, in any of these circumstances, the Vitaco Group's net profit and cash flow from operations could decline.

Key personnel risk

The Vitaco Group's performance reflects, to a large extent, the efforts and abilities of its senior management team. While, in most cases, these executives are party to an employment contract with the Vitaco Group, under the terms of these contracts each executive is permitted to terminate their contract upon a certain notice period. Currently the Vitaco Group employs a highly experienced and dedicated senior management team; however, its disbandment may have a material adverse impact on the operating and financial performance of the Vitaco Group.

The Vitaco Group's future success will depend on its continuing ability to identify, hire, develop, motivate and retain highly skilled personnel for all areas of its business, particularly in sales and marketing. The Vitaco Group's continued ability to compete effectively will depend on its ability to attract new employees and to retain and motivate existing employees.

Disruptions in the Vitaco Group's manufacturing capacity

The Vitaco Group undertakes its own production for most of its business operations, and operates a number of plants with varying levels of capacity utilisation. There is a risk that one or all of the plants used in production will not be able to operate at its full potential due to fire, explosion, industrial dispute, contamination or industrial accident. If this occurred, there is a risk that production could not be sourced from plants operated by the Vitaco Group. This could lead to delivery and quality control issues or the Vitaco Group not being able to produce at all, which may have an adverse impact on the operating and financial performance of the Vitaco Group.

Currency movements/exposure

The Vitaco Group's consolidated financial statements are reported in Australian dollars whereas the financial condition and results of operations of the Vitaco Group are measured and recorded in the relevant domestic currency of the jurisdiction in which the Vitaco



Group carries on business and then, as required, translated into Australian dollars for inclusion in the Vitaco Group's consolidated financial statements. As a result, the Vitaco Group is exposed to translation risks from fluctuations in foreign exchange rates. This is particularly relevant for fluctuations between the New Zealand dollar and the Australian dollar.

The Vitaco Group's cash flows are sensitive to movements in the AUD to NZD exchange rate as the majority of the Vitaco Group's AUD denominated sales are sourced from the Vitaco Group's manufacturing facilities in New Zealand and have packaging, raw material and production costs that are purchased in NZD.

The Vitaco Group's cash flows are also sensitive to movements in the AUD to USD exchange rate and the NZD to USD exchange rate as the Group imports certain finished products and raw materials in USD. This exposure is partially, but not fully offset by sales to international customers that are denominated in USD.

It is the Vitaco Group's policy to hedge between 65% and 100% of the Group's forecast net foreign exchange exposure. The Vitaco Group generally enters into multiple (rolling) hedges up to 12 months in advance, with hedges typically rolling on a monthly basis to cover foreign exchange cash flows. The policy also provides for the Vitaco Group to hedge (subject to Board approval) up to 65% of forecast exposure in the 13 to 24 month forecast period.

Imported raw materials may become more expensive, or goods exported by the Vitaco Group may become less competitive as a result of swings in foreign exchange rates. While the Company has some natural hedging arrangements in place with certain revenue being denominated in United States dollars, if the cost of unfavourable fluctuations cannot be immediately passed on to customers, this may decrease profit margins of the Vitaco Group.

Therefore, fluctuations in the exchange rates of the currencies relevant to the jurisdictions in which the Vitaco Group carries on business may have an adverse impact on the operating and financial performance of the Vitaco Group.

Product liability and recalls

As a marketer and distributor of products designed for human consumption, the Vitaco Group could be subject to product liability claims if the use of its products is alleged to have resulted in injury. Some of the Vitaco Group's products are classified as dietary supplements and others are not subject to pre-market regulatory approval in Australia, New Zealand or internationally. The Vitaco Group has strict quality control policies; however events outside the Vitaco Group's control could occur which could adversely affect the financial and operating performance of the Vitaco Group.

The Vitaco Group takes all reasonable precautions to ensure that its products are free from contamination. However, in the event that a contamination of one of the Vitaco Group's products occurs, it may lead to business interruption, product recalls or liabilities to customers. While the Vitaco Group maintains insurance to cover for these risks, the Vitaco Group may not be able to enforce its rights in respect of those policies and any amounts that the Vitaco Group does recover may not be sufficient to offset any damage to the financial condition, reputation or prospects of the Vitaco Group caused by product contamination or product liability claim or the negative publicity surrounding the claim.

Inability to protect intellectual property rights

The Vitaco Group has invested significant resources to protect its brands and intellectual property rights. However, the Vitaco Group may be unable or unwilling to strictly enforce its intellectual property rights, including its trademarks, from infringement. The Vitaco Group's failure to enforce its intellectual property rights could diminish the value of its brands and products and harm the Vitaco Group's business, future growth prospects and financial and operating performance.

The industry in which the Vitaco Group operates is characterised by vigorous pursuit and protection of intellectual property rights, which may result in protracted and expensive litigation. Third parties may assert claims of misappropriation of trade secrets or infringement of intellectual property rights against the Vitaco Group or against its end customers or partners for which the Vitaco Group may be liable.

As the Vitaco Group's business expands internationally, particularly in China, the number of products and competitors in the markets in which it operates increases and product overlaps occur, and, accordingly, infringement claims may increase in number and significance. Intellectual property lawsuits are subject to inherent uncertainties due to the complexity of the technical issues involved, and the Vitaco Group cannot be certain that it would be successful in defending intellectual property claims. Further, many potential litigants have the capability to dedicate substantially greater resources than the Vitaco Group can to enforce their intellectual property rights and to defend claims that may be brought against them. In addition, a successful claimant could secure a judgment that requires the Vitaco Group to pay substantial damages or prevents the Vitaco Group from distributing products or performing certain business activities.

System and technology failures

Like many companies, the Vitaco Group's business is highly dependent upon its information technology infrastructure to manage effectively and efficiently the Vitaco Group's operations, including order entry, customer billing, accurately tracking purchases and managing accounting, finance and inventory. The occurrences of natural disasters, security breaches or other unanticipated problems could result in interruptions to the Vitaco Group's day-to-day business that could adversely affect the Vitaco Group's business.

Insurance coverage and third-party indemnification rights

The Vitaco Group currently maintains insurance at adequate levels for property, general and product liability, directors and officer's liability, and workers' compensation to protect the Vitaco Group against potential loss exposures. In the future, insurance coverage may



not be available at adequate levels or on adequate terms to cover potential losses, including on terms that meet the Vitaco Group's requirements. If insurance coverage is inadequate or unavailable, the Vitaco Group may face claims that exceed coverage limits or that are not covered, which could increase the costs and adversely affect the Vitaco Group's operating results and financial performance.

Bribery and corruption in foreign operations

The Vitaco Group may incur fines or penalties, damage to its reputation or suffer other adverse consequences if its directors, officers, employees, consultants, agents, service providers or business partners violate, or are alleged to have violated, anti-bribery and corruption laws in any of the jurisdictions in which it operates.

The Vitaco Group cannot guarantee that its internal policies and controls will be effective in each case to ensure that the Vitaco Group is protected from reckless or criminal acts committed by its directors, officers, employees, consultants, agents, service providers or business partners that would violate Australian laws or the laws of any other country in which the Vitaco Group carries on business. Any such improper actions could subject the Vitaco Group to civil or criminal investigations in Australia or overseas that could lead to substantial civil or criminal monetary and non-monetary penalties against the Vitaco Group, and could damage the Vitaco Group's reputation. Furthermore, the allegation or appearance of improper or illegal actions could also damage the Vitaco Group's reputation and result in significant expenditures in investigating and responding to such actions which may in turn have an adverse effect on the Vitaco Group's financial performance and position.

Certifications and licences

The Vitaco Group must obtain or renew appropriate permits, licences and certificates required to operate its business in the countries in which it operates. The Vitaco Group is also subject to regular inspections, examinations, inquiries and audits by governmental authorities and certain customers to obtain or renew the various licences, certifications and permits required for its operations.

In addition, the Vitaco Group is subject to periodic and spot inspections conducted by governmental authorities at various levels in order to maintain its operating licences, certificates and permits. A finding of non-compliance or failure to obtain, maintain or timely renew the necessary licences, certificates, permits or approvals could have a negative impact on the Vitaco Group's operations and financial condition.

Integration of acquired businesses

The Vitaco Group has expanded through acquisitions in the past (including, most recently, the acquisition of Musashi) and may do so in the future. The acquired businesses could consume a large amount of management time and attention during integration, and the acquisitions may fail to meet strategic objectives, achieve forecast financial performance either due to revenue impacts should customer relationships not continue or because expected synergies do not materialise.

The Vitaco Group has undertaken financial, business and other analysis in respect of its acquisitions, however, it is possible that such analysis drew conclusions and forecasts that were inaccurate, or which will not be realised in due course, that may in turn adversely impact the Vitaco Group's business, financial performance and operations.

The acquired Musashi business currently operates on a standalone basis and is loss-making. The Vitaco Group has fully committed to integrating the business as a brand within the Vitaco portfolio. This will fundamentally change the operating model and therefore the cost base of the Musashi business as all manufacturing, distribution and most overhead functions will be shut down.

The Musashi business is being transformed and the acquisition is expected to result in material cost savings for the Vitaco Group once the operating model is revised and the business has been integrated. Management has undertaken a detailed review of Musashi product sourcing and manufacture, and identified operational and administrative annualised cost savings of approximately \$7.6 million on a pro forma basis. Management has undertaken a detailed exercise to assess these synergies and developed plans to realise them before 30 June 2016. There is a risk that this exercise may not have identified all impediments to realising the cost savings or other risks to achieving forecast financial performance such as revenue impacts arising from the acquisition and subsequent integration. Further, the realisation of synergies, revision of the operating model and integration of Musashi may not occur within the time frames anticipated or may result in additional costs which could have a negative impact on the Vitaco Group's financial performance and position and future prospects.

Environmental non-compliance

Certain activities carried on in the course of the Vitaco Group's business are subject to regulation by environmental legislation. Environmental laws and regulations are constantly changing and, while the Vitaco Group endeavours to ensure that its operations and activities comply with applicable environmental laws, it cannot guarantee that it will always be in compliance with applicable environmental laws and regulations, or that it will not incur additional costs to comply with such laws and regulations. Failure to comply with any of these laws and regulations could result in penalties, a delay in the delivery of goods, a need to temporarily shut down operations, delayed receipt of sales revenue, loss of income, the incurring of significant costs and fines and the suspension or termination of contracts. Any limitations or costs incurred as a result of the Vitaco Group's non-compliance with environmental laws and regulations may have a materially adverse effect on the Vitaco Group's business, financial condition, results of operations and reputation.

Litigation

The Vitaco Group may, in the ordinary course of business, be involved in litigation and disputes, for example with suppliers or customers. Any litigation or dispute could be costly and damaging to the Vitaco Group's reputation and business relationships, which could have an adverse effect on its financial performance or industry standing.



The Vitaco Group is currently involved with a claim made by the liquidators of Healthzone which relates to payments made by Healthzone to Vitaco Australia in the six month period prior to Healthzone being placed into voluntary administration. Please see Section 9.8 for further information.

Impairment of intangibles

As a result of the acquisitions that the Vitaco Group has made in the past, the Vitaco Group has a substantial value of intangible assets on its balance sheet relating to goodwill and identifiable intangible assets. Under accounting standards, goodwill and indefinite life intangible assets must be tested annually for impairment. In the event that the value of any of the Vitaco Group's intangible assets is found to be impaired to a level below their carrying value, the Vitaco Group would need to write down the value of the intangible asset. This could have a material impact on the Vitaco Group's financial position.

5.3 General risks relating to an investment in the Vitaco Group

Liquidity and realisation risk

The Shares issued under the Offer will only be listed on the ASX and will not be listed for trading on any other securities market. As such, there can be no guarantee that an active market in the Shares will develop or continue, or that the market price of the Shares will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their Shares. Furthermore the market price for Shares may fall or be made more volatile because of the relatively low volume of trading in the Shares particularly having regard to the number of Shares which are subject to voluntary escrow (see Section 7.8). When trading volume is low, significant price movement can be caused by the trading in a relatively small number of Shares.

Sales of a substantial number of Shares following the Offer, or the perception that these sales may occur, could also cause the market price of the Shares to decline. Sales by the Company's Shareholders of a substantial number of Shares after the Offer (which could, for example, occur on release of the Shares from escrow arrangements), or the expectation that such sales may occur, could significantly reduce the market price of the Company's Shares. The Company may also offer additional Shares in subsequent offerings, which may adversely affect the market price of its Shares.

Following Listing, it is expected that the Existing Shareholders will hold 20.7% of the Shares, which may also impact on liquidity. The Existing Shareholders will enter into voluntary escrow arrangements in relation to certain of the Shares as described in Section 7.8. The absence of any sale of Shares by the Existing Shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could impact the prevailing market price at which Shareholders are able to sell their Shares that is less than the price they paid under the Offer.

Following release from escrow, Shares held by the Existing Shareholders will be able to be freely traded on ASX. A significant sale of Shares by the Existing Shareholders, or the perception that such sales have occurred or might occur, could adversely impact the price of Shares. The Existing Shareholders' Shareholdings may also allow them to collectively, exert significant influence over the outcome of matters relating to the Company, including the election of Directors and the approval of transactions. The interests of the Existing Shareholders may be different from the interests of investors who acquire Shares in the Offer.

Price of shares

Once the Company becomes a publicly listed company on ASX, it will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price that are not explained by the operations and activities of the Vitaco Group.

The price at which the Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following the quotation of the Shares on ASX, even if the Vitaco Group's earnings increase.

Some of the factors which may adversely impact the price of the Shares include fluctuations in the domestic and international market for listed securities, general economic conditions including interest rates, inflation rates, exchange rates, consumer sentiment, commodity and oil prices, changes to government fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which the Vitaco Group operates and general operational and business risks.

Shareholder dilution

In the future, the Company may elect to issue Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of such issues of Shares or other securities.

Taxation

Changes in relevant taxes (including GST), legal and administrative regimes and government policies in Australia, New Zealand and overseas may impact the performance of the Vitaco Group. Any change to the current rate of income tax applying to individuals and trusts will similarly impact on Shareholder returns. In addition, any change in tax arrangements between Australia, New Zealand and other jurisdictions in which the Vitaco Group carries on its business could, again, have an adverse impact on profit margins and the level of franking credits and imputation credits available to frank and impute any future dividends.



Furthermore, changes in tax law, or changes in the way taxation laws are interpreted may impact the tax liabilities of the Company or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Accordingly, each prospective Shareholder is encouraged to seek professional tax advice prior to undertaking any investment in the Company.

General business risk

The future viability and profitability of the Vitaco Group is dependent on a number of other business risks which are applicable to all companies, including (but not limited to) the following:

- financial failure or default by a party to any contract which the Vitaco Group is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Vitaco Group in its activities;
- industrial disputes;
- litigation;
- natural and man-made disasters including earthquakes, tsunamis and flooding;
- acts of terrorism or an outbreak of international hostilities; and
- changes in economic conditions.

Changes in the general economic climate in which the Vitaco Group operates may adversely affect the financial performance of the Vitaco Group and the value of its assets. Factors which contribute to that general economic climate include:

- contractions in the world economy or increases in the rate of inflation;
- international currency fluctuations;
- changes in interest rates;
- new or increased government taxes or duties or changes in taxation laws; or
- changes in government regulatory policy.

Dividends may not be franked

There can be no guarantee that dividends paid by the Company will be franked. To the extent that the Company pays any dividends, Shareholders should be aware that the Company may not have sufficient franking credits to frank dividends, or the franking system may be subject to review or reform. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

Australian Accounting Standards may change

Australian Accounting Standards are issued by the Australian Accounting Standards Board (AASB) and are not within the control of the Vitaco Group or the Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse effect on the reported financial performance or financial position of the Vitaco Group.

In particular, as noted in Section 4, the accounting treatment for transactions such as the internal restructure contemplated in connection with the Offer, is currently being reviewed by international standard setters and may be subject to change. In the event that the transactions contemplated by the Offer were required to be recorded at fair value, there could be an increase in non-cash amortisation expense which would reduce the reported results of the Vitaco Group.

Interest rate fluctuations

Changes in interest rates will impact borrowings which bear interest at floating rates. Any increase in interest rates will impact the Vitaco Group's costs of servicing these borrowings which may adversely impact its financial position.

Ability to refinance debt or access debt markets on attractive terms

The Vitaco Group is subject to the risk that it may not be able to refinance its existing or future bank facilities as and when they fall due, or that the terms available to the Vitaco Group's on refinancing will not be as favourable as the terms of its existing or future bank facilities.

In addition, and as set out in Section 4.5, the Vitaco Group will enter into new debt facilities pursuant to which the Vitaco Group will be subject to various covenants. Factors such as a decline in the Vitaco Group's operations and financial performance could lead to a breach of its banking covenants. If a breach occurs, the Vitaco Group's financiers may seek to exercise enforcement rights under the debt facilities, including requiring immediate repayment, which may have a materially adverse effect on the Vitaco Group's future financial performance and position.

Force majeure events

Events may occur within or outside the markets in which the Vitaco Group operates that could impact upon the global or Asia Pacific economies, the operations of the Vitaco Group and/or the price of the Shares. The events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse impact on the demand for the Vitaco Group's products and its ability to conduct its business.



SECTION 6

Key people, interests and benefits




For personal use only







6.1 Board of Directors

The Board and Management comprise a selection of individuals with experience and expertise relevant to the nutrition, health and wellness industry. The Board consists of five members, of which four are non-executive directors with Ryan d'Almeida, the Vitaco Group's Chief Executive Officer, the only executive director. The board members have a range of skills related to financial management and investment, business operations, consulting, corporate advisory and the nutrition, health and wellness industries.

Director	Experience
<p>Greg Richards Independent Non-Executive Chairman</p> 	<ul style="list-style-type: none"> Greg was appointed to the Board in August 2015 as an Independent Non-executive Director and is the Chairman. Greg is also Chairman of the Remuneration and Nomination Committee. Greg has over 25 years experience in the financial markets and investment banking industry. Greg was appointed to the Board of ASX listed JB Hi-Fi Limited (JB Hi-Fi) in December 2007 and was appointed Chairman of the Board in June 2012. Greg is also a member and Chairman of the Remuneration Committee of JB Hi-Fi and was Chairman of the Audit and Risk Management Committee from February 2010 until May 2012. Previously, Greg was an equity partner of Goldman Sachs JBWere where he was employed for over 19 years. Greg holds a Bachelor of Economics (Hons).
<p>Ryan d'Almeida Chief Executive Officer</p> 	<ul style="list-style-type: none"> Ryan was appointed to the Board in July 2015 as an Executive Director and has been the Chief Executive Officer of the Vitaco Group since October 2014. Ryan has been with the Vitaco Group since March 2009, when he commenced as General Manager Commercial and was responsible for the Vitaco Group's sports and active nutrition business. In 2012 Ryan assumed the role of General Manager for the Vitaco Group's Sports and Active Nutrition and Health Foods division before being appointed as CEO of the Vitaco Group in 2014. Ryan has been involved in the food and nutrition industry for 20 years, commencing his career with Retail Food Group Limited in Australia and the United Kingdom, and then spending eight years with Weight Watchers as the General Manager Marketing as well as the General Manager Consumer Products. Ryan holds a Bachelor of Business and a Master of Business Administration.
<p>Emmet Hobbs Independent Non-Executive Director</p> 	<ul style="list-style-type: none"> Emmet was appointed to the Board in August 2015 as an Independent Non-Executive Director. Emmet is also a member of the Audit and Risk Committee and the Remuneration and Nomination Committee. Emmet currently serves as Chairman of Hirepool Limited, Hydraulic New Zealand and Hydraulink Australia Pty Ltd. He is also Chairman of a family group known as the Carr Group. Emmet is also a director of International Telematics Holdings Limited, Next Generation, Net Limited, HGL New Zealand Limited and several other companies in the Hirepool Group. Previously Emmet was a director of Mainfreight Limited, Auckland Regional Holdings and Ports of Auckland Limited. Emmet was also previously an executive director of Brambles Australia and Brambles Europe and held the position of Executive Director of Freight for Qantas Airways and General Manager of Freight for Australian Airlines. Emmet has also been a director of a number of listed and unlisted companies in New Zealand, Australia, Europe and the United Kingdom over the past 30 years. Emmet holds a Bachelor of Arts from the University of Canterbury.



Director	Experience
<p>Katrina Onishi Independent Non-Executive Director</p> 	<ul style="list-style-type: none"> Katrina was appointed to the Board in August 2015 as an Independent Non-Executive Director. Katrina is also the Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee. Katrina is also a director and advisor to several not for profit organisations. Until 2010 Katrina was an executive director of Concord Capital Limited (Concord), a boutique funds management business that she co-founded in 2000. Prior to co-founding Concord, Katrina held several funds management roles both in Australia and overseas. Katrina holds a Bachelor of Arts (Hons) from the University of Sydney and is a Chartered Financial Analyst. Katrina is a member of the CFA Institute, a Graduate Member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute, Australasia.
<p>Andrew (Sandy) Lockhart Non-Executive Director (Representative of Next Capital)</p> 	<ul style="list-style-type: none"> Sandy was appointed to the Board in July 2015 as a Non-Executive Director. Sandy is also a member of the Audit and Risk Committee. Sandy is a founding partner of Next Capital Pty Limited (Next Capital), a Sydney based private equity manager focussing on middle market and growth opportunities in Australia and New Zealand. Sandy has been a director of a number of Next Capital's investee companies. Next Capital (and its associated entities) will hold 15.3% of the Shares of the Company on completion of the Offer. Sandy has over 35 years' experience in specialised lending situations and private equity investment. Prior to founding Next Capital, Sandy held the position of an executive director of Macquarie Bank Ltd where he had overall responsibility for managing Macquarie Bank's private equity business, which encompassed investments made through both Bond Street Investments, a subsidiary of Macquarie Bank, and three Macquarie Investment Trusts during the period between 1987 and 2004. Before joining Macquarie Bank Sandy worked for Bank of Boston NA, holding positions in Boston, London and Sydney, where he was head of the Bank of Boston's Australian and New Zealand operations. Sandy also served as a council member of the Australian Venture Capital Association Limited (AVCAL) for a number of years and was chairman of AVCAL from 1995 to 1996. Sandy is also currently Chairman of VHGL (a position he has held since 2006) and a director of several companies including Onsite Rental Group Pty Ltd, Onslow Holdco Pty Ltd and HGL New Zealand Limited and several other companies in the Hirepool Group. Sandy was formally a director of RPG Holdings Pty Ltd (an investee company of funds affiliated with Next Capital). Sandy holds a Bachelor of Arts (Hons) from Harvard and a PMD from Harvard University, ASIA.

6.2 Director disclosure

The following is information about:

- any company of which a Director was an officer that entered into a form of external administration because of insolvency during the time the Director was an officer or within the 12 month period afterwards; and
- any legal or disciplinary action against a Director that is less than 10 years old.

Sandy Lockhart was a director of RPG Holdings Pty Ltd during the 12 month period before it was placed into voluntary administration in October 2012 and Emmet Hobbs was a director of Origin Pacific Airways Limited during the 12 month period before it was placed into receivership in September 2006 and in receivership and liquidation in November 2006.

The other Directors do not believe that the above matter is material to, or indicative of, the future performance of Mr Lockhart or Mr Hobbs of their respective duties as Directors of the Company or the future performance or prospects of the Vitaco Group.



6.3 Senior Management

Director	Experience
Ryan d'Almeida Chief Executive Officer	See Section 6.1.
Phil Wiltshire Chief Financial Officer	<ul style="list-style-type: none">Phil has been Chief Financial Officer of the Vitaco Group since July 2007.Phil has had nearly 20 years experience in senior finance positions in large New Zealand consumer products businesses. In particular, Phil previously worked for:<ul style="list-style-type: none">seven years at Tip Top Ice Cream Company (a subsidiary of HJ Heinz before being sold to Fonterra), the last three years of which he was the Chief Financial Officer; andfour years at Mainland Products as its Chief Financial Officer. Mainland was Fonterra's New Zealand consumer products.
Roger Scott Chief Operating Officer	<ul style="list-style-type: none">Roger joined the Vitaco Group as the General Manager of Operations in February 2009 following the operational integration of the Healtheries and Nutra-Life businesses. In October 2014 Roger was promoted to Operations Director of the Vitaco Group. This role includes responsibility for Human Resources.Prior to joining the Vitaco Group, Roger worked at Nestlé for 23 years in operational, technical and strategic project roles. Most of this time Roger worked as an expatriate.
John Stanton General Manager, Vitamins and Supplements	<ul style="list-style-type: none">John is currently General Manager of the Vitaco Group's Vitamins and Supplements business division, a position which he has held since July 2015. John has been involved in the Vitaco Group and Nutra-Life for over 10 years having previously held the positions of General Manager for Sales for the Vitaco Group and Australian Business Manager for Nutra-Life.Prior to joining the Vitaco Group, John worked for a number of multinational and fast-moving consumer goods companies in various sales and marketing positions such as Lion Nathan New Zealand, Cola-Coca Amatil New Zealand and Bristol Myers Squibb, as well as National Foods Juice in Australia.
Martin Drinkrow General Manager, Sports and Active Nutrition and Health Foods	<ul style="list-style-type: none">Martin joined the Vitaco Group in February 2015 and since July 2015 has been the General Manager of its Sports and Active Nutrition and Health Foods business division. Martin has a strong marketing background with over 23 years of experience at global fast-moving consumer goods companies.Prior to joining the Vitaco Group, Martin spent eight years at Clorox Australia Pty Ltd (Clorox), originally as Marketing Director, and then as General Manager of Australia, NZ and South Africa. Prior to joining Clorox, Martin spent 15 years with Unilever in various marketing roles, starting in brand management in his native South Africa and progressing through European and Global Marketing Manager roles in London as well as Marketing Director for homecare Australia.
Brent Hall General Manager, Supply Chain and Contract Manufacturing	<ul style="list-style-type: none">Brent has been General Manager of Supply Chain at the Vitaco Group for seven years and is also responsible for Contract Business Development, a position which he has held since August 2009.Brent has spent a large part of his career working for Nestlé. While at Nestlé Brent worked across several disciplines including supply chain management, route to market development and strategy. Brent also worked in a number of geographies including New Zealand, Australia and Switzerland.
Jay Drezner General Manager, International and Business Development	<ul style="list-style-type: none">Jay joined the Vitaco Group in March 2013 as an independent contractor working on a series of strategic projects and subsequently was appointed to the position of General Manager, International and Business Development of the Vitaco Group in January 2014. In addition to the Vitaco Group's international development, Jay also focuses on mergers and acquisitions and strategic partnership opportunities for the Vitaco Group both domestic and internationally.Prior to joining the Vitaco Group, Jay was the Chief Financial Officer of Naturade, a private-equity controlled, US-based nutraceutical wholesaler, where his responsibilities included financial operations and reporting, human resources, IT, production and marketing functions. Prior to Naturade, Jay worked in the finance sector for over ten years including as a director in the Leveraged Finance team at Credit Suisse and as Senior Investment Analyst at Laurus-Valens.



6.4 Interests and benefits

This Section 6.4 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter (but not a sub-underwriter) to the Offer or a financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before the lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.4.1 Interests of advisers

The nature and extent of the interests and fees of professional advisers engaged by the Company is set out at Section 9.11.

6.4.2 Directors interests and remuneration

Ryan d'Almeida is employed in the position of CEO. Refer to Section 6.4.3. for further details.

6.4.2.1 Non-Executive Director remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. However, the total amount provided to all Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount has been fixed by the Company at \$750,000. For the financial year ending 30 June 2016, the fees payable to the current Directors will not exceed \$560,000 in aggregate.

The annual Directors' fees currently agreed to be paid by the Company are inclusive of superannuation and are \$200,000 to the Chairman and \$100,000 to each of the other Non-Executive Directors. In addition, the Chair of the Audit and Risk Committee and the Chair of the Remuneration and Nomination Committee will each be paid \$15,000 per annum while other members of these Committees will each be paid \$7,500 per annum. The remuneration of Directors must not include a commission on, or a percentage of, the profits or income of the Company. Superannuation payments are included in these amounts.

The Non-Executive Directors are not entitled to participate in any employee incentive scheme (including the Company's Long-term incentive plan (**New LTIP**))

6.4.2.2 Deeds of access, insurance and indemnity for Directors

The Company has entered into a deed of indemnity, access and insurance with each Director which confirms the Director's right of access to certain books and records of the Vitaco Group for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before that seven year period expires.

Pursuant to the Constitution, the Company may indemnify Directors and employees, past and present, against liabilities allowed under law. Under the deeds of indemnity, access and insurance, the Company indemnifies each Director against all liabilities to another person that may arise from their position as a Director of the Company or its subsidiaries to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Pursuant to the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Under the deed of indemnity, insurance and access, the Company must obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires

6.4.2.3 Other information and interests

Directors may be paid for travel and other expenses reasonably incurred in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. Any Director who devotes special attention to the business of the Group or who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions. The interests of Directors and management are set out in this Section 6.4.



In addition, each of Greg Richards, Katrina Onishi and Emmet Hobbs will be paid a one-off fee of \$100,000, \$50,000 and \$50,000 respectively for services provided by those individuals during the due diligence process undertaken in connection with the Offer.

Sandy Lockhart (and other persons associated with him and the Next Entities) is also entitled to receive a proportion of the distributions from the sale of VHGL. The entitlements to distributions may be determined by both reference to such persons being direct or indirect investors in the Next Entities (which are Existing Shareholders) and through profit share arrangements relating to the returns of those Next Entities as a whole. As at the Prospectus Date, Mr Lockhart (either directly or through his associated entities) held 586 VHGL Shares and 157,294 CPSs in VHGL. Under the Sale Deed, the Existing Shareholders (which includes Mr Lockhart) are entitled to receive consideration for their VHGL Shares in the form of cash, or a combination of cash and Shares. Mr Lockhart accepted the offer from the Company in respect of the purchase of all of the VHGL Shares he holds, and has irrevocably elected to receive 100% of the consideration payable to him in the form of cash (equalling a payment of approximately \$0.3 million). Mr Lockhart intends to apply for 142,858 Shares as part of the Offer. See Section 9.4 for further details. Mr Lockhart is also entitled to receive \$133,637 in connection with the cancellation of the CPSs which he (or his associated entities (as the case may be)) holds in VHGL.

6.4.2.4 Director shareholdings

Directors are not required under the Constitution to hold any Shares. On Completion of the Offer, the number of Shares held by the Directors will be as outlined in Figure 67. Some of these Shares will be subject to voluntary escrow arrangements. Please refer to Section 7.8 for further detail.

FIGURE 67: DIRECTOR SHAREHOLDINGS PRE AND POST THE OFFER

	VHGL Shares held prior to the Offer	VHGL Shares held prior to the Offer (%)	Shares held at Completion of the Offer (thousands) ^{1,2}	Shares held at Completion of the Offer (%)
Greg Richards	0.0	0.0%	95.2	0.1%
Ryan d'Almeida ³	2,227	0.7%	357.4	0.3%
Emmet Hobbs	0.0	0.0%	47.6	0.0%
Katrina Onishi	0.0	0.0%	47.6	0.0%
Sandy Lockhart	586	0.2%	142.9	0.1%

(1) The following Directors have advised of their intention to apply for Shares as part of the Offer in the following amounts: Greg Richards – 95,239, Katrina Onishi – 47,620, Emmet Hobbs – 47,620 and Sandy Lockhart – 142,858. The numbers in the above table assume that Greg, Katrina, Emmet and Sandy complete valid Applications to subscribe for Shares under the Offer.

(2) See Section 9.4 for details of the Sale Deed pursuant to which the Company will acquire all of the VHGL Shares.

(3) Mr d'Almeida also holds 133,000 options over VHGL Shares which are exercisable for 494 VHGL Shares. These options will be exercised immediately prior to Completion and the Company will acquire all of the VHGL Shares issued upon exercise under the Sale Deed. Mr d'Almeida will also receive 132,506 MCNs on exercise of his options, and such MCNs will be cancelled immediately upon their issue.

Note: Shares held prior to the Offer are those held on the day before Settlement (prior to the transfer of the VHGL Shares to the Company pursuant to the Sale Deed).

6.4.3 Executive remuneration

6.4.3.1 CEO

The Company has entered into an employment contract with Mr d'Almeida to document his employment with the Vitaco Group. Mr d'Almeida is the CEO of the Vitaco Group. Mr d'Almeida will receive an annual fixed remuneration of \$500,000 (inclusive of superannuation), representing approximately 51% of his maximum total achievable annual remuneration package for FY16 and onwards. In FY16, Mr d'Almeida will be eligible to receive an annual cash-based short-term incentive of up to \$225,000, representing 45% of his annual fixed remuneration (inclusive of superannuation). Payment of a cash bonus will depend on the Vitaco Group's performance as determined by the Board.

Mr d'Almeida will also be eligible to participate in the New LTIP. For further details about the New LTIP, refer to Section 6.4.4.1. The Company intends to grant up to \$125,000 worth of options over Shares (**Options**) and \$125,000 worth of performance rights which will automatically vest into Shares (**Rights**) on satisfaction of specific performance criteria (see Section 6.4.4.2) under the New LTIP to Mr d'Almeida on Completion of the Offer. The key terms and conditions (including the exercise price, performance period and vesting conditions) applicable to the Options and Rights to be granted to Mr d'Almeida are set out in Section 6.4.4.2. It is intended that all future grants of Options or Rights under the New LTIP will be made annually.

Mr d'Almeida may terminate his employment contract by giving 6 months' notice in writing. The Company may terminate Mr d'Almeida's employment by giving 6 months' notice in writing, or may terminate his employment immediately by paying, subject to applicable laws and stock exchange rules, 6 months base salary (or a portion of such amount for any unexpired part of the notice period), less tax in lieu of notice for that period.

Upon the termination of Mr d'Almeida's employment contract, he will be subject to a restraint on solicitation of the Vitaco Group's clients, suppliers and employees for a period of 12 months following the termination of employment. Mr d'Almeida is also subject to a restraint on engagement in any business or activity that is in competition with the business conducted by the Vitaco Group following termination of employment for a period of 12 months. Enforceability of this restraint is subject to all usual legal requirements.



As at the Prospectus Date, Mr d'Almeida (either directly or through his associated entities) held 2,227 VHGL Shares, 99,584 CPSs, 498,188 MCNs and 133,000 options in VHGL. Under the Sale Deed, the Existing Shareholders (which includes Mr d'Almeida) are entitled to receive consideration for their VHGL Shares in the form of cash, or a combination of cash and Shares. Mr d'Almeida accepted the offer from the Company in respect of the purchase of all of VHGL Shares he holds (including the VHGL Shares that will be issued upon exercise of the options, which will occur immediately prior to Completion), and has irrevocably elected to receive 42.4% of the consideration payable to him in the form of cash (equalling a payment of approximately \$0.6 million) and the remaining 57.6% in the form of Shares (equalling 357,391 Shares). See Section 9.4 for further details. Mr d'Almeida is also entitled to receive \$620,444 in connection with the cancellation of the CPSs and MCNs which he (or his associated entities (as the case may be)) holds in VHGL.

Mr d'Almeida will receive an incentive fee of up to a maximum of NZ\$2.2 million which may be paid by the Vitaco Group (in its absolute discretion before, at or following Completion) in recognition of his efforts in assisting the Vitaco Group in preparing for the Offer.

6.4.3.2 Other members of senior management

Each other member of the Vitaco Group's management is employed under individual employment agreements. These agreements establish total compensation including a base salary, superannuation contribution and incentive arrangements, variable notice and termination provisions of, in general, three months, confidentiality provisions and leave entitlements, as a minimum, as per the National Employment Standards.

Either the Vitaco Group or the executive may terminate the relevant executive's employment by providing between three and six months' notice in writing before the proposed date of termination or in the Vitaco Group's case, payment in lieu of notice.

6.4.4 Employee incentive arrangements

The Vitaco Group has established various incentive arrangements to assist in the attraction, motivation and retention of management and employees of the Vitaco Group as set out below.

Briefly, the Board has determined that to align the interests of the Vitaco Group's executive team and the goals of Vitaco Group, the remuneration packages of the CEO and the senior executives of the Vitaco Group should comprise the following components:

- fixed annual cash reward (inclusive of superannuation and fringe benefits);
- cash-based short-term incentives; and
- equity-based long-term incentives.

Payment of cash under the short-term incentives and the award of equity under long-term incentives will be subject to the achievement of performance criteria or hurdles set by the Board.

The remuneration packages of the executive team other than the CEO are determined by the Remuneration and Nomination Committee and reported to the Board. The CEO's remuneration package is considered by the Remuneration and Nomination Committee and approved by the Board. The remuneration of the executives will be reviewed annually by the Remuneration and Nomination Committee. At the absolute discretion of the Remuneration and Nomination Committee, the Vitaco Group may seek external advice on the appropriate level and structure of the remuneration packages of the executive team from time to time.

6.4.4.1 Long-term incentive plan

The Company has adopted the New LTIP to encourage executives and employees to have a greater involvement in the achievement of the Vitaco Group's objectives. Under the New LTIP, eligible employees (including executives, officers, employees and executive Directors) selected by the Board may be offered and granted Options or Rights.

The Vitaco Group may offer additional incentive schemes to management and employees over time.

Eligibility

Eligibility to participate in the New LTIP and the number of Options or Rights offered to each eligible employee, will be determined by the Board. Non-Executive Directors of the Vitaco Group are not permitted to participate in the New LTIP.

Grants

Under the rules of the New LTIP, Options and/or Rights may be offered and granted to eligible employees of the Vitaco Group from time to time, subject to the absolute discretion of the Board.

The Company currently intends to make offers of Options and Rights to the CEO and each of the members of Management set out in Section 6.4.4 simultaneously with Completion of the Offer. The Company intends that the maximum notional value of the Options and Rights offered to the CEO will be 50% of his total fixed remuneration (**TFR**) and to Management will be between 20-30% of their aggregate TFR depending on the senior executive.

Terms and conditions

The Board has the absolute discretion to set the terms and conditions (including conditions in relation to vesting, cash settlement, disposal restrictions or forfeiture and any applicable exercise price) on which it will offer and grant Options or Rights under the New LTIP and may set different terms and conditions which apply to different participants in the New LTIP. The Board will determine the procedure for offering and granting Options or Rights (including the form, terms and content of any offer or invitation or acceptance procedure) in accordance with the rules of the New LTIP.



Vesting conditions

Options and Rights will vest (and, in the case of Options, become exercisable) if and to the extent that any applicable performance, service and other vesting conditions specified at the time of the grant are satisfied (collectively the **Performance Criteria**) and the Options or Rights have not been forfeited. Performance Criteria may include conditions relating to employment or service, the individual performance of the participant and/or the Vitaco Group's performance. Typically, the Performance Criteria must be satisfied by reference to a predetermined performance period. Both the Performance Criteria and the performance period are set by the Board in its absolute discretion.

The Board has set the performance period for the first grant of Options and Rights to the CEO and Management as the five year period following the date of grant of the Options and Rights to these individuals.

Thereafter, the Board currently intends that subsequent offers of Options or Rights will have a performance period of five financial years commencing on 1 July of the relevant year in which an offer or grant is made under the New LTIP.

Ranking of Shares

Shares issued or transferred upon exercise of Options or conversion of Rights granted under the New LTIP will rank equally in all respects with the other issued Shares.

Voting and dividend rights of Options and Rights

Options and Rights will not carry any voting or dividend rights. Shares issued or transferred to participants on exercise of an Option or conversion of a Right will carry the same rights and entitlements as other issued Shares, including voting and dividend rights.

Issue or acquisition of Shares

Generally, Shares to be allocated to participants upon the exercise of Options, or the conversion of Rights, may be issued by the Vitaco Group or acquired on or off market by the Vitaco Group or its nominee. The Vitaco Group may appoint a trustee to acquire and hold those Shares on behalf of participants or otherwise for the purposes of the New LTIP.

Exercise of Options or Rights

A participant may exercise Options in respect of which the Board has given a vesting notice and which have not expired or been forfeited. To exercise an Option, the participant must lodge with the Company a notice of exercise and comply with any requirements under the rules of the New LTIP or as specified by the Board. Vested Rights will be automatically converted to Shares.

Expiry of Options or Rights

Options or Rights which have not been exercised or converted, respectively, will expire if the applicable vesting conditions and any other conditions are not met during the prescribed performance period or other relevant time or, in the case of Options, if they are not exercised before the applicable last exercise date. In addition, the Board may determine that Options and Rights will lapse if the participant deals with the Options and Rights in breach of the rules of the New LTIP or in the opinion of the Directors, the participant has acted fraudulently or dishonestly or materially breached his or her obligations to the Company.

Quotation

Options and Rights will not be quoted on ASX. The Company will apply for official quotation of any Shares issued upon exercise of Options or conversion of Rights, in accordance with the Listing Rules.

Options exercise price

The Board may in its absolute discretion determine that a participant is required to pay an exercise price to exercise the Options offered and granted to that participant. No amount will be payable by a participant to acquire Shares on conversion of vested Rights.

Approval

Grants of Options or Rights under the New LTIP to an executive Director may be subject to the approval of Shareholders, to the extent required under the Listing Rules.

No hedging and no transfer

Without the prior approval of the Board, unvested or unexercised Options or Rights which have not been exercised may not be sold, transferred, encumbered or otherwise dealt with. Further, participants may not enter into any transaction, scheme or arrangement which hedges or otherwise affects the participant's economic exposure to the Options or Rights before they vest.

Capital limit

Subject to the rules of the New LTIP, the Board must not offer Options or Rights if their grant would breach the capital limit set out in ASIC Class Order 14/1000 in relation to employee share schemes (**Class Order**) or contravene the Corporations Act, Listing Rules or instruments of relief issued by ASIC from time to time. To the extent the Class Order is replaced by a new Class Order at a future date, the Company will ensure that any future offers of Options or Rights are in compliance with any capital limit prescribed under the new Class Order.

Cessation of employment

The New LTIP contains provisions concerning the treatment of vested and unvested Options or Rights in the event a participant ceases employment.



Takeovers

In relation to takeover bids made for Shares, schemes of arrangement proposed in relation to the Company or other change in control transactions in relation to the Company that occur or are proposed, the Board may in its absolute discretion determine, prior to grant or at the time of the relevant transaction, that all or a part of the participants' unvested Options or Rights will become vested. In such circumstances, the Company must promptly notify each participant in writing that he or she may, within the period specified in the notice, exercise vested Options or Rights.

Capital reconstruction

If there are certain variations of the share capital of the Company including a capitalisation or rights issue, subdivision, consolidation or reduction in share capital, the Board may make such adjustments (including to matters such as exercise price, number of Options or Rights held or number of Shares received on exercise) as it considers appropriate to ensure participants are not materially advantaged or disadvantaged, in accordance with the provisions of the Listing Rules.

Costs and administration

Generally, the Vitaco Group must bear any costs incurred in the administration of the New LTIP.

Other terms

The New LTIP also contains customary and usual terms having regard to Australian law for dealing with administration, variation and termination of the New LTIP.

6.4.4.2 Offer to CEO under the New LTIP

Mr d'Almeida will be granted Options under the New LTIP on the terms generally described in Section 6.4.4.1 and as follows:

Grant date	On Completion of the Offer
Number of Options and exercise price	<p>\$125,000 worth of Options, with the value of each Option calculated on or about the grant date by the Board having regard to a valuation prepared by an independent consultant using the Black-Scholes option pricing model.</p> <p>Each Option has an exercise price (which will need to be paid by Mr d'Almeida to exercise any vested Options) equal to the Offer Price.</p>
Number of Rights	\$125,000 worth of Rights, with the value of each Right calculated on or about the grant date by the Board having regard to a valuation prepared by an independent consultant using the Black-Scholes option pricing model.
Consideration for grant	Nil
Performance period	5 years following the date of grant of the Options and Rights to Mr d'Almeida.
Last exercise date	16 September 2021
Vesting conditions	<p>The Options and Rights will vest subject to an earnings per Share (EPS) performance hurdle over the performance period. The EPS vesting percentages will correspond to the Company's annual compounding EPS growth over the performance period (adjusted to take into account one-off items associated with the Offer, if necessary) and are as follows:</p> <ul style="list-style-type: none"> • annual compounding EPS less than or equal to 5% – 0% of the Options and Rights will vest; • annual compounding EPS greater than 5% – 20% of the Options and Rights will vest; and • annual compounding EPS growth greater than or equal to 15% – 100% of the Options and Rights will vest (the EPS Targets). <p>In the event that annual compounding EPS growth is between 5% and 15%, 20% of the Options vesting will increase linearly.</p> <p>No Options or Rights will vest during the first two years of the five year performance period. During the third, fourth and fifth year of the performance period, the Options and Rights will vest as follows:</p> <ul style="list-style-type: none"> • 1/3 of the Options and Rights will vest (in the manner set out above) if the Company has achieved the EPS Targets at any time during the first three years of the performance period; • 1/3 of the Options and Rights will vest (in the manner set out above) in the event that the EPS Targets are achieved during the fourth year of the performance period; and • 1/3 of the Options and Rights will vest (in the manner set out above) in the event that the EPS Targets are achieved during the fifth year of the performance period.



Grant date	On Completion of the Offer
Other terms	<p>If Mr d'Almeida is dismissed with cause, before the Options or Rights vest, all unvested Options and Rights will be forfeited unless otherwise determined by the Board.</p> <p>If Mr d'Almeida's employment is terminated for any other reason, there will be a pro-rata forfeiture of his Options and Rights (unless otherwise determined by the Board) and the balance of his Options and Rights will remain on foot and will be vested at the end of the vesting period subject to applicable performance conditions (unless otherwise determined by the Board).</p> <p>If there is a change in control, all of the Options and Rights will vest.</p>

Any future issues of Shares, Option or Rights under the New LTIP will be the subject of Shareholder approval in accordance with the requirements of Listing Rule 10.14 (to the extent applicable).

6.4.4.3 Short-term incentives

The Board has determined that the Vitaco Group's current remuneration policy for its eligible employees includes an annual incentive program, payments under which are subject to satisfaction of performance criteria set by the Board each year. Payment of short-term incentives in any given year is conditional upon achievement of:

- performance criteria tailored to each respective role (if any); and
- the Vitaco Group's financial performance against criteria set by the Board.

The Board has determined that the short-term incentives for the CEO and Management team (as set out in Section 6.3) for FY16 will be calculated with reference to the Vitaco Group's forecast EBITDA. In the event that the Vitaco Group achieves its forecast EBITDA for FY16 each of the CEO and Management will be entitled to a bonus equivalent to 30% of their TFR. In the event that the Vitaco Group's EBITDA for FY16 exceeds the forecast EBITDA by 10%, the CEO and Management will be entitled to a bonus equivalent to 45% of their TFR pro-rata on a straight line basis having regard to the amount by which the Group's EBITDA exceeds the forecast EBITDA.

No award of short-term incentive will be payable if the Vitaco Group does not achieve its forecast EBITDA for FY16.

6.5 Corporate governance

This Section 6.5 explains how the Board will oversee the management of the Vitaco Group's business. The Board is responsible for the overall corporate governance of the Vitaco Group. The Board monitors the operational and financial position and performance of the Vitaco Group and oversees its business strategy, including approving the strategic goals of the Vitaco Group and considering and approving a business plan and an annual budget. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Vitaco Group. In conducting business with these objectives in mind, the Board seeks to ensure that the Vitaco Group is properly managed to protect and enhance Shareholder interests, and that the Vitaco Group and its directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Vitaco Group, and has adopted or is developing relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Vitaco Group's business and which are designed to promote the responsible management and conduct of the Vitaco Group.

The main policies adopted by the Vitaco Group, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. The Vitaco Group's code of conduct outlines the standards of conduct expected of the Vitaco Group's business and personnel in a range of circumstances. In particular, the code articulates the high standards of honesty, integrity, ethical and law abiding behaviour expected of Directors, management and employees. Details of the Vitaco Group's key policies and the charters for the Board and each of its committees will be available from Listing at www.vitaco.com.au. The Vitaco Group's current operational practices include comprehensive occupational health and safety and business continuity protocols, and otherwise reflect its position as an established privately owned business and having regard to the nature, breadth and geographic reach of its operations. Following Listing, the Vitaco Group will develop further practices consistent with the policies summarised below.

6.5.1 Corporate governance principles

The ASX Corporate Governance Council has developed and released the third edition of its ASX Corporate Governance Principles and Recommendations (**ASX Recommendations**) for ASX listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. Except as set out below, the Company intends to comply with all of the ASX Recommendations with effect from Listing.



6.5.2 Board of Directors

The Board of Directors comprises four Non-Executive Directors, including the Chairman, and one Executive Director. Detailed biographies of the Directors are provided in Section 6.1.

The Board considers an independent Director to be a Non-Executive Director who is not a member of Management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent and unfettered exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis. The Board regularly reviews the independence of each Director in light of information disclosed by each Director to the Board.

The Board considers that each of Greg Richards, Emmet Hobbs and Katrina Onishi is an independent director, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of the Director's judgement and each is able to fulfil the role of an independent director for the purposes of ASX Recommendations. None of these Directors are acting as nominees or representatives of any current or former shareholder of any entity within the Vitaco Group, nor as nominees or representatives of the Joint Lead Managers or suppliers to the Vitaco Group.

Sandy Lockhart is a director of, and minority investor in, certain entities controlled by Next Capital. As Next Capital will be a substantial Shareholder of the Company on Completion of the Offer, the Directors consider that this position results in him not being an independent Director of the Company having regard to the nature of his involvement in the Company. Notwithstanding his role at Next Capital, the Board considers that Mr Lockhart will add significant value to Board deliberations given his experience and skills.

Ryan d'Almeida is considered by the Board not to be independent for the purposes of ASX Recommendations as he is the Chief Executive Officer of the Company.

6.5.3 Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and Management; and
- the authority delegated by the Board to Management and Board committees.

The Board's role is to, among other things:

- represent and serve the interests of Shareholders by overseeing and appraising the Vitaco Group's strategies, policies and performance;
- oversee the Vitaco Group, including providing leadership and setting its objectives;
- approve and monitor systems of risk management, internal compliance, accountability and control, codes of conduct and legal compliance to ensure appropriate compliance frameworks and controls are in place;
- set the risk appetite within which the Board expects Management to operate;
- monitor senior management's performance and approve remuneration policies and practices;
- monitor implementation of strategy and ensure appropriate resources are available;
- approve and monitor the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approve budgets;
- approve and monitor the corporate, financial and other reporting systems of the Vitaco Group, including external audit, and oversee their integrity;
- adopt appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards, including establishing procedures to ensure information that a reasonable person would expect to have a material effect on the price or value of the Shares is appropriately and accurately disclosed on a timely basis in accordance with all legal and regulatory requirements; and
- monitor the effectiveness of the Vitaco Group's governance practices.

Matters which are specifically reserved for the Board or its committees include:

- appointment of the Chairman;
- appointment and removal of the CEO and CFO;
- appointment of Directors to fill a vacancy or as an additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- review of corporate codes of conduct;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to Management;
- calling of meetings of Directors or Shareholders; and
- any other specific matters nominated by the Board from time to time.



The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by officers to whom the management function is properly delegated by the CEO). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider it appropriate. The Board collectively, and each Director individually, has the right to seek independent professional advice at the Vitaco Group's expense, subject to the reasonable approval of the Chairman of the Board and provided that the advice received is made available to the Board as a whole.

6.5.4 Board committees

The Board may, from time-to-time, establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee and the Remuneration and Nomination Committee. Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Vitaco Group, relevant legislative and other requirements and the skills and experience of individual Directors.

Audit and Risk Committee

Under its charter, this committee must have at least three members, a majority of whom must be independent directors and all of whom must be Non-Executive Directors. The committee must also have an independent chairman who is not the Chairman of the Board. In addition, all members of this committee must be financially literate and have familiarity with financial and accounting matters and at least one member must be a qualified accountant or other financial professional with appropriate expertise of financial and accounting matters.

The Committee currently comprises Katrina Onishi (Chair), Emmet Hobbs and Sandy Lockhart (whose relevant qualifications and experience is set out in Section 6.1). They are all financially literate.

The primary role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including:

- engaging in the oversight of, and assessing the adequacy of, the Vitaco Group's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process;
- assessing the appropriateness and application of the Vitaco Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- assessing the appropriateness of any significant accounting estimates, judgements or choices contained in the Vitaco Group's financial reports;
- reviewing all half yearly and annual reports with management, advisers, and the external auditors (as appropriate) and recommending the applicable accounts' adoption by the Board if those reports reflect the understanding of the members of the committee, and otherwise provide a true and fair view of the financial position of the Vitaco Group;
- overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficacy of those systems;
- approving the terms of engagement with the external auditor at the beginning of each financial year;
- approving policies and procedures for appointing or removing an external auditor and for external audit engagement partner rotation; and
- meeting periodically with the external auditor and inviting them to attend committee meetings to assist the committee to discharge its obligations.

Under the charter, it is the policy of the Vitaco Group that its external auditing firm must be independent of it. The committee will review and assess the independence of the external auditor on an annual basis.

The Company will comply with the ASX Recommendations in relation to composition and operation of the Audit and Risk Committee.

Remuneration and Nomination Committee

Under its charter, this committee must have at least three members, a majority of whom (including the chairman) must be independent directors and all of whom must be non-executive directors.

The Committee comprises Greg Richards (Chair), Katrina Onishi and Emmet Hobbs.

The responsibilities of the Remuneration and Nomination Committee include:

- reviewing and recommending to the Board the size and composition of the Board, including reviewing Board succession plans and the succession of the Chairman and CEO, having regard to the objective that the Board comprise directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender;
- reviewing and recommending to the Board the criteria for Board membership;
- reviewing and recommending to the Board the composition and membership of the Board;
- assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual directors, and in developing and implementing plans for identifying, assessing and enhancing director competencies;
- on an annual basis, reviewing the effectiveness of the Company's Diversity Policy by assessing the Vitaco Group's progress towards the achievement of the measurable objectives and any strategies aimed at achieving the objectives, and reporting to the Board recommending any changes to the measurable objectives, strategies or the way in which they are implemented;



- in accordance with the Company's Diversity Policy, on an annual basis, reviewing the relative proportion of women and men on the Board, in senior management positions and in the workforce at all levels of the Vitaco Group, and submitting a report to the Board, which outlines the committee's findings;
- reviewing and recommending arrangements for the CEO and any other executive directors, and the executives reporting to the CEO, including contract terms, annual remuneration and participation in the Vitaco Group's short and long-term incentive plans;
- reviewing major changes and developments in the Vitaco Group's remuneration, recruitment, retention and termination policies and procedures for senior Management;
- reviewing major changes and developments in the remuneration policies, superannuation arrangements, personnel practices and industrial relations strategies for the Vitaco Group;
- reviewing the Management performance assessment processes and results as they reflect the capability of Management to realise the business strategy;
- reviewing and approving short-term incentive strategy, performance targets and bonus payments;
- reviewing and recommending to the Board major changes and developments to the Vitaco Group's employee equity incentive plans;
- recommending whether offers are to be made under any or all of the Vitaco Group's employee equity incentive plans in respect of a financial year;
- in respect of the Vitaco Group's employee equity incentive plans, reviewing and approving the proposed terms of, and authorise the making of, offers to eligible employees of the Vitaco Group, including determining the eligibility criteria applying in respect of an offer, in respect of a financial year;
- reviewing and recommending to the Board the remuneration arrangements for the Chairman and the Non-Executive Directors of the Board, including fees, travel and other benefits;
- approving the appointment of remuneration consultants for the purposes of the Corporations Act;
- ensuring coherent remuneration policies and practices are in place which enable the Vitaco Group to attract and retain executives and Directors who will create value for Shareholders; and
- evaluating the performance of the Board, individual Directors and executives on (at least) an annual basis.

6.6 Corporate governance policies

The Board has adopted the following corporate governance policies, each having been prepared having regard to ASX Recommendations and which are available on the Company's website at www.vitaco.com.au.

6.6.1 Risk management policy

The identification and proper management of the Vitaco Group's risks are an important priority of the Board. The Vitaco Group has adopted a risk management policy appropriate for its business. This policy highlights the risks relevant to the Vitaco Group's operations and the Vitaco Group's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board is responsible for overseeing and approving risk management strategy and policies. The Board has responsibility for identifying major risk areas and implementing risk management systems. The Board is responsible for monitoring risk management and establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed. The Board may delegate these functions to the Audit and Risk Committee.

The Vitaco Group will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including assisting the CEO or CFO and Company Secretary to provide declarations required under section 295A of the Corporations Act.

The Vitaco Group will implement a system whereby management may be required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

6.6.2 Diversity policy

The Vitaco Group values a strong and diverse workforce and is committed to developing measurable objectives of diversity and inclusion in its workplace. The Vitaco Group has implemented a Diversity Policy, with meritocracy the guiding principle, which is overseen by the Board and which aligns the Vitaco Group's management systems with the commitment to develop a culture that values and achieves diversity in its workforce and on its Board. In its annual report, the Company will disclose measurable objectives for achieving diversity and progress towards achieving them and will also disclose the proportion of women in the whole organisation, women in senior executive positions and women on the Board. The Diversity Policy also includes a Board "skills matrix" requiring the Board as a whole to feature diversity, nutrition, health and wellness industry experience, business acquisition and integration experience, financial literacy and legal and regulatory knowledge, among other things.



6.6.3 Continuous disclosure policy

Once listed on the ASX, the Company will be required to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act. Subject to the exceptions contained in the Listing Rules, the Company will be required to disclose to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company has adopted a policy to take effect from Listing which establishes procedures that are aimed at ensuring that Directors and Management are aware of, and fulfil, their obligations in relation to the timely disclosure of material price-sensitive information. Under the continuous disclosure policy, the Board will be responsible for managing the Company's compliance with its continuous disclosure obligations. Continuous disclosure announcements will also be made available on the Company's website at www.vitaco.com.au.

6.6.4 Securities Trading Policy

The Vitaco Group has adopted a Securities Trading Policy which will apply to the Company and its Directors, officers, employees and management, including those persons having authority and responsibility for planning, directing and controlling the activities of the Vitaco Group, whether directly or indirectly.

The policy is intended to explain the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act and establish procedures in relation to Directors, Management or employees dealing in Shares.

Subject to certain exceptions, including severe financial hardship, the Securities Trading Policy defines certain "trading windows" during which trading in Shares by Directors, officers and certain senior executives is permitted. These trading windows are currently defined as any of the following periods:

- the period commencing 24 hours after the release of the Company's half year results to ASX and ending four weeks after such release;
- the period commencing 24 hours after the release of the Company's full year results to ASX and ending four weeks after such release; and
- the period commencing 24 hours after each of the Company's annual general meetings and ending four weeks after the relevant annual general meeting, and any additional periods determined by the Board from time to time.

In all instances, buying or selling of Shares is not permitted at any time by any person who possesses price-sensitive information. A copy of this Securities Trading Policy will be available on the Company's website at www.vitaco.com.au.

6.6.5 Code of conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, to be followed by all employees and officers. The key aspects of the code are to:

- act with honesty, integrity, fairness and responsibility and ethically and in the best interests of the Vitaco Group;
- act in accordance with all applicable laws, regulations, policies and procedures;
- have responsibility and accountability for individuals for reporting and investigating reports of unethical practices; and
- use the Vitaco Group's resources and property properly.

The code of conduct sets out the Vitaco Group's policies on various matters including ethical conduct, business conduct, compliance, privacy, security of information, integrity and conflicts of interest.

6.6.6 Communications with Shareholders

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of the Vitaco Group and that Shareholders are kept informed of all major developments affecting the state of affairs of the Vitaco Group in accordance with all applicable laws. In addition to the Company's continuous disclosure obligations, the Company has a policy of seeking to keep Shareholders informed. All ASX announcements made to the market, including annual and half-year financial results, are posted on the Company's website at www.vitaco.com.au as soon as they have been released by ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report, key policies, the charters of its Board committees and copies of all investor presentations made to analysts and media briefings will be posted on the Company's website. The website also contains a facility for the Shareholders to direct queries to the Company.

6.7 Related party transactions

Other than as disclosed in this Prospectus, the Vitaco Group is not party to any material related party arrangements.



SECTION 7

Details of the Offer

For personal use only





7.1 The Offer

This Prospectus relates to an invitation to apply for 110.3 million Shares to be issued by the Company at the Offer Price of \$2.10 per Share. The Offer is expected to raise approximately \$231.6 million.

On Completion of the Offer, 28.8 million Shares will be held by the Existing Shareholders and 28.2 million Shares will be subject to voluntary escrow agreements described in Section 7.8. The total number of Shares on issue at the Completion of the Offer will be 139.1 million, of which the Shares to be issued under this Prospectus will represent approximately 79.3%. All Shares will, once issued, rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.13.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the **Retail Offer**, which consists of:
 - the **Broker Firm Offer**, which is open only to Australian and New Zealand resident investors who are not Institutional Investors and who have received an invitation from their Broker to participate; and
 - the **Priority Offer**, which is open to selected investors in Australia and New Zealand who have received a Priority Invitation; and
- the **Institutional Offer**, which consisted of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and a number of other eligible jurisdictions.

No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares. The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer will be determined by the Company in consultation with the Joint Lead Managers.

Details of the Broker Firm Offer and the allocation policy under it are described in Section 7.3. Details of the Priority Offer and the allocation policy under it are described in Section 7.4. Details of the Institutional Offer and the allocation policy under it are described in Section 7.5. The Offer has been fully underwritten pursuant to an Underwriting Agreement under which the Joint Lead Managers have been appointed to arrange and manage and act as joint lead managers, bookrunners and underwriters of the Offer. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.4.

7.1.2 Purpose of the Offer

The purpose of the Offer is to:

- provide the Vitaco Group with access to a strengthened balance sheet and to improve capital management flexibility and capacity to fund growth initiatives;
- fund repayment of existing debt facilities;
- buy-back and/or cancel the CPSs and MCNs;
- pay, in part, the consideration payable to the Existing Shareholders for, among other things, the transfer of the VHGL Shares held by the Existing Shareholders to the Company under the Sale Deed;
- pay the costs of the Offer; and
- broaden the Vitaco Group's shareholder base and provide a liquid market for the Company's Shares.

7.1.3 Sources and uses of funds

The Offer is expected to raise gross proceeds of approximately \$231.6 million. Assuming Completion of the Offer occurs on 16 September 2015, the costs of the Offer are in line with estimates and no material changes in the AUD:NZD exchange rate (as to which, see the summary of the Sale Deed in Section 9.4 for further detail), this amount, together with debt of \$40.0 million drawn down on Completion of the Offer (as illustrated in Figure 68) will be applied as follows:

- \$96.4 million will be paid to the Existing Shareholders in part consideration for, among other things, the transfer of their VHGL Shares under the Sale Deed¹;
- \$82.7 million will be used to repay existing debt facilities²;
- \$74.5 million will be used to fund the payment of cash consideration for the buy-back and/or cancellation of the CPSs and MCNs; and
- \$18.0 million will be used to pay the Offer costs.

(1) Part of the proceeds payable to certain Existing Shareholders or their closely related parties or to VHGL security holders will be applied in repayment of loans to certain Existing Shareholders under which VHGL or certain entities affiliated with Next Capital loaned them monies for the purchase of VHGL securities.

(2) Company's estimate of debt facilities at Completion of the Offer.



FIGURE 68: SOURCES AND USES OF FUNDS

Sources of funds	\$ million	%
Cash proceeds received from the issue of new Shares by the Company	231.6	85.3%
Cash proceeds from the New Banking Facility	40.0	14.7%
Total sources	271.6	100.0%
Uses of funds	\$ million	%
Payment of proceeds to Existing Shareholders ¹	96.4	35.5%
Repayment of existing debt facilities ²	82.7	30.4%
Payment of cash consideration for the buy-back and/or cancellation of the CPSs and MCNs ¹	74.5	27.4%
Payment of Offer costs	18.0	6.6%
Total uses	271.6	100.0%

(1) Part of the proceeds payable to certain Existing Shareholders or their closely related parties or to VHGL security holders will be applied in repayment of loans to certain Existing Shareholders under which VHGL or certain entities affiliated with Next Capital loaned them monies for the purchase of VHGL securities.

(2) Company's estimate of debt facilities at Completion of the Offer.

7.1.4 Pro forma historical consolidated balance sheet

The Company's pro forma balance sheet following Completion of the Offer, including details of pro forma adjustments, is set out in Section 4.5.

7.1.5 Indebtedness

The Company's pro forma indebtedness as at 31 March 2015 and following Completion of the Offer is set out in Section 4.5.2.

7.1.6 Shareholding structure

The details of the ownership of Vitaco Group immediately prior to the Offer, and on Completion of the Offer, are set out in Figure 69 below.

FIGURE 69: SHAREHOLDING STRUCTURE

	VHGL Shares ¹ held at Prospectus Date	pre-Offer (%)	Shares held at Completion of the Offer (million)	Shares held at Completion of the Offer (%)
Next Entities	230,969	70.7%	21.3	15.3%
Mike Thompson Investments Limited ⁵	54,534	16.7%	5.0 ⁶	3.6%
Management Shareholders ^{2,4}	11,868	3.6%	1.5	1.1%
Other Shareholders ^{2,4}	29,346	9.0%	1.0	0.7%
New Shares to be issued under the Offer	–	–	110.3	79.3%
Total	326,717	100.0%	139.1	100.0%

	MCNs held at Prospectus Date	CPSs held at Prospectus Date	Funds received from buy-back and/or cancellation ⁴ (\$)
Next Entities	60,652,451	1,343,846	52,672,054
Mike Thompson Investments Limited ⁵	0	14,638,015	12,436,458
Management Shareholders ³	498,188	2,687,169	2,706,279
Other Shareholders ³	1,098,380	6,778,912	6,692,547
Total	62,249,019	25,447,942	74,507,338

(1) The Existing Shareholders currently hold VHGL Shares. Under the Sale Deed, these will be acquired by the Company in consideration for cash (funded by the proceeds of the Offer) and new Shares. The Existing Shareholders also hold other securities in VHGL, which will be bought back and/or cancelled upon Completion of the Offer.

(2) Excludes VHGL Shares to be issued upon exercise of 316,333 options issued by VHGL (which are exercisable for 1,175 VHGL Shares) to certain of its shareholders (including 133,000 options issued to Mr d'Almeida which are exercisable for 494 VHGL Shares). This exercise will occur immediately prior to Settlement and the VHGL Shares issued upon exercise will be acquired by the Company under the Sale Deed.

(3) Includes 498,188 and 256,878 combined MCNs and CPSs held by Mr d'Almeida and Mr Lockhart, respectively.

(4) Excludes 315,158 MCNs (132,506 of which will be held by Mr d'Almeida) to be issued on exercise of options issued by VHGL to certain of its shareholders. The MCNs issued on exercise of the options will be cancelled immediately upon their issue which will occur immediately prior to Settlement.

(5) Mike Thompson Investments Limited is an entity related to Mike Thompson (a former director of VHGL as at Settlement).

(6) These Shares will be held by Mike Thompson Corporate Trustee Limited as trustee of the Mike Thompson Investments Trust (an entity related to Mike Thompson (a former director of VHGL as at Settlement)).

Information on the number of Shares to be held on Completion of the Offer that will be subject to voluntary escrow arrangements, and details of those escrow arrangements, are set out in Section 7.8.

7.1.7 Control implications of the Offer

While the Existing Shareholders are expected to hold 20.7% of the Shares on issue on Completion of the Offer, the Directors do not expect any Shareholders to control the Company on Completion of the Offer (as defined in Section 50AA of the Corporations Act).



7.1.8 Potential effect of the fundraising on the future of the Company

The Directors believe that on Completion, the Company will have sufficient funds available from the cash proceeds of the Offer to fulfil the purposes of the Offer and meet the Company's stated business objectives.

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the capital of the Company).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.13 below.
What is the consideration payable for each security being offered?	The Offer Price is \$2.10 per Share.
What is the Retail Offer period?	<p>The Retail Offer opens at 9am on 4 September 2015.</p> <p>The Retail Offer closes at 5pm on 11 September 2015.</p> <p>The key dates, including details of the Offer Period, are set out on page 4. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney Time. The Company, with the prior written consent of the Joint Lead Managers, reserves the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.</p> <p>No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the date of the Prospectus.</p>
What are the cash proceeds to be raised?	Approximately \$231.6 million will be raised if the Offer proceeds.
What is the minimum and maximum Application size under the Retail Offer?	<p>The minimum Application size under the Broker Firm Offer is as directed by the Applicant's Broker.</p> <p>The minimum Application size under the Priority Offer is \$2,000 worth of Shares.</p> <p>The Company and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for. In addition, the Company and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Retail Offer which are for more than \$100,000 worth of Shares.</p> <p>There is no maximum value of Shares that may be applied for under the Offer.</p>
What is the allocation policy?	<p>The allocation of Shares between the Retail Offer and the Institutional Offer was determined by the Company and the Joint Lead Managers having regard to the allocation policy outlined in Sections 7.3.6, 7.4.6, 7.5.2.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among eligible retail clients.</p> <p>The allocation of Shares among Applicants in the Priority Offer will be determined at the absolute discretion of the Company, subject to a guaranteed minimum allocation of up to and including the amount indicated on an Applicant's Priority Invitation. The allocation of Shares among Applicants in the Institutional Offer was determined by the Company and the Joint Lead Managers. For further information on the Broker Firm Offer, Priority Offer and the Institutional Offer, see Sections 7.3, 7.4 and 7.5 respectively.</p>



Topic	Summary
Will the Shares be listed?	<p>The Company applied to ASX within seven days of the Original Prospectus date for admission to the Official List of, and quotation of its Shares by, ASX under the code 'VIT'. Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the Listing Rules, subject to any waivers obtained by the Company from time-to-time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Vitaco Group or the Shares offered for subscription.</p>
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on ASX will commence on or about 16 September 2015, initially on a deferred settlement basis until the Company has advised ASX that holding statements have been despatched to Shareholders.</p> <p>Normal settlement trading is expected to commence on or about 18 September 2015.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>The Company and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Vitaco Offer Information Line, by a Broker or otherwise.</p>
When will I receive confirmation of whether my Application has been successful?	<p>It is expected that initial holding statements will be mailed to successful Applicants by standard post on or about 17 September 2015.</p> <p>Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion of the Offer.</p>
Is the Offer underwritten?	<p>Yes. The Joint Lead Managers have fully underwritten the Offer. Details are provided in Section 7.7.</p>
Are there any escrow arrangements?	<p>Yes. Details are provided in Section 7.8.</p>
Has any ASX confirmation or ASIC modification been obtained or been relied on?	<p>Yes. Details are provided in Section 7.11.</p>
Are there any taxation considerations?	<p>Yes. Details are provided in Section 9.10.</p>
Are there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.</p> <p>See Section 9.11 for details of various fees payable by the Company to the Joint Lead Managers and by the Joint Lead Managers to certain Brokers.</p>
What should I do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the Vitaco Offer Information Line on 1800 653 805 (toll free within Australia) or +61 1800 653 805 (outside Australia) between 8.30am and 5.30pm (Sydney Time), Monday to Friday (Business Days only).</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p>



7.3 Broker Firm Offer

7.3.1 Who can apply

The Broker Firm Offer is open only to Australian and New Zealand resident investors who are not Institutional Investors and who have received an invitation from their Broker to participate. If you have received an invitation to participate from your Broker, you will be treated as a Broker Firm Applicant under the Broker Firm Offer. You should contact your Broker to determine whether you can receive an invitation from them under the Broker Firm Offer. The Broker Firm Offer is not open to persons in the United States.

7.3.2 How to apply

If you have received an invitation to participate from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to complete and lodge your Broker Firm Offer Application Form and for payment instructions. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker or Vitaco Offer Information Line on 1800 653 805 (toll free within Australia) or +61 1800 653 805 (outside Australia) to request a Prospectus and Application Form, or download a copy at www.vitaco.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (Sydney Time) on the Closing Date or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. **The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.**

The minimum application under the Broker Firm Offer is \$2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer which are for more than \$100,000 worth of Shares. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in its discretion in compliance with applicable laws.

The Company, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am (Sydney Time) on 4 September 2015 and is expected to close at 5.00pm (Sydney Time) on 11 September 2015. The Company and the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with the instructions received from their Broker.

7.3.4 Application Monies

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants.

Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be determined by the Applicant's Broker.



7.3.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to the Company to apply for Shares specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on ASX in Section 7.12 and the acknowledgements in Section 7.6). To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants.

The Joint Lead Managers, in agreement with the Company, reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

7.3.6 Broker Firm Offer allocation policy

The allocation of Shares to Brokers was determined by the Company and the Joint Lead Managers. Shares which have been allocated to Brokers for allocation to their Australian and New Zealand resident retail clients will be issued to the Applicants who have received a valid allocation of Shares from those Brokers (subject to the right of the Company and the Joint Lead Managers to reject or scale back Applications which are for more than \$100,000). It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not the Company or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them, receive the relevant Shares.

7.4 Priority Offer

7.4.1 Who can apply

The Priority Offer is open to selected investors in Australia and New Zealand who have received a Priority Invitation to participate. A Priority Invitation is a personalised invitation to apply for Shares in the Priority Offer.

The Priority Offer is not open to persons in the United States.

7.4.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you should follow the instructions on your personalised invitation for how to apply under the Priority Offer.

You may apply for an amount up to and including the amount indicated on your Priority Invitation. Applications under the Priority Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$1,000 worth of Shares thereafter.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. **The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.**

7.4.3 How to pay

Priority Invitation recipients may only apply for Shares by applying online at www.vitaco.com.au using the online Application Form and by paying their Application Monies by BPAY, electronic funds transfer or otherwise in accordance with instructions on their personalised invitation and the online Application Form. For more details, Priority Invitation recipients should refer to www.vitaco.com.au or contact the Vitaco Offer Information Line on 1800 653 805 (toll free within Australia) or +61 1800 653 805 (outside Australia) between 8.30am and 5.30pm (Sydney Time), Monday to Friday (Business Days only). If completing your payment by BPAY, please make sure to use the specific biller code and unique Customer Reference Number (CRN) generated by the online Application Form. Application Monies under the Priority Offer must be received by the Share Registry by no later than 5.00pm on 11 September 2015 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company nor the Joint Lead Managers take any responsibility for any failure to receive Application Monies before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

7.4.4 Application Monies

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down and any excess refunded (without interest).



If the amount of your Application Monies that you pay via BPAY is less than the amount specified on your online Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

7.4.5 Acceptance of Applications

An Application in the Priority Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on ASX in Section 7.12 and the acknowledgements in Section 7.6). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company and the Joint Lead Managers in respect of the full number of Shares specified on the Application Form or any of them, without further notice to the Applicant. Subject to any guaranteed allocation referred to in Section 7.4.6, the Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer who are allocated a lesser number of Shares than the amount applied for will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. Any excess funds due solely to rounding will not be refunded.

If the amount of your Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

Acceptance of an Application will give rise to a binding contract.

7.4.6 Priority Offer allocation policy

Priority Offer Applicants may be eligible to receive a guaranteed allocation up to and including the amount indicated on their Priority Invitation or such lesser amount validly applied for. Beyond this, the allocations under the Priority Offer will be at the absolute discretion of the Vitaco Group.

7.5 Institutional Offer

7.5.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia, New Zealand and a number of other eligible jurisdictions to apply for Shares. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.5.2 Allocation policy under Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Company in consultation with the Joint Lead Managers. The Company and the Joint Lead Managers had absolute discretion regarding the basis of allocation of Shares among Institutional Investors and there was no assurance that any Institutional Investor would be allocated any Shares, or the number of Shares for which it had bid.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by a number of factors including:

- the number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Listing;
- the Company's desire to establish a wide spread of institutional shareholders;
- the overall level of demand under the Broker Firm Offer, Priority Offer and the Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that the Company and the Joint Lead Managers considered appropriate.

7.6 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;



- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or New Zealand (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Retail Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States, except in accordance with U.S. Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the U.S. Securities Act and any other applicable state securities laws;
- it is not in the United States;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
- it will not offer or sell the Shares in any other jurisdiction outside Australia.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.7 Underwriting arrangements

The Offer is fully underwritten pursuant to an Underwriting Agreement under which the Joint Lead Managers have been appointed to arrange, manage and act as Joint Lead Managers, joint bookrunner and joint underwriters of the Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer. The Underwriting Agreement is subject to a number of conditions precedent and sets out a number of circumstances under which the Joint Lead Managers may terminate the Underwriting Agreement and their underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the conditions precedent and termination provisions, is provided in Section 9.4.

7.8 Escrow arrangements

Except as set out below, the Shares held by each of the Escrowed Shareholders (other than any Shares acquired by them under the Offer) will be escrowed until the date on which the Company provides to the ASX its preliminary final report for FY16.

The voluntary escrow arrangements which will apply with respect to the escrowed Shares held by the Next Entities and Mike Thompson (a former director of VHGL as at Settlement) are outlined in Figure 70.

FIGURE 70: SUMMARY OF ESCROW ARRANGEMENTS FOR THE NEXT ENTITIES AND MIKE THOMPSON

Securities to be released from escrow	Escrow release conditions
25% of escrowed Shares held at Completion of Offer (other than Shares acquired by them under the Offer).	<ul style="list-style-type: none"> • Financial results for 1H16 being released; and • Volume-weighted average price of the Shares in any 20 consecutive trading days following release of those financial results exceeding the Offer Price by more than 20%.

Each of the Escrowed Shareholders has agreed to enter into an escrow deed in respect of their escrowed Shares. This deed will prevent them from disposing of their escrowed Shares for the applicable escrow period.

The restriction on "disposing" is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of (or offering to sell, assign, transfer or otherwise dispose of) any interest in the escrowed Shares, encumbering or granting a security interest over the escrowed Shares, granting or exercising an option over the escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring, whether directly or indirectly, effective ownership or control of, or any interest in or economic benefit of, any of the escrowed Shares, or agreeing to do any of those things.



All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholders to accept an offer under a takeover bid in relation to their escrowed Shares if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid; or
- the escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act.

During the escrow period, the Escrowed Shareholders whose Shares are subject to escrow may also:

- transfer their Shares in the event of death, serious disability or incapacity;
- dispose of their Shares to immediate family members and certain other related entities; and
- deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

In aggregate 28.2 million Shares will be the subject of these escrow arrangements. This is not expected to have an effect on the liquidity of trading Shares on the ASX.

The number of Shares in respect of which the Escrowed Shareholders have agreed to enter into voluntary escrow arrangements with the Company are set out in Figure 71 below.

FIGURE 71: SUMMARY OF ESCROWED SHAREHOLDERS

Name of Escrowed Shareholder	Shares held on Completion of the Offer (million)	Number of Shares held in escrow (million)
Next Capital (Services A) Pty Limited (as trustee for Next Capital Fund IA)	8.3	8.3
Next Capital (Services B) Pty Limited (as trustee for Next Capital Fund IB)	8.3	8.3
Next Capital Pty Limited as trustee for the Next Capital Health Group Co-investment Trust	4.8	4.8
Mike Thompson Investments Corporate Trustee Limited as trustee of the Mike Thompson Investments Trust	5.0	5.0
Lorraine Moser	0.3	0.3
Ryan d'Almeida	0.4	0.4
Other Management	1.2	1.2
Andrew Lockhart & Co Pty Limited as trustee for the Lockhart Investment Trust	0.1	0.1

7.9 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia and may only be distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States except in accordance with U.S. Securities Act registration requirements or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable state securities laws.

7.10 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue and transfer of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and the Joint Lead Managers also reserve the right to, subject to the Corporations Act, close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than the amount applied or bid for.



7.11 ASX and ASIC

7.11.1 ASX waivers and confirmations

The Company has applied to ASX for customary Listing Rule confirmations.

7.11.2 ASIC exemptions, modifications and relief

The Company has applied to ASIC for modification of section 708A of the Corporations Act to the extent necessary to permit the Shares to be issued to the Existing Shareholders under the Sale Deed and to any Institutional Investors acquiring Shares otherwise than under this Prospectus, to be able to be sold on ASX within 12 months of their issue without the requirement for a future disclosure document being prepared in connection with that sale. The Company has also applied to ASIC for relief so that the takeovers provisions of the Corporations Act will not apply to certain Relevant Interests that the Company would otherwise acquire in the Escrowed Shareholders escrowed Shares by reason of the voluntary escrow arrangements in relation to those Shares described in Section 7.8.

7.12 ASX listing, registers and holding statements and deferred settlement

7.12.1 Application to ASX for listing and quotation of Shares

The Company applied to ASX within seven days of the Original Prospectus date, for admission to the Official List and quotation of the Shares on ASX under the code 'VIT'. Completion of the Offer is conditional on ASX approving this application. If approval is not given for the official quotation of the Shares on ASX within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the Listing Rules, subject to any waivers obtained by the Company from time to time.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Vitaco Group or the Shares offered for subscription.

7.12.2 CHESS and issuer sponsored holdings

The Company applied to participate in ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's HIN for CHESS holders or, where applicable, the SRN of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.12.3 Deferred settlement trading and selling of Shares on the market

It is expected that trading of the Shares on ASX, on a deferred settlement basis, will commence on or about 16 September 2015.

The contracts formed on acceptance of Applications and bids in the bookbuild will be conditional on ASX agreeing to quote the Shares on ASX, the issue of Shares to successful Applicants under the Offer and on Settlement occurring.

Trading will continue on a deferred basis until the Company has advised ASX that holding statements have been despatched to Shareholders. It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving an initial holding statement, you do so at your own risk. The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, even if you obtained details of your holding from the Vitaco Offer Information Line or confirmed your firm allocation through a Broker.

Shares are expected to commence trading on ASX on a normal settlement basis on or about 18 September 2015.



7.13 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

7.13.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive, does not constitute a definitive statement of the rights and liabilities of Shareholders and is qualified by the fuller terms of the Constitution. The summary assumes that the Company is admitted to the Official List.

All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally.

7.13.2 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

7.13.3 Meetings of members

Each Shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at, general meetings of the Company and to receive all financial statements, notices and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules. The Company must give Shareholders at least 28 days' written notice of a general meeting.

7.13.4 Dividends

Subject to the Corporations Act, the Constitution and any special terms and conditions of issue, the Directors may, from time to time, pay, resolve to pay, or declare any interim, special or final dividend as, in their judgement, the financial position of the Company justifies. The Directors may fix the amount, time and method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attached to any shares or class of shares, all dividends must be paid equally on all Shares and in proportion to the number of, and the amounts paid on, the Shares held.

7.13.5 Transfer of Shares

Subject to the Constitution and to the rights or restrictions attached to any shares or a class of shares, a member may transfer all or any of their shares by:

- a Proper ASTC Transfer (as that term is defined in the Corporations Regulations); or
- a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements.

The Company may decline to register a transfer of shares in a number of situations including:

- in the circumstances permitted under the ASX Listing Rules or ASX Settlement Operating Rules, as applicable;
- where the transfer is not in registrable form; or
- where the refusal to register the transfer is otherwise permitted under ASX Listing Rules or, except for a Proper ASTC Transfer (as that term is defined in the Corporations Regulations), under the terms of issue of the shares.

If the Directors decline to register a transfer, the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal.

The Company must refuse to register a transfer of shares if required to do so by the Listing Rules. The Directors may suspend the registration of a transfer at such time and for such periods, not exceeding in total 30 days in any year, as they think fit as permitted by the Listing Rules and ASX Settlement Operating Rules.



7.13.6 Issue of further Shares

Subject to the Constitution, the Listing Rules, the ASX Settlement Operating Rules and the Corporations Act, the Directors may issue Shares or grant options over unissued Shares to any person and they may do so at such times and on the conditions they think fit. The Shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise as the Directors see fit.

7.13.7 Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

7.13.8 Winding up

If the Company is wound up, then subject to the Constitution and the rights or restrictions attached to any shares or class of shares, any surplus must be divided among the Company's members in the proportion to the number of shares held by them (irrespective of the amounts paid or credited as paid on the shares), less any amounts which remain unpaid on these shares at the time of distribution.

7.13.9 Sale of non-marketable parcels

Provided that the procedures set out in the Constitution are followed, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares. A marketable parcel of Shares is defined in the Listing Rules and is, generally, a holding of Shares with a market value of less than \$500.

7.13.10 Share buy-backs

The Company may buy back shares in itself in accordance with the provisions of the Corporations Act and, where applicable, the Listing Rules.

7.13.11 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval before any proportional takeover bid can proceed. The provision will lapse three years from the date of adoption of the Constitution unless it is renewed by special resolution of Shareholders in a general meeting.

7.13.12 Variation of class rights

At present, the Company's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the consent in writing of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

7.13.13 Reduction of share capital

Subject to the Constitution, Corporations Act and Listing Rules, the Company may reduce its share capital in any way permissible by the Corporations Act.

7.13.14 Dividend reinvestment plans

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan. It is not currently intended that a dividend reinvestment plan will be implemented.

7.13.15 Employee share plans

The Directors may implement an employee share plan for officers or employees of the Company on such terms and conditions as they think fit. Further details about the Company's short-term incentive arrangements and New LTIP are contained in Section 6.4.4.

7.13.16 Directors – appointments and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is eight or such lower number as the Directors determine provided the proposed lower number has been authorised by general meeting of the Company's members if required under the Corporations Act. The Company may elect directors by resolution. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the managing director) will then hold office until the next annual general meeting of the Company and is then eligible for election at that meeting. A Director (other than the managing director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later).



7.13.17 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote.

7.13.18 Directors remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. However, the total amount provided to all Directors (other than executive Directors) for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount has been fixed at \$750,000 with the initial remuneration of the Non-Executive Directors set out in Section 6.4.2.1. The remuneration of a Director (who is not a managing director) must not include a commission on, or a percentage of, profits or operating revenue.

The Constitution also makes provision for the Company to pay travel and other expenses of Directors incurred in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. Any Director who devotes special attention to the business of the Company or who performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director may be remunerated for the services (as determined by the Board) out of the funds of the Company.

7.13.19 Power and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and are not required by law or by the Constitution to be exercised by the Company in general meeting.

7.13.20 Indemnities

The Company, to the extent permitted by law, indemnifies each person who is a current or former director, executive officer or officer of the Company and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine against all losses or liability incurred by that person as an officer of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former Director, executive officer or officer of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine, against any liability incurred by the person as an officer of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company has entered into deeds of access, insurance and indemnity with each Director. These are summarised in Section 6.4.2.2.

7.13.21 Amendment

The Constitution may be amended only by special resolution passed by Shareholders.



SECTION 8

Investigating Accountant's Report

For personal use only





The Directors
Vitaco Holdings Limited
Level 1, 82 Waterloo Road
North Ryde NSW 2113
Australia

4 September 2015

Dear Directors

Independent Limited Assurance Report on Vitaco Holdings Limited Historical Financial Information and Forecast Financial Information and Financial Services Guide

We have been engaged by Vitaco Holdings Limited (the **Company**) and Vitaco Health Group Limited (**Vitaco**) to report on the historical and forecast financial information of Vitaco and the Company for inclusion in the Prospectus dated 4 September 2015 in connection with the initial public offering of Shares in the Company and listing of the Company on the Australian Securities Exchange (**Offer**).

Expressions and terms defined in the Prospectus have the same meaning in this report, unless otherwise specified.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of Vitaco and the Company included in the Prospectus, (collectively **the Financial Information**):

a. Historical Financial Information collectively being the:

- i. **Statutory Historical Financial Information** of Vitaco being the:
 - net revenue and net profit after tax (NPAT) for the years ended 31 March 2013, 31 March 2014 and 31 March 2015;
 - net free cash flow before financing, tax and dividends for the years ended 31 March 2013, 31 March 2014 and 31 March 2015; and
 - statutory statement of financial position as at 31 March 2015; and

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



ii. **Pro Forma Historical Financial Information** of the Company being the:

- pro forma statements of financial performance for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- pro forma cash flow statements for the years ended 30 June 2013, 30 June 2014 and 30 June 2015; and
- pro forma statement of financial position as at 31 March 2015.

in each case, which assumes completion of the Offer and any other pro forma adjustments described in the Prospectus.

b. **Forecast Financial Information** collectively being:

i. **Statutory Forecast Financial Information** comprising:

- statutory forecast statement of financial performance and cash flows of the Company for the 15 month period ending 30 June 2016; and

ii. **Pro Forma Forecast Financial Information** comprising:

- pro forma forecast statements of financial performance and cash flows of the Company for the year ending 30 June 2016 which assume completion of the Offer and any other pro forma adjustments described in the Prospectus.

Statutory Historical Financial Information

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Vitaco's adopted accounting policies. The Statutory Historical Financial Information has been extracted from the financial reports of Vitaco for the years ended 31 March 2013, 31 March 2014 and 31 March 2015, which were audited by PricewaterhouseCoopers New Zealand in accordance with New Zealand Auditing Standards. PricewaterhouseCoopers New Zealand issued an unmodified audit opinion on each financial report. The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Vitaco, after adjusting for the effects of pro forma adjustments described in section 4.2.3 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4.2.3 of the Prospectus, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

Statutory Forecast Financial Information

The directors' best-estimate assumptions underlying the Statutory Forecast Financial Information are described in section 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.



Pro Forma Forecast Financial Information

The Pro Forma Forecast Financial Information has been derived from the Company's Statutory Forecast, after adjusting for the effects of the pro forma adjustments described in section 4.7 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast and the events or transactions to which the pro forma adjustments relate, as described in sections 4.2.3 and 4.2.4 of the Prospectus, as if those events or transactions had occurred as at the date of the Statutory Forecast.

Due to its nature, the Pro Forma Forecast does not represent the company's actual prospective financial performance and/or cash flows for the year ending 30 June 2016.

Directors' Responsibility

The directors of the Company are responsible for the preparation of the Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Statutory Forecast Financial Information, including its basis of preparation and the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation of the Pro Forma Forecast Financial Information, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of historical financial information, pro forma historical financial information, a statutory forecast and a pro forma forecast that are free from material misstatement.

Our Responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and Forecast Financial Information, the best-estimate assumptions underlying the Forecast Financial Information, and the reasonableness of the Forecast Financial Information itself, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of Vitaco, as described in section 4.1 of the Prospectus, and comprising:

- i. net revenue and net profit after tax (NPAT) for the years ended 31 March 2013, 31 March 2014 and 31 March 2015;



- ii. net free cash flow before financing, tax and dividends for the years ended 31 March 2013, 31 March 2014 and 31 March 2015; and
- iii. statutory statement of financial position as at 31 March 2015,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2.1 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and Vitaco's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in section 4.1 of the Prospectus, and comprising:

- i. pro forma statements of financial performance for the years ended 30 June 2013, 30 June 2014 and 30 June 2015;
- ii. pro forma cash flow statements for the years ended 30 June 2013, 30 June 2014 and 30 June 2015; and
- iii. pro forma statement of financial position as at 31 March 2015,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2.1 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4.2.3 and 4.2.4 of the Prospectus, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information; and
- in all material respects, the Statutory Forecast Financial Information:
 - is not properly prepared on the basis of the directors' best-estimate assumptions as described in section 4.7 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:



- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and
- in all material respects, the Pro Forma Forecast Financial Information:
 - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 4.7 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Statutory Forecast and the pro forma adjustments as if those adjustments had occurred as at the date of the Statutory Forecast; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the 15 month period ending 30 June 2016 and year ending 30 June 2016 respectively. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in section 4.9 and section 5 of the Prospectus. The sensitivity analysis described in section 4.9 of the Prospectus demonstrates the impact on the Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast Financial Information or Pro Forma Forecast Financial Information will be achieved.

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information have been prepared by the directors for the purpose of inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information or Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company



has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4.1 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this report in the Prospectus in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Jonathan Griffiths
Authorised Representative of
PricewaterhouseCoopers Securities Ltd



Appendix A to Investigating accountants report – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 3rd September 2015

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Vitaco Holdings Limited ("**Company**") and Vitaco Health Group Limited ("**Vitaco**") to provide a report in the form of an Investigating Accountant's Report in relation to the Financial Information (the "**Report**") for inclusion in the prospectus dated 4 September 2015.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.



5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to \$890,000 (excluding disbursements and GST) for the above services up until the Prospectus Date.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of Vitaco and the Company.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Jonathan Griffiths
Authorised Representative of
PricewaterhouseCoopers Securities Ltd
Darling Park, Tower 2
201 Sussex Street
Sydney NSW 2000
GPO Box 2650
Sydney NSW 2001



SECTION 9

Additional information

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9.1 Registration

The Company was incorporated in Victoria, Australia on 1 July 2015 as a public company limited by shares. At the Prospectus Date, the Company had one Share on issue held by Next Capital (Services A) Pty Limited as trustee for Next Capital 1A.

9.2 Company tax status

The Company will be taxed as an Australian tax resident public company for the purpose of Australian income tax law.

Prior to Completion of the Offer, the Company will form a new Australian income tax consolidated group with its wholly owned Australian tax resident subsidiary, Vitaco Health IP Pty Limited. VHGL's Australian subsidiaries will, following an internal restructure affected pursuant to the Implementation Deed, will join the Australian income tax consolidated group. A full assessment of the income tax consolidation implications will be completed following the Offer.

9.3 Corporate structure

The following diagram shows at a high level the corporate structure of the Vitaco Group on Completion of the Offer.

GROUP STRUCTURE CHART



9.4 Material Contracts

Summaries of contracts set out in this Prospectus are included for the information of potential investors, but do not purport to be complete and are guided by the text of the contracts themselves.

Implementation Deed

Each company in the Vitaco Group and the Existing Shareholders have entered onto an Implementation Deed pursuant to which, among other things:

- a re-organisation of certain subsidiaries of the Vitaco Group will take place in light of the Company becoming the holding company of the Vitaco Group on implementation of the transactions contemplated by the Sale Deed;
- dormant, non-trading companies in the Vitaco Group will be deregistered; and
- intellectual property owned by the Vitaco Group will be transferred between members of the Vitaco Group,

on or prior to Settlement.

From the date of entry into the Implementation Deed until Completion of the Offer, VHGL has agreed to indemnify the Company against all loss, damage, cost, liability or expense which the Company suffers or incurs by reason of any claim by any third-party against the Company in respect of the transactions carried out under the Implementation Deed.

Once all of the transactions contemplated by the Implementation Deed have been completed, the Vitaco Group will be as diagrammatically represented in Section 9.3.

Sale Deed

Under the Sale Deed, each of the Existing Shareholders has agreed to sell all of its VHGL Shares to the Company, free from encumbrances, for an aggregate consideration calculated taking the equity value of the Company (being the Offer Price multiplied by the number of Shares following the Offer), adding an amount equal to the amounts received by the Vitaco Group from certain Existing Shareholders in consideration for the exercise of the options in VHGL and the repayment of loans from VHGL to certain Existing Shareholders (as described in Sections 7.1.3 and 7.1.6 and being a total of \$4.0 million) and deducting an amount equal to the proceeds of the Offer used for all purposes described in this Prospectus other than the cash consideration payable to the Existing Shareholders under the Sale Deed.

Section 7.1.3 sets out the expected quantum of each of the above, assuming Completion of the Offer occurs on 16 September 2015, the costs of the Offer are in line with the estimate (of \$18.0 million) disclosed in this Prospectus and there are no material changes to the AUD:NZD exchange rate (which impacts, among other things, the amount of the Vitaco Group's outstanding debt and the amounts required to fund the buy-back and/or cancellation of the CPSs and MCNs). To the extent that these assumptions are not met, certain



of the amounts may vary, affecting the aggregate consideration paid for VHGL Shares. Any change to the aggregate consideration paid for VHGL Shares (which could be positive or negative) will impact the amount of cash received by Existing Shareholders.

The Existing Shareholders may elect to receive the consideration for their VHGL Shares in the form of cash, or a combination of cash and Shares and have irrevocably elected to do so as follows (with the cash amounts based on estimated costs of the Offer of \$18.0 million and based on an assumed AUD: NZD exchange rate of 0.885):

FIGURE 72: EXISTING SHAREHOLDER CONSIDERATION

Existing Shareholder	Cash (\$ million)	Shares (million)
Next Entities	65.9	21.3
Mike Thompson Investments Limited	15.6	5.0
Management Shareholders	2.7	1.5
Other Existing Shareholders	12.2	1.0

Completion of the sale of VHGL Shares under the Sale Deed is conditional on settlement of the Offer. The Shares issued to certain of the Existing Shareholders will be subject to escrow arrangements as set out in Section 7.8. Shares offered to Existing Shareholders under the Sale Deed are issued with disclosure under this Prospectus and on the terms set out in this Prospectus.

Underwriting Agreement

The Company and the Joint Lead Managers have entered into an Underwriting Agreement dated 21 August 2015 with respect to the management of the Offer. Under the Underwriting Agreement, the Joint Lead Managers have agreed to underwrite and manage the Offer (in their respective proportions), including the bookbuild, and to provide settlement support for the settlement obligations of successful Applicants under the Broker Firm Offer and Institutional Offer.

For the purpose of this Section 9.4, 'Offer Documents' includes any of the following documents issued or published by, or on behalf of, and with the authorisation of, the Company in respect of the Offer, and in the form agreed by the Joint Lead Managers:

- this Prospectus, the Application Forms and any supplementary or replacement prospectus;
- the pathfinder version of this Prospectus (including any cover email) that was used by or on behalf of the Company to conduct the Offer; and
- the marketing, roadshow presentation and/or ASX announcement(s) used by or on behalf of the Company to conduct the Offer.

For the purposes this Section 9.4, Gross Proceeds of the Offer is the amount calculated as the number of Shares issued under the Offer multiplied by the Offer Price but excluding:

- Shares issued to Existing Shareholders under the Sale Deed;
- employees of the Vitaco Group; and
- any cornerstone investor in the Offer which is not introduced by the Joint Lead Managers.

Commissions, fees and expenses

The Company must pay the Joint Lead Managers in accordance with the Underwriting Agreement a commission of 2.5% of the Gross Proceeds of the Offer on the date of Settlement payable to the Joint Lead Managers in their Respective Proportions (**Base Fee**) (2.0% to be paid as an underwriting fee (paid solely as consideration for underwriting the Offer) and 0.5% to be paid as a management fee (paid solely as consideration for joint lead managing the Offer and arranging the bookbuild)).

In the event that the difference between the Base Fee payable to the Joint Lead Managers is greater than \$425,000 (after deducting any amounts due and payable by the Joint Lead Managers in respect of commissions and fees due and payable to brokers and sub-underwriters to the Offer) (**Base Cap**), any amounts payable to the Joint Lead Managers where the difference is greater than the Base Cap will be paid in equal proportions to the Joint Lead Managers (rather than in accordance with their Respective Proportions).

The Company may also elect, at its absolute discretion, to pay the Joint Lead Managers an incentive fee of up to 0.75% of the total Gross Offer Proceeds within 30 days of the date of Settlement. The Company has agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses incurred by the Joint Lead Managers in relation to the Offer.

The Joint Lead Managers will be responsible for all fees and costs payable to any co-managers and/or brokers appointed by the Joint Lead Managers with respect to the Offer.

Termination events

The Joint Lead Managers may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 10.00am on the date of settlement of the Offer by notice to the Company if any of the following events, among others, occur:

- the Company issues or is required to issue, a supplementary or replacement prospectus, in each case, to comply with Section 719 of the Corporations Act in a form that has not been approved by the Joint Lead Managers;
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, or conditions that are acceptable to the Company and the Joint Lead Managers (acting reasonably) to: (i) the Company's admission to the Official List within the specified time; or (ii) the quotation of Shares on ASX or for the Shares to be traded through CHESS within



the specified time and in either case if approval is granted, that approval is subsequently withdrawn, qualified (other than by customary conditions or conditions that are acceptable to the Joint Lead Managers (acting reasonably)) or withheld;

- any of the following notifications are made in respect of the Offer:
 - ASIC issues an order (including an interim order) under Section 739 of the Corporations Act;
 - ASIC holds a hearing under Section 739(2) of the Corporations Act;
 - an application is made by ASIC for an order under Part 9.5 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer Documents or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer Documents;
 - any person (other than the Joint Lead Managers) who has previously consented to the inclusion of its name in the Prospectus withdraws that consent; or
 - any person (other than the Joint Lead Managers) gives a notice under Section 730 of the Corporations Act in relation to the Prospectus.
- the Company does not provide a closing certificate as and when required by the Underwriting Agreement;
- the Company withdraws the Offer;
- any person makes an application for an order under Part 9.5, or to any governmental agency, in relation to the Prospectus or the Offer or ASIC commences or gives notice of an intention to hold, any investigation, proceedings or hearing in relation to the Offer or the Prospectus;
- the Company is prevented from issuing the Shares within the time required by the timetable for the Offer, the Offer Documents, the ASX Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws, an order of a court of competent jurisdiction or a governmental agency;
- the Company: (i) other than as disclosed in the Prospectus or as permitted under the Underwriting Agreement, alters the issued capital of the Company or (ii) disposes or attempts to dispose of a substantial part of the business or property of the Company, without the prior written consent of the Joint Lead Managers;
- the Company or a material member of the Group is or becomes insolvent or there is an act or omission which may result in the Company or a material member of the Group becoming insolvent; or
- ASX withdraws, revokes or amends any waivers of the Listing Rules granted by ASX in connection with the Offer or ASIC withdraws, revokes or amends any modifications of the Corporations Act granted by it in connection with the Offer.

Termination subject to materiality

The Joint Lead Managers may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 10.00am on the date for Settlement by notice to the other parties, if any of the following events, among others, occur and the Joint Lead Managers have reasonable grounds to believe that the event (i) has or is likely to have a material adverse effect on the success, Settlement, marketing or outcome of the Offer, on the ability of the Joint Lead Managers to market, promote or settle the Offer or on the likely price at which the Shares will trade on ASX, or on the willingness of investors to apply for Shares or (ii) will, or is likely to, give rise to a liability of the Joint Lead Managers under, or a contravention by the Joint Lead Managers or their affiliate of, any applicable law:

- a statement in any of the Offer Documents or certain information made public in relation to the business or affairs of the Company (**Public Information**) is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included by Australian law in the Offer Documents is omitted from the Offer Documents;
- the due diligence report, verification materials or any other information provided by or on behalf of the Company to the Joint Lead Managers concerning the Company, or the Offer is or becomes false, misleading or deceptive, or likely to mislead or deceive including by way of omission;
- at any time the S&P /ASX 200 Index falls to a level that is 15% or more below its level as at 5.00pm on the business day immediately prior to the date of the Underwriting Agreement and such decline continues for a period of three consecutive business days;
- a change in the chief executive officer or chief financial officer of the Company occurs;
- any of the following occur: (i) a director or proposed director or any officer of the Company engages or has engaged in any fraudulent conduct or activity or is charged with an indictable offence, (ii) any governmental agency commences any public action against the Company or any other member of the Vitaco Group or any of the directors or prospectus directors of the Company in their capacity as officers of the Company, or announces that it intends to take such action, (iii) any director or proposed director of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act, or (iv) any member of the Vitaco Group engages in fraudulent conduct or activity, whether or not in connection with the Offer;
- there is a new circumstance that arises after the Lodgement Date that would have been required to be included in this Prospectus if it had arisen before lodgement;
- the Offer is not conducted in accordance with the timetable or any event specified in the timetable is delayed for more than three Business Days without the prior written consent of the Joint Lead Managers;
- a new law is introduced, or there is a public announcement of a proposal to introduce a new law, into the Parliament of Australia, or any state or territory of Australia, or the Reserve Bank of Australia, or any Commonwealth or state authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy that has been announced before the date of the Underwriting Agreement);
- the Company defaults on one or more of its obligations under the Underwriting Agreement;



- a representation, warranty or undertaking contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- a closing certificate that the Company provides under the Underwriting Agreement is false, misleading or deceptive (including by way of omission);
- there is, or is likely to be, in the reasonable opinion of the Joint Lead Managers, an adverse effect, when compared to the position disclosed in the Offer Documents or the Public Information;
- any government agency (other than ASX or ASIC) commences or gives notice of an intention to hold, any enquiry; and
- any of the following occurs: (i) a general moratorium on commercial banking activities in Australia, the United States, the United Kingdom or New York is declared by the relevant central banking authority in those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries, (ii) any adverse effect on the financial markets in Australia, Hong Kong, Japan, the United States or the United Kingdom; or (iii) trading in all securities quoted or listed on the ASX, New York Stock Exchange or London Stock Exchange is suspended or limited in a material respect for 3 consecutive trading days on which that exchange is open for trading.

Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Joint Lead Managers (as well as common conditions precedent, including the entry into a voluntary escrow deed by certain of the Escrowed Shareholders and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by the Company relate to matters such as the conduct of the Company, power and authorisations, information provided by the Company, financial information, information in this Prospectus, the conduct of the Offer, and compliance with laws, the Listing Rules and other legally binding requirements. The Company also provides additional representations and warranties in connection with matters including in relation to its assets, litigation, non-disposal of escrowed Shares, entitlements of third parties, tax, insurance, authorisations, eligibility for Listing and internal accounting controls. The Company's undertakings include that it will not, during the period following the date of the Underwriting Agreement until 90 days after Shares have been issued under the Offer, issue any equity securities or dispose (or permit any other member of the Vitaco Group to dispose) of all or any material part of its or their business, assets or property or acquire any material asset except in the ordinary course without the consent of the Joint Lead Managers subject to certain exceptions. These exceptions include an issue of securities under the sale deed pursuant to the LTIP as described in the Offer Documents or a proposed transaction fully and fairly disclosed in the pathfinder version of this Prospectus.

Indemnity

Subject to certain exclusions relating to, among other things, gross negligence, fraud or wilful misconduct of an indemnified party, the Company has agreed in the Underwriting Agreement to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

Musashi Purchase

On 26 June 2015, Vitaco Australia and Health Foods (together, the **Musashi Purchasers**) entered into a share and asset sale agreement (**Musashi SPA**) with Post Holdings and Premier Nutrition (together, the **Vendors**).

Pursuant to the terms of the Musashi SPA, on 1 July 2015:

- Vitaco Australia acquired the entire issued capital of Post Australia from Post Holdings; and
- the Musashi Purchasers acquired all intellectual property rights relating to the "Musashi" brand from Premier Nutrition.

The Musashi SPA is governed by the laws of New South Wales, Australia.

Consideration

The total consideration paid by the Musashi Purchasers under the Musashi SPA is reflected in the financial information contained in Section 4.

The purchase price payable for the shares in Post Australia is subject to a post-completion working capital adjustment, which may result in Vitaco Australia paying an additional amount to Post Holdings or receiving a refund of part of the purchase price already paid.

Of the consideration paid for the shares in Post Australia, \$1.575 million is currently held by a third-party in escrow pending the outcome of the determination of the tax treatment of certain intercompany loans which were repaid by the Vendors prior to completion of the Musashi SPA. The parties will apply to the ATO for a private binding ruling in relation to the application of the debt forgiveness rules to the repayment of the intercompany loans. If the ruling is favourable to the parties, Vitaco Australia will receive up to 50% of the amount currently held in escrow as a reduction in the purchase price.

Representations and warranties

The Vendors have provided certain standard representations and warranties to the Musashi Purchasers in relation to Post Australia and its business, the shares in Post Australia which were acquired and the intellectual property rights relating to the 'Musashi' brand.

If any of the warranties or representations given by the Vendors under the SPA are untrue, incorrect or misleading, the Musashi Purchasers will have a right to bring a claim for damages against the Vendors, subject to a number of standard limitations and qualifications.



Transaction documents

As part of the acquisition of Post Australia under the Musashi SPA, the parties also entered into a number of ancillary transaction documents, as summarised below.

- **(IP Assignment Deed)** The Vendors and the Musashi Purchasers entered into a deed of assignment of intellectual property dated 1 July 2015 to effect the transfer of the intellectual property rights relating to the 'Musashi' brand in accordance with the terms of the SPA.
- **(IP Sublicense)** Premier Nutrition, the Musashi Purchasers and Post Australia entered into an intellectual property sub-licence agreement dated 1 July 2015 pursuant to which Premier Nutrition granted to the Musashi Purchasers and Post Australia a perpetual, world-wide, fully paid sub-licence of certain intellectual property rights in connection with the ongoing operation of the 'Musashi' business.
- **(Manufacturing Agreement)** PowerBar Europe and Post Australia (a wholly owned subsidiary of the Company following completion of the SPA) entered into a manufacturing agreement dated 1 July 2015 pursuant to which PowerBar Europe agreed to continue to manufacture, package and supply certain 'Musashi' branded products to Post Australia for a period of 12 months. The Manufacturing Agreement contains standard representations and warranties in relation to the quality of the products being manufactured. Post Australia may terminate the Manufacturing Agreement at any time after 1 January 2016 by giving PowerBar Europe at least three months' written notice. The Manufacturing Agreement may also be terminated immediately in the event of a breach or if a party is or becomes insolvent.
- **(Transitional Services Agreement)** PowerBar Europe, Premier Nutrition and Post Australia entered into a transitional services agreement dated 1 July 2015 under which Post Australia was appointed as the non-exclusive distributor of certain "PowerBar" branded products within Australia and New Zealand for a period of three months. The Transitional Services Agreement contains standard representations and warranties in relation to the quality of the products supplied. Under the Transitional Services Agreement, Post Australia is licenced to use the 'PowerBar' trade marks during the term in order to promote, advertise and market the 'PowerBar' products. The Transitional Services Agreement may be terminated immediately in the event of a breach or if a party is or becomes insolvent.

9.5 Consents to be named and inclusion of statement and disclaimers of responsibility

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the directors of the Company, persons named in the Prospectus with their consent as proposed directors of the Company, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to below (each a Consenting Party), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified below:

- J.P. Morgan;
- Citi;
- Bell Potter;
- Ord Minnett;
- Minter Ellison;
- PwCS;
- PwC;
- Intrinsic Partners;
- Link Market Services Limited;
- Euromonitor; and
- Aztec.

PwCS has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, including its Investigating Accountant's Report in Section 8 and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements) in this Prospectus.



Each of Euromonitor and Aztec has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, including the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to those statements) in this Prospectus.

9.6 Description of the Syndicate

The Joint Lead Managers of the Offer are Citi and J.P. Morgan.

The Co-Managers of the Offer are Bell Potter and Ord Minnett.

9.7 Regulatory

The Vitaco Group is subject to various regulatory and governmental requirements, including food safety, environmental, health and safety and related regulations. The Vitaco Group holds key certifications and regulations relating to its business activities and employs a full-time regulatory team. The Vitaco Group also invests significant resources, both financial and human, in its quality assurance, quality control and regulatory affairs functions.

Supplements and foods regulatory compliance

Australia

Foods

The Vitaco Group's food products are supplied into Australia and are compliant with the Australian New Zealand Food Standards Code or the New Zealand (Supplemented Food) Standard 2013.

Listed complementary medicines

Various Vitaco Group products are listed as complementary medicines on the ARTG. These products are regulated by the TGA under the Therapeutic Goods Act 1989 (Cth) and must be listed on the ARTG in order to be sold for use within Australia. The ability to list a product on the ARTG will depend on compliance with specific conditions as well as the payment of annual fees.

The TGA also monitors the continuing safety, quality and efficacy of products listed on the ARTG and can take enforcement action depending on the nature of the contravention, including to cancel or suspend a listing, obtain enforceable undertakings or bring proceedings to impose criminal or civil penalties. Vitaco has over 200 products listed on the ARTG.

New Zealand

Foods

The operation of food manufacturing businesses in New Zealand is regulated by the Ministry for Primary Industry (**MPI**) or local councils. The Vitaco Group operates under both MPI and local Council regulations and is regularly audited for compliance.

The Vitaco Group's food products sold in New Zealand are compliant with the Australian New Zealand Food Standards Code or the New Zealand (Supplemented Food) Standard 2013. The Vitaco Group holds registered Risk Management Programs covering the manufacture of animal products including dairy products and non-dairy products such as bee and seafood products (e.g. green lipped mussel extract).

Dietary supplements

The operation of dietary supplements manufacturing businesses in New Zealand is regulated by the New Zealand MEDSAFE. MEDSAFE is the authority responsible for the regulation of therapeutic products in New Zealand.

The New Zealand Ministry of Health has introduced draft legislation to establish a new regulatory regime (separate from that currently in place for food and medicines) which, if passed, will regulate low-risk natural health products (being dietary supplements, for example, garlic capsules, Echinacea etc) and supplementary products (e.g. vitamin tablets). The new regime, which will be phased in over three years, is intended to ensure that the natural health and supplementary products that consumers use to support their health and wellbeing:

- are safe to use;
- that the health claims made by these products are true and supported by scientific or traditional evidence; and
- that products are manufactured safely, true to label, and contain the ingredients specified.

Under the proposed regime, before a natural health and supplementary product can be distributed/sold in New Zealand it must have a 'product notifier' (which will be the manufacturer or the importer of the product). A 'product notifier' will be required to provide the Authority with details of the product, including manufacturer details, health benefit claims and certain other information. Ingredients contained in a product will be subject to acceptance by the Authority and health claims must be supported by sufficient evidence. In addition, all manufacturers will be required to obtain a licence from the Authority to manufacture natural health and supplementary products and will need to comply with the code of practice established by the Authority.

Given the quality management systems and processes which the Vitaco Group has in place at its manufacturing facilities, Management has formed the view that the likely impact of the new regulations on the Vitaco Group's ability to produce and sell its products is low.



Compliance auditing

The Vitaco Group's manufacturing facilities in New Zealand are audited by agencies including MEDSAFE and MPI. Every year, the Vitaco Group undertakes multiple individual tests on thousands of products and ingredients for purity, stability and effectiveness.

The Vitaco Group also has a number of international market registrations for foods, vitamins and dietary supplements, with approximately 280 international market registrations in 19 countries.

Industry body memberships

The Vitaco Group is a member of Complementary Medicines Australia (**CMA**) and Natural Products New Zealand (**NPNZ**) and the New Zealand Food and Grocery Council (**NZFGC**). CMA and NZFGC both publish codes of practice and guidelines which are used to assist its membership to comply with relevant legislation particularly in on-pack statements and advertising and marketing claims. These bodies also have mechanisms in place to report members who are not in compliance with these guidelines.

9.8 Litigation

The liquidators of Healthzone have made a claim against two entities in the Vitaco Group and have commenced proceedings in Australia. Those proceedings have not yet been served on the Vitaco Group.

The claims made by the liquidators to date relate to five payments which were made by Healthzone to Vitaco Australia totalling \$3,365,199.08 in the six month period prior to Healthzone being placed into voluntary administration on 8 November 2011. The liquidators allege that such payments comprise 'unfair preferences' and, are therefore voidable and should be repaid to Healthzone.

Should Healthzone be successful in its claims against Vitaco Australia, Vitaco Australia will be required to repay to Healthzone the amount of the payments received by it from Healthzone in the six months prior to it being placed into voluntary administration (together with interest on the amount). Vitaco could also be liable for the liquidators' costs of the proceedings if the liquidators are successful in their claim. However, Vitaco Australia strongly denies that the payments it received from Healthzone in the period prior to it being placed into liquidation constitute 'unfair preferences' and is vigorously defending the claims made against it by Healthzone. The Directors believe that these claims will not have a material impact on the Vitaco Group.

9.9 Claims and insurance

The Company has a range of insurance policies in place to manage the risks of its day-to-day business and certain other activities. These policies include professional indemnity insurance, which is held by all member companies of the Group, along with workers compensation insurance for all states and territories in which the Group has employees. There are additional, more specific policies in place to cover other relevant business risks, including property, corporate travel and public and products liability insurance.

9.10 Taxation considerations

The following comments provide a general summary of Australian and New Zealand tax issues for Australian and New Zealand tax resident Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their Shares on capital account.

This summary does not consider the consequences for non-Australian or non-New Zealand tax resident Shareholders, or Australian or New Zealand tax resident Shareholders who are insurance companies, banks, Shareholders that hold their Shares on revenue account or carry on a business of trading in shares or Shareholders who are exempt from Australian or New Zealand tax. This summary also does not cover the consequences for Australian tax resident Shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 (the Taxation of Financial Arrangements or "TOFA" regime).

This summary is based on the law in Australia and New Zealand in force at the Lodgement Date. This summary does not take into account the tax law of countries other than Australia and New Zealand. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The taxation laws of Australia and New Zealand or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

Shareholders should obtain their own advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

9.10.1 Dividends on a Share

Dividends may be paid to Shareholders

The Company may attach 'franking credits' to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

Under the Trans-Tasman imputation regime, the Company may also attach 'imputation credits' to such dividends. Imputation credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to New Zealand tax. It is possible for a dividend to be fully imputed, partly imputed or unimputed.



The Trans-Tasman imputation regime allows Australian and New Zealand companies to form a Trans-Tasman imputation group. This enables New Zealand and Australian Shareholders of Trans-Tasman companies to be allocated both franking credits and imputation credits in proportion to their ownership in the company. The Trans-Tasman imputation regime therefore enables the Company to pass on the benefit of imputation credits to its New Zealand Shareholders.

Australian tax implications

Individuals and complying superannuation entities

Where dividends on a Share are distributed, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend, together with any franking credit attached to that dividend if they are a "qualified person" (refer further comments below). Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a "qualified person" or where the Shareholder receives less than \$5,000 in franking credits from all sources for the income year. The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income in an income year, such Shareholders should be entitled to a tax refund.

Where a dividend paid is unfranked, the Shareholder will generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

Corporate Shareholders

Corporate Shareholders are required to include both the dividend and associated franking credit in their assessable income subject to being a "qualified person". A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate Shareholders can then pass on the benefit of the franking credits to their own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in their assessable income in determining the net income of the trust or partnership. Subject to being a "qualified person", the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

Shares held at risk

The benefit of franking credits can be denied where a Shareholder is not a "qualified person" in which case the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule including, if necessary, the related payment rule.

The holding period rule requires a Shareholder to hold the Shares "at risk" for more than 45 days continuously, in the period beginning the day after the day on which the Shareholder acquires the Shares and ending on the 45th day after the day on which the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purposes of determining the 45 day period. Any day on which a Shareholder has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares "at risk". This holding period rule is subject to certain exceptions. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where a Shareholder or their associate passes on the benefit of the dividend to another person. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. Practically, this should not impact Shareholders who do not pass the benefit of the dividend to another person. Shareholders should obtain their own tax advice to determine if these requirements have been satisfied.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in your assessable income) for a dividend received. Shareholders should consider the impact of these rules having regard to their own personal circumstances.

New Zealand tax implications

A Shareholder's tax residence status will affect how New Zealand taxes apply to a return on their Shares. A Shareholder will be a New Zealand tax resident if they are a natural person and they:

- have a permanent place of abode in New Zealand; and/or
- have been present in New Zealand for more than 183 days in a 12-month period.

If a Shareholder has been present in New Zealand for more than 183 days in a 12-month period, but does not have a permanent place of abode in New Zealand, and is subsequently absent from New Zealand for more than 325 days in a 12-month period, the Shareholder will cease being a New Zealand resident from the first day of absence.



A company is tax resident in New Zealand if it is incorporated in New Zealand, if it has its head office or centre of management in New Zealand or if its directors exercise control of the company in New Zealand.

Generally, Shares held by a trust will be treated as held by a New Zealand tax resident if a New Zealand tax resident has contributed to the trust.

If a Shareholder is a New Zealand tax resident and is also tax resident in another country, the following summary applying to New Zealand tax residents may not apply to the Shareholder, and the Shareholder should seek their own tax advice.

Distributions received by a New Zealand tax resident Shareholder will generally be taxable dividends for New Zealand tax purposes, unless the Shareholder is subject to tax under the New Zealand foreign investment fund (FIF) rules. Some distributions a Shareholder receives from the company may not be taxable dividends (for example, non-taxable bonus issues and certain returns of capital).

New Zealand operates an imputation regime under which income tax paid a company gives rise to credits, known as imputation credits, which may be attached to dividends it pays. Imputation credits attached to dividends may be used by New Zealand tax-resident Shareholders as a credit against their tax liability in respect of the dividends. The maximum ratio at which a company can attach imputation credits to dividends is 28:72 (i.e. \$28 of imputation credits to \$72 of cash dividend).

Under the Trans-Tasman imputation regime, an Australian company can elect to operate a New Zealand imputation credit account. This means dividends paid by the Company may have franking credits and/or imputation credits attached. Franking credits attached to dividends will have no implications for New Zealand tax purposes.

If a Shareholder files a New Zealand income tax return, they must include in their taxable income not only the cash dividend they receive, but also the imputation credits attached to, and Australian dividend withholding tax deducted from, the dividend. This total amount included in a Shareholder's taxable income is referred to as the gross dividend. A Shareholder will be able to use attached imputation credits and (subject to certain criteria) the Australian dividend withholding tax deducted to satisfy (or partially satisfy) their tax liability on the gross dividend. If the attached imputation credits exceed the amount of tax on the gross dividend, a Shareholder's tax liability on other income they earn may be reduced as a result of receiving the dividend. To the extent that a Shareholder cannot use the credit for Australian dividend withholding tax to satisfy (or partially satisfy) their tax liability, the credit is forfeited.

If a Shareholder does not currently file a New Zealand income tax return, the Shareholder will likely need to file an income tax return declaring the dividends from the Company.

9.10.2 Disposal of Shares

Australian tax implications

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

A CGT discount may be applied against the capital gain (after reduction of total capital gains by capital losses) where the Shareholder is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

New Zealand tax implications

Although New Zealand does not have a general capital gains tax, there are instances where a Shareholder will be subject to New Zealand tax on gains they make on the sale or disposal of their Shares or be allowed a deduction for any loss they make. A Shareholder must consider their individual circumstances to determine whether any gain on the sale or disposal of their Shares will be taxable (or loss deductible).

Generally, a Shareholder will be subject to tax on any gain (or allowed to deduct any loss) arising from the sale or disposal of their Shares if they:

- are in the business of dealing in shares;
- acquire their Shares as part of a profit-making undertaking or scheme; or
- acquire their Shares with the dominant purpose of selling them.

A Shareholders taxable gain (or tax-deductible loss) will be the difference between the New Zealand dollar cost of their Shares and the New Zealand dollar amount received for their sale or disposal. If a Shareholder has a taxable gain, they will likely be required to include that gain in a tax return for the tax year in which the sale occurs. A Shareholder will need to pay any tax owing in respect of that gain at their marginal tax rate.



9.10.3 Goods and Services Tax (GST)

Australian tax implications

Shareholders should not be liable for GST in respect of their investment in Shares. Shareholders may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect.

New Zealand tax implications

New Zealand GST should not apply to a Shareholder's investment in Shares. Separate GST advice should be sought by Shareholders in relation to their ability to deduct full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares.

9.10.4 Stamp duty

Australian duty implications

Shareholders should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone with an associated/related person, an interest of 90% or more in the Issuer. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of Shares.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

New Zealand duty implications

New Zealand does not have stamp duty. Accordingly, no stamp duty will be payable by Shareholders on the acquisition of Shares or on any subsequent transfer of Shares.

9.10.5 Tax file numbers (TFN)

Resident Shareholders may, if they choose, notify the Issuer of their TFN, ABN or a relevant exemption from withholding tax with respect to dividends. In the event the Company is not so notified, tax will automatically be deducted as the highest marginal rate, including where relevant, the Medicare Levy and Temporary Budget Repair Levy, from unfranked dividends and/or distributions.

Resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

9.11 Costs of the Offer

The Company has engaged the following professional advisers:

- J.P. Morgan and Citi have acted as Joint Lead Managers to the Offer. The Company has paid, or agreed to pay, the Joint Lead Managers approximately \$5.8 million (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to the Joint Lead Managers in accordance with their normal time-based charges;
- Minter Ellison has acted as Australian legal adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately \$700,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Minter Ellison in accordance with its normal time-based charges;
- PwCS has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries. The Company has paid, or agreed to pay, approximately \$890,000 in total (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to PwCS in accordance with its normal time-based charges;
- PwC has acted as tax adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately \$558,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to PwC in accordance with its normal time-based charges; and
- Intrinsic Partners has acted as financial adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately \$1.7 million (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Intrinsic Partners in accordance with its normal time-based charges.

These amounts and other expenses of the Offer are equal to \$18.0 million in total. This amount will be paid by the Company out of available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.3.

9.12 Governing law

This Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the law applicable in New South Wales and each Applicant and bidder submits to the exclusive jurisdiction of the courts of New South Wales.

9.13 Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus with ASIC and issue of this Prospectus and has not withdrawn that consent.



SECTION 10

Glossary

For personal use only





Term	Meaning
1H16	The six months ended 31 December 2015.
AAS	Australian Accounting Standards.
AASB	Australian Accounting Standards Board.
Applicant	A person who submits an Application under this Prospectus.
Application	An application for Shares under this Prospectus.
Application Form	The relevant form attached to or accompanying this Prospectus, including the online application form available at www.vitaco.com.au , pursuant to which applicants apply for Shares.
Application Monies	The amount accompanying an Application Form submitted by an applicant.
ARTG	Australian Register of Therapeutic Goods.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange, as operated by ASX Limited (ACN 008 624 691).
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments (third edition).
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532).
ASX Settlement Operating Rules	The operating rules of ASX Settlement and, to the extent that they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited (ACN 001 314 503).
ATO	Australian Taxation Office.
Auditor	PricewaterhouseCoopers.
AUD, A\$, \$ or Australian Dollar	The lawful currency of the Commonwealth of Australia.
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group Interpretations.
Authority	Natural Health and Supplementary Products Authority.
Aztec	IRI-Aztec (New Zealand) Limited.
BBSY	Bank Bill Swap Rate.
Bell Potter	Bell Potter Securities Limited (ACN 006 390 772).
BKBM	Bank Bill Reference Rate.
Board or Board of Directors	The board of Directors of the Company.
Broker	Any ASX participating organisation selected by the Joint Lead Managers to participate in the Broker Firm Offer.
Broker Firm Offer	The invitation to apply for Shares under this Prospectus to Australian and New Zealand resident clients of Brokers who have received an invitation to participate from their Broker.
Business Day	Means a day on which (a) ASX is open for trading in securities and (b) banks are open for general banking business in Sydney.
CAGR	Compound annual growth rate.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.



Term	Meaning
CGT	Capital gains tax.
CHESS	Clearing House Electronic Sub-register System operated in accordance with the Corporations Act.
Citi	Citigroup Global Markets Australia Pty Limited (ACN 003 114 832).
Closing Date	The date on which the Offer is expected to close being 11 September 2015 in respect of the Broker Firm Offer and the Priority Offer, unless varied.
CMA	Complimentary Medicines Australia.
Company	Vitaco Holdings Limited (ACN 606 826 493).
Company Secretary	The company secretary of the Company from time to time.
Completion or Completion of the Offer	Completion in respect of the issuance of Shares of the Offer in accordance with the Underwriting Agreement.
Constitution	The constitution of the Company as amended from time to time.
COGS	Cost of goods sold.
Corporations Act	Corporations Act 2001 (Cth).
Corporations Regulations	Corporations Regulations 2001 (Cth).
CPS	A convertible preference share in the capital VHGL.
Director	Each of the directors of the Company from time to time.
DTC	Direct-to-consumer/online channel.
EBIT	Earnings before interest, foreign exchange gains and losses, re-measurement of financial liabilities and taxation.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Enterprise Value	Calculated as the Company's indicative market capitalisation, based on the Offer Price, plus pro forma net debt on Completion of the Offer.
EPS	Earnings per share.
Escrow Period	Except with respect to the Next Entitles and Mike Thompson (whose escrow period is set out in Section 7.8), Shares held by the Escrowed Shareholders (other than any Shares acquired under the Offer) will be escrowed until the date on which the Company releases its preliminary final report for FY16 to ASX.
Escrowed Shareholders	Certain Existing Shareholders that hold Shares on Completion of the Offer.
Escrowed Shares	Certain of the Shares held by the Escrowed Shareholders on Completion of the Offer.
Euromonitor or Euromonitor International	Euromonitor International Ltd.
Existing Shareholder	The registered holder of a VHGL Share, being, as at the Prospectus Date.
Expiry Date	23 September 2016, being the date which is 13 months after the Original Prospectus date, after which no Shares will be issued or transferred under this Prospectus.
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum of seven days from the Prospectus Date, during which an application must not be accepted. ASIC may extend this period by a further seven days after the end of this period.
Financial Information	Has the meaning given in Section 4.



Term	Meaning
Forecast Financial Information	Has the meaning given in Section 4.1.
FX	Foreign exchange.
FY13	Financial year ended 30 June 2013.
FY14	Financial year ended 30 June 2014.
FY15	Financial year ended 30 June 2015.
FY16	Financial year ending 30 June 2016.
GDP	Gross Domestic Product.
GM	Gross margin.
GST	Goods and services or similar tax imposed in Australia.
Healthzone	HZ Lim Limited (ACN 118 715 772) and HZ Sol Pty Limited (ACN 002 202 913).
Health Foods	Health Foods International Limited.
HIN	Holder Identification Number.
Historical Financial Information	Has the meaning given in Section 4.1.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
Implementation Deed	The Implementation Deed entered into between each member of the Vitaco Group and the Existing Shareholders dated on or around 21 August 2015.
Intrinsic Partners	Intrinsic Partners Pty Ltd (ACN 604 731 857).
Institutional Investor	An investor who is: <ul style="list-style-type: none">• a person in Australia who is a sophisticated investor or professional investor under sections 708(8) and 708(11) of the Corporations Act; and• an institutional investor in certain other jurisdictions, as agreed between the Company and the Joint Lead Managers, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing, registration or qualification with, or approval by, any governmental agency (except one with which the Company is willing, in its absolute discretion, to comply).
Institutional Offer	The invitation to bid for Shares made to Institutional Investors to acquire Shares under this Prospectus as described in Section 7.5.1.
Investigating Accountant or PwCS	PricewaterhouseCoopers Securities Limited (ACN 003 311 617).
Investigating Accountant's Report	The Investigating Accountant's Report set out in Section 8.
J.P. Morgan	J.P. Morgan Australia Limited (ACN 002 888 011).
Joint Lead Managers	J.P. Morgan and Citi.
KPI	Key performance indicator.
Listing	The date on which the Company is admitted to the Official List.
Listing Rules	The official listing rules of ASX.



Term	Meaning
Management	The Vitaco Group's management team, led by Ryan D'Almeida (CEO).
MCN	Mandatory convertible notes issued by VHGL.
MEDSAFE	New Zealand Medicines and Medical Devices Safety Authority.
Musashi	The Musashi brand and business described in Section 9.4, acquired by the Vitaco Group.
n.a.	Not applicable.
New Banking Facilities	Has the meaning given in Section 4.5.3.
New LTIP	The Company's Long-term incentive plan, as described in Section 6.4.4.1.
Next Capital	Next Capital Pty Ltd (ACN 111 963 583).
Next Entities	Next Capital as trustee for The Next Capital Health Group Co-investment Trust, Next Capital (Services A) Pty Limited as trustee for Next Capital Fund IA and Next Capital (Services B) Pty Limited as trustee for Next Capital Fund IB.
Non-IFRS financial measures	Has the meaning given in Section 4.
NPAT	Net profit after tax.
NPD	New Product Development.
NPNZ	Natural Products New Zealand.
NZ	New Zealand.
NZFCG	New Zealand Food and Grocery Channel.
NZD, NZ\$ or New Zealand Dollar	The lawful currency of the Commonwealth of New Zealand.
Offer	The invitation under this Prospectus to apply for Shares to be issued by the Company and includes the Institutional Offer, the Broker Firm Offer and the Priority Offer.
Offer Document	The documents issued or published by or on behalf of the Company in respect of the Offer, including this Prospectus, any Application Forms, any investor presentation used in connection with the Institutional Offer and any supplementary or replacement prospectus.
Offer Price	Is the price payable for a Share under the Offer, being \$2.10 per Share.
Official List	The official list of ASX.
Options	Options over Shares granted pursuant to the LTIP.
Ord Minnett	Ord Minnett Limited (ACN 002 733 048).
Original Prospectus	The Prospectus dated 24 August 2015 and lodged with ASIC on that date, and which this Prospectus replaces.
PDF	Portable Document Format, a file format used to represent documents in a manner independent of application software, hardware, and operating system.
Post Australia	Post Foods Australia Pty Ltd (ACN 167 834 120).
Post Holdings	Post Holdings, Inc.
Premier Nutrition	Premier Nutrition Corporation.
Priority Invitation	The invitation under this Prospectus to selected investors in Australia nominated by the Company to participate in the Priority Offer on a firm basis up to the allocation of Shares nominated by the Company.



Term	Meaning
Priority Offer	The component of the Offer under which investors who have received an invitation can apply for Shares, as discussed in Section 7.4.
Pro Forma Historical Balance Sheet	The pro forma historical financial information described in Section 4.1.
Pro Forma Historical Cash Flows	The pro forma historical financial information described in Section 4.1.
Pro Forma Historical Financial Information	The pro forma historical financial information described in Section 4.1.
Pro Forma Historical Results	The pro forma historical financial information described in Section 4.1.
Prospectus	This document (including the electronic form of this document) and any supplementary or replacement prospectus in relation to this document.
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC, being 4 September 2015.
PwC	PricewaterhouseCoopers (ACN 780 433 757).
Regulation S	Regulation S promulgated under the Securities Act.
Related body corporate	Has the meaning given in the Corporations Act.
Relevant Interest	Has the meaning given in the Corporations Act. In summary, a person has a relevant interest in a security if that person is the holder of the security or if that person has the power to control the voting or disposal of the security.
Respective Proportion	For Citi means 45% and for J.P. Morgan means 55%.
Restructure	The restructure to be undertaken by the Vitaco Group as contemplated by the Implementation Deed and the Sale Deed.
Retail Investor	An investor who is not an Institutional Investor.
Retail Offer	The Broker Firm Offer and the Priority Offer.
RTD	Ready to drink beverage.
Sale Deed	The Share Sale Deed dated on or around 21 August 2015 executed by the Company and the Existing Shareholders.
Settlement	Settlement in respect of the Shares the subject of the Offer occurring as described in the Underwriting Agreement.
Share	A fully paid ordinary share in the Company.
Share Registry	Link Market Services Limited (ACN 083 214 537).
Shareholder	The registered holder of a Share.
SKU	Stock keeping unit.
SPA	The share and asset sale agreement that Vitaco Australia and Health Foods entered into with Post Holdings and Premier Nutrition on 26 June 2015.
Statutory Historical Balance Sheet	Has the meaning given in 4.1.
Statutory Historical Cash Flows	Has the meaning given in 4.1.
Statutory Historical Financial Information	Has the meaning given in 4.1.



Term	Meaning
Statutory Historical Results	Has the meaning given in 4.1.
SRN	Securityholder reference number.
Subsidiary	Has the meaning given in the Corporations Act.
Sydney Time	The time in Sydney, Australia.
TGA	Therapeutic Goods Administration.
US	The United States of America.
USD, US\$ or U.S. Dollar	The lawful currency of the United States of America.
U.S. Securities Act	United States Securities Act of 1933, as amended.
U.S. Person	Has the meaning given in Rule 902(k) of Regulation S.
Underwriting Agreement	The underwriting agreement, dated on or about the Prospectus Date, between the Company and the Joint Lead Managers as described in Section 9.4.
Vitaco Australia	Vitaco Health Australia Pty Limited (ACN 073 560 737).
Vitaco Group or Group	Prior to Settlement, VHGL and its subsidiaries; and after Settlement, the Company and its subsidiaries (including VHGL), or, where the contest requires, the business described in this Prospectus.
Vitaco Offer Information Line	1800 653 805 (toll free within Australia) or +61 1800 653 805 (outside Australia) from 8.30am to 5.30pm (Sydney Time), Monday to Friday (Business Days only).
VHGL	Vitaco Health Group Limited (NZCN 1885808).
VHGL Share	An ordinary share in VHGL.



SECTION 11

Selected Statutory Accounts Information and Reconciliations

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The statutory consolidated historical balance sheet along with other important considerations concerning the financial statements are presented in Section 4 of this Prospectus. The following financial information extracted from VHGL's audited financial statements is presented in this Section 11: (i) audited statutory consolidated historical income statements for the years ended 31 March 2013, 31 March 2014 and 31 March 2015; and (ii) audited statutory consolidated historical cash flow statements for the years ended 31 March 2013, 31 March 2014 and 31 March 2015. The reconciliations which follow have represented the format of the audited statutory historical income statements to show them by function rather than by nature for consistency with the pro forma financials in Section 4.

FIGURE 73: AUDITED STATUTORY CONSOLIDATED HISTORICAL INCOME STATEMENTS

NZ\$ millions	Notes	Historical Results		
		FY13 12m Mar-13	FY14 12m Mar-14	FY15 12m Mar-15
Revenue		179.0	169.2	172.7
Other Income		5.1	1.3	1.2
Inventories used		(97.0)	(83.2)	(90.1)
Employee benefit expenses		(29.0)	(27.0)	(28.9)
Depreciation and amortisation expense		(4.0)	(4.4)	(3.2)
Interest rate swap fair value		0.2	(0.0)	0.0
Finance costs		(10.9)	(8.7)	(6.8)
Foreign exchange gain on borrowings		1.0	7.3	1.6
Other expenses		(36.9)	(34.9)	(39.4)
Total expenses		(176.7)	(151.0)	(166.8)
Debt forgiven		9.2	–	–
Profit/Loss before income tax		16.6	19.5	7.1
Income tax		(1.3)	(5.6)	(2.3)
Profit/Loss after tax		15.3	13.9	4.8
Profit/Loss for the period attributable to shareholders of Vitaco Health Group Limited		15.3	13.9	4.8



FIGURE 74: AUDITED STATUTORY CONSOLIDATED HISTORICAL CASH FLOW STATEMENTS

NZ\$ millions	Statutory Historical Cash Flows		
	FY13 12m Mar-13	FY14 12m Mar-14	FY15 12m Mar-15
Cashflows from operating activities			
Receipts from customers (exclusive of goods and services tax)	203.0	197.8	204.4
Payments to suppliers (exclusive of goods and services tax)	(159.6)	(151.1)	(150.5)
Payments to employees	(28.7)	(26.9)	(28.8)
Interest received	0.0	0.0	0.0
Exchange (losses)/gains	0.3	(0.3)	(0.3)
Interest paid	(8.0)	(6.1)	(6.0)
Tax payments	(1.7)	(4.0)	(2.7)
Net cash inflow/(outflow) from operating activities	5.3	9.3	16.0
Cash flows from investing activities			
Payments for property, plant, equipment and shares	(7.3)	(2.9)	(2.6)
Payments for intangible assets	(0.0)	(0.2)	(1.9)
Sale of property, plant and equipment	–	0.0	0.0
Sale of intangible assets	4.0	–	–
Loans (to)/from related parties	0.1	(1.3)	(0.4)
Net cash inflow/(outflow) from investing activities	(3.3)	(4.4)	(4.9)
Cashflows from financing activities			
Proceeds from issues of shares and other equity securities	2.6	1.4	–
Proceeds from borrowings	7.0	1.1	2.7
Loan fee paid	(2.7)	–	–
Repayments of borrowings	(6.5)	(10.2)	(10.9)
Net cash inflow/(outflow) from financing activities	0.4	(7.7)	(8.2)
Net increase/(decrease) in cash and cash equivalents	2.4	(2.7)	2.9
Cash and cash equivalents at beginning of period	1.3	3.7	1.0
Cash and cash equivalents at end of period	3.7	1.0	3.8
Made up of:			
Bank overdraft	(0.3)	(0.1)	–
Cash on Hand	3.9	1.0	3.8
Cash and cash equivalents at year end	3.7	1.0	3.8



FIGURE 75: RECONCILIATION OF AUDITED STATUTORY CONSOLIDATED HISTORICAL INCOME STATEMENT
TO PRO FORMA CONSOLIDATED HISTORICAL INCOME STATEMENT FOR FY13

Notes	1		2		3		4	
	Statutory 2013 in NZD (Mar y/e)	Convert to AUD	Statutory 2013 in AUD (Mar y/e)	Deduct Apr-Jun '12	Add Apr-Jun '13	FY13 in AUD (Jun y/e)	Offer transaction costs expensed	Incremental public company costs
\$ millions								
Net revenue								
Vitamins and Supplements	78.9	(16.6)	62.3	(14.6)	16.5	64.2	–	–
Sports and Active Nutrition and Health Foods	99.4	(21.0)	78.4	(17.5)	17.9	78.8	–	–
Other	5.6	(1.1)	4.5	(1.8)	0.5	3.2	–	–
Total net revenue	183.9	(38.7)	145.2	(33.9)	34.9	146.2	–	–
COGS	(104.2)	21.9	(82.3)	19.1	(18.9)	(82.1)	–	–
Gross margin	79.7	(16.8)	62.9	(14.8)	16.0	64.1	–	–
Marketing	(11.5)	2.5	(9.0)	2.2	(2.4)	(9.2)	–	–
Distribution and Commission	(16.5)	3.4	(13.1)	3.3	(3.1)	(12.9)	–	–
SG&A	(29.7)	6.3	(23.4)	6.6	(3.0)	(19.8)	–	(1.5)
Total opex	(57.7)	12.2	(45.5)	12.1	(8.5)	(41.9)	–	(1.5)
EBITDA	22.0	(4.6)	17.4	(2.7)	7.5	22.2	–	(1.5)
Depreciation	(2.2)	0.5	(1.7)	0.4	(0.5)	(1.8)	–	–
Amortisation	(1.9)	0.4	(1.5)	0.4	(0.4)	(1.5)	–	–
EBIT	17.9	(3.7)	14.2	(1.9)	6.6	18.9	–	(1.5)
Net interest expense	(1.3)	0.1	(1.2)	2.8	(2.1)	(0.5)	–	–
PBT	16.6	(3.6)	13.0	0.9	4.5	18.4	–	(1.5)
Tax expense	(1.3)	0.3	(1.0)	(0.3)	(1.2)	(2.5)	–	–
NPAT	15.3	(3.3)	12.0	0.6	3.3	15.9	–	(1.5)

Notes:

- [1-11] Refer Financial information section (Figure 52) for detailed notes in relation to adjustments between Statutory and Pro forma information.
- [12] The Revenue and Other Income as per the audited statutory financial statements amount to NZD184.1 million as compared to the NZD183.9 million in the table above (see column "Statutory 2013 in NZD"). The \$0.2 million difference is due to the classification of foreign currency gains and losses within other income. NPAT as per the audited statutory financial statements amounts to \$15.3 million and fully reconciles to the table above.
- [13] Statutory SG&A presented in the table above includes non-cash unrealised gains and losses incurred in relation to period end mark to market adjustments associated with forward currency contracts. Statutory net interest expense presented in the table above includes forgiveness of debt, debt restructuring costs and non-cash unrealised gains and losses incurred in relation to period end restatement of foreign currency debt.



	5	6	7	8	9	10	11	
	Net interest adjustment	Musashi transaction and integration costs	Amortisation adjustment	Forgiveness of debt	Unrealised foreign exchange gains/losses	Other non- recurring items	Tax adjustment	Pro Forma FY13 in AUD
	-	-	-	-	-	-	-	64.2
	-	-	-	-	-	-	-	78.8
	-	-	-	-	-	-	-	3.2
	-	-	-	-	-	-	-	146.2
	-	-	-	-	-	-	-	(82.1)
	-	-	-	-	-	-	-	64.1
	-	-	-	-	-	-	-	(9.2)
	-	-	-	-	-	-	-	(12.9)
	-	-	-	-	(4.1)	0.7	-	(24.7)
	-	-	-	-	(4.1)	0.7	-	(46.8)
	-	-	-	-	(4.1)	0.7	-	17.3
	-	-	-	-	-	-	-	(1.8)
	-	-	1.1	-	-	-	-	(0.4)
	-	-	1.1	-	(4.1)	0.7	-	15.1
6.8	-	-	-	(7.1)	(1.1)	0.8	-	(1.1)
6.8	-	-	1.1	(7.1)	(5.2)	1.5	-	14.0
-	-	-	-	-	-	-	(1.6)	(4.1)
6.8	-	-	1.1	(7.1)	(5.2)	1.5	(1.6)	9.9



FIGURE 76: RECONCILIATION OF AUDITED STATUTORY CONSOLIDATED HISTORICAL INCOME STATEMENT TO PRO FORMA CONSOLIDATED HISTORICAL INCOME STATEMENT FOR FY14

Notes	1		2		3		4	
	Statutory 2014 in NZD (Mar y/e)	Convert to AUD	Statutory 2014 in AUD (Mar y/e)	Deduct Apr-Jun '13	Add Apr-Jun '14	FY14 in AUD (Jun y/e)	Offer transaction costs expensed	Incremental public company costs
\$ millions								
Net revenue								
Vitamins and Supplements	78.4	(9.1)	69.3	(16.5)	16.2	69.0	–	–
Sports and Active Nutrition and Health Foods	90.8	(10.6)	80.2	(17.9)	16.4	78.7	–	–
Other	1.1	(0.2)	0.9	(0.5)	0.3	0.7	–	–
Total net revenue	170.3	(19.9)	150.4	(34.9)	32.9	148.4	–	–
COGS	(89.7)	10.4	(79.3)	18.9	(18.9)	(79.3)	–	–
Gross margin	80.6	(9.5)	71.1	(16.0)	14.0	69.1	–	–
Marketing	(13.0)	1.5	(11.5)	2.4	(2.3)	(11.4)	–	–
Distribution and Commission	(15.4)	1.8	(13.6)	3.1	(3.2)	(13.7)	–	–
SG&A	(27.1)	2.6	(24.5)	3.0	(7.5)	(29.0)	–	(1.5)
Total opex	(55.5)	5.9	(49.6)	8.5	(13.0)	(54.1)	–	(1.5)
EBITDA	25.1	(3.6)	21.5	(7.5)	1.0	15.0	–	(1.5)
Depreciation	(2.5)	0.3	(2.2)	0.5	(0.6)	(2.3)	–	–
Amortisation	(1.9)	0.2	(1.7)	0.4	(0.1)	(1.4)	–	–
EBIT	20.7	(3.1)	17.6	(6.6)	0.3	11.3	–	(1.5)
Net interest expense	(1.2)	0.6	(0.6)	2.1	(1.5)	–	–	–
PBT	19.5	(2.5)	17.0	(4.5)	(1.2)	11.3	–	(1.5)
Tax expense	(5.6)	0.7	(4.9)	1.2	0.5	(3.2)	–	–
NPAT	13.9	(1.8)	12.1	(3.3)	(0.7)	8.1	–	(1.5)

Notes:

- (1-11) Refer Financial information section (Figure 52) for detailed notes in relation to adjustments between Statutory and Pro forma information.
- (12) The Revenue and Other Income as per the audited statutory financial statements amount to NZD170.5 million as compared to the NZD170.3 million in the table above (see column "Statutory 2014 in NZD"). The \$0.2 million difference is due to the classification of foreign currency gains and losses within other income. NPAT as per the audited statutory financial statements amounts to \$13.9 million and fully reconciles to the table above.
- (13) Statutory SG&A presented in the table above includes non-cash unrealised gains and losses incurred in relation to period end mark to market adjustments associated with forward currency contracts. Statutory net interest expense presented in the table above includes forgiveness of debt, debt restructuring costs and non-cash unrealised gains and losses incurred in relation to period end restatement of foreign currency debt.



	5	6	7	8	9	10	11	
	Net interest adjustment	Musashi transaction and integration costs	Amortisation adjustment	Forgiveness of debt	Unrealised foreign exchange gains/losses	Other non- recurring items	Tax adjustment	Pro Forma FY14 in AUD
	-	-	-	-	-	-	-	69.0
	-	-	-	-	-	-	-	78.7
	-	-	-	-	-	-	-	0.7
	-	-	-	-	-	-	-	148.4
	-	-	-	-	-	-	-	(79.3)
	-	-	-	-	-	-	-	69.1
	-	-	-	-	-	-	-	(11.4)
	-	-	-	-	-	-	-	(13.7)
	-	-	-	-	3.6	2.6	-	(24.3)
	-	-	-	-	3.6	2.6	-	(49.4)
	-	-	-	-	3.6	2.6	-	19.7
	-	-	-	-	-	-	-	(2.3)
	-	-	0.9	-	-	-	-	(0.5)
	-	-	0.9	-	3.6	2.6	-	16.9
5.2	-	-	-	-	(6.6)	-	-	(1.4)
5.2	-	-	0.9	-	(3.0)	2.6	-	15.5
-	-	-	-	-	-	-	(1.3)	(4.5)
5.2	-	-	0.9	-	(3.0)	2.6	(1.3)	11.0



FIGURE 77: RECONCILIATION OF AUDITED STATUTORY CONSOLIDATED HISTORICAL INCOME STATEMENT
TO PRO FORMA CONSOLIDATED HISTORICAL INCOME STATEMENT FOR FY15

Notes	1		2		3		4	
	Statutory 2015 in NZD (Mar y/e)	Convert to AUD	Statutory 2015 in AUD (Mar y/e)	Deduct Apr-Jun '14	Add Apr-Jun '15	FY15 in AUD (Jun y/e)	Offer transaction costs expensed	Incremental public company costs
\$ millions								
Net revenue								
Vitamins and Supplements	78.5	(5.7)	72.8	(16.2)	22.9	79.5	–	–
Sports and Active Nutrition and Health Foods	94.2	(6.7)	87.5	(16.4)	21.2	92.3	–	–
Other	0.6	–	0.6	(0.3)	0.3	0.6	–	–
Total net revenue	173.3	(12.4)	160.9	(32.9)	44.4	172.4	–	–
COGS	(97.9)	6.9	(91.0)	18.9	(25.2)	(97.3)	–	–
Gross margin	75.4	(5.5)	69.9	(14.0)	19.2	75.1	–	–
Marketing	(12.1)	0.9	(11.2)	2.3	(3.7)	(12.6)	–	–
Distribution and Commission	(15.2)	1.2	(14.0)	3.2	(3.9)	(14.7)	–	–
SG&A	(32.9)	2.3	(30.6)	7.5	(5.7)	(28.8)	–	(1.5)
Total opex	(60.2)	4.4	(55.8)	13.0	(13.3)	(56.1)	–	(1.5)
EBITDA	15.2	(1.1)	14.1	(1.0)	5.9	19.0	–	(1.5)
Depreciation	(2.6)	0.2	(2.4)	0.6	(0.7)	(2.5)	–	–
Amortisation	(0.6)	–	(0.6)	0.1	(0.1)	(0.6)	–	–
EBIT	12.0	(0.9)	11.1	(0.3)	5.1	15.9	–	(1.5)
Net interest expense	(4.9)	0.4	(4.5)	1.5	(4.3)	(7.3)	–	–
PBT	7.1	(0.5)	6.6	1.2	0.8	8.6	–	(1.5)
Tax expense	(2.3)	0.1	(2.2)	(0.5)	–	(2.7)	–	–
NPAT	4.8	(0.4)	4.4	0.7	0.8	5.9	–	(1.5)

Notes:

- [1-11] Refer Financial information section (Figure 52) for detailed notes in relation to adjustments between Statutory and Pro forma information.
- [12] The Revenue and Other Income as per the audited statutory financial statements amount to NZD173.9 million as compared to the NZD173.3 million in the table above (see column "Statutory 2015 in NZD"). The \$0.6 million difference is due to the classification of foreign currency gains and losses within other income. NPAT as per the audited statutory financial statements amounts to \$4.8 million and fully reconciles to the table above.
- [13] Statutory SG&A presented in the table above includes non-cash unrealised gains and losses incurred in relation to period end mark to market adjustments associated with forward currency contracts. Statutory net interest expense presented in the table above includes forgiveness of debt, debt restructuring costs and non-cash unrealised gains and losses incurred in relation to period end restatement of foreign currency debt.



	5	6	7	8	9	10	11	
	Net interest adjustment	Musashi transaction and integration costs	Amortisation adjustment	Forgiveness of debt	Unrealised foreign exchange gains/losses	Other non-recurring items	Tax adjustment	Pro Forma FY15 in AUD
	-	-	-	-	-	-	-	79.5
	-	-	-	-	-	-	-	92.3
	-	-	-	-	-	-	-	0.6
	-	-	-	-	-	-	-	172.4
	-	-	-	-	-	-	-	(97.3)
	-	-	-	-	-	-	-	75.1
	-	-	-	-	-	-	-	(12.6)
	-	-	-	-	-	-	-	(14.7)
	-	-	-	-	1.6	1.5	-	(27.2)
	-	-	-	-	1.6	1.5	-	(54.5)
	-	-	-	-	1.6	1.5	-	20.6
	-	-	-	-	-	-	-	(2.5)
	-	-	-	-	-	-	-	(0.6)
	-	-	-	-	1.6	1.5	-	17.5
4.4	-	-	-	-	1.1	-	-	(1.8)
4.4	-	-	-	-	2.7	1.5	-	15.7
-	-	-	-	-	-	-	(1.9)	(4.6)
4.4	-	-	-	-	2.7	1.5	(1.9)	11.1



FIGURE 78: RECONCILIATION OF STATUTORY FORECAST INCOME STATEMENT (15 MONTHS ENDED 30 JUNE 2016)
TO PRO FORMA FORECAST INCOME STATEMENT (12 MONTHS ENDED 30 JUNE 2016)

Notes	2	3	4	5		
	Statutory 2016 in AUD (Jun y/e)	Deduct Apr-Jun '15	FY16 in AUD (Jun y/e)	Offer transaction costs expensed	Incremental public company costs	Net interest adjustment
\$ millions						
Net revenue						
Vitamins and Supplements	114.7	(22.9)	91.8	–	–	–
Sports and Active Nutrition and Health Foods	139.7	(21.2)	118.5	–	–	–
Other	1.3	(0.3)	1.0	–	–	–
Total net revenue	255.7	(44.4)	211.3	–	–	–
COGS (excl D&A)	(148.0)	25.2	(122.8)	–	–	–
Gross margin	107.7	(19.2)	88.5	–	–	–
Marketing	(18.7)	3.7	(15.0)	–	–	–
Distribution and Commission (excl D&A)	(21.5)	3.9	(17.6)	–	–	–
SG&A (excl D&A)	(60.5)	5.7	(54.8)	13.2	(0.4)	–
Total opex	(100.7)	13.3	(87.4)	13.2	(0.4)	–
EBITDA	7.0	(5.9)	1.1	13.2	(0.4)	–
Depreciation	(3.7)	0.7	(3.0)	–	–	–
Amortisation	(0.8)	0.1	(0.7)	–	–	–
EBIT	2.5	(5.1)	(2.6)	13.2	(0.4)	–
Net interest expense	(6.8)	4.3	(2.5)	–	–	0.4
PBT	(4.3)	(0.8)	(5.1)	13.2	(0.4)	0.4
Tax expense	(5.4)	–	(5.4)	–	–	–
NPAT	(9.7)	(0.8)	(10.5)	13.2	(0.4)	0.4

Notes:

(1-11) Refer Financial information section (Figure 52) for detailed notes in relation to adjustments between Statutory and Pro forma information.

(12) Statutory net interest expense presented in the table above includes forgiveness of debt, debt restructuring costs and non-cash unrealised gains and losses incurred in relation to: (a) period end restatement of foreign currency debt; and (b) period end mark to market adjustments associated with forward currency contracts.

FIGURE 79: RECONCILIATION BETWEEN NET INCREASE/DECREASE IN CASH AND EQUIVALENTS AND NET FREE CASH FLOWS
BEFORE FINANCING, TAX AND DIVIDENDS

NZ\$ millions	31 Mar 13	Year ended 31 Mar 14	31 Mar 15
Net increase/decrease in cash and cash equivalents	2.4	(2.7)	2.9
Adjusted for			
Cash flow from operating activities			
Finance costs	8.0	6.1	6.0
Income tax	1.7	4.0	2.7
Cash flow from investing activities			
Acquisition of businesses	–	–	1.1
Proceeds from sale of intangible assets	(4.0)	–	–
Loans (to)/from related parties	(0.1)	1.3	0.4
Cash flow from financing activities	(0.4)	7.7	8.2
Statutory net free cash flow before financing tax and dividends	7.6	16.4	21.3



	6	7	8	9	10	11	
	Musashi transaction and integration costs	Amortisation adjustment	Forgiveness of debt	Unrealised foreign exchange gains/losses	Other non- recurring items	Tax adjustment	Pro Forma FY16 in AUD
	-	-	-	-	-	-	91.8
	-	-	-	-	-	-	118.5
	-	-	-	-	-	-	1.0
	-	-	-	-	-	-	211.3
	-	-	-	-	-	-	(122.8)
	-	-	-	-	-	-	88.5
	-	-	-	-	-	-	(15.0)
	-	-	-	-	-	-	(17.6)
	9.4	-	-	-	0.4	-	(32.2)
	9.4	-	-	-	0.4	-	(64.8)
	9.4	-	-	-	0.4	-	23.7
	-	-	-	-	-	-	(3.0)
	-	-	-	-	-	-	(0.7)
	9.4	-	-	-	0.4	-	20.0
	-	-	-	-	-	-	(2.1)
	9.4	-	-	-	0.4	-	17.9
	-	-	-	-	-	0.2	(5.2)
	9.4	-	-	-	0.4	0.2	12.7



SECTION 12

Summary of key accounting policies

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The principal accounting policies adopted in the preparation of the financial information in the Prospectus are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer. Acquisition-related costs are expensed as incurred, and included in other expenses.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognised in the profit or loss.

(b) Foreign currency translation

The presentation currency of the Vitaco Group is Australian Dollars (A\$) which is also Vitaco Holding Limited's functional currency.

(i) Transactions in foreign currency

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

All exchange differences in the consolidated financial report are taken to the income statement.

(ii) Translation of functional currencies to presentation currency

The foreign operations of the Group may have a functional currency which is different from the presentation currency. The assets and liabilities of group entities that have a functional currency different from the presentation currency are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and the income statement and statement of comprehensive income are translated at the weighted average exchange rates for the period. All resulting exchange differences are recognised in other comprehensive income.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss.

(c) Revenue recognition

Revenue comprises the fair value of the consideration received for the sale of goods and services, net of Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

Sales of goods

Sales of goods are recognised when the Group has transferred the risks and rewards of ownership of the products to the customer and collectability of the related receivables is reasonably assured.

Sales of raw materials or semi processed materials to co-manufacturers at no margin are recorded in Other Income.

Interest income

Interest income is recognised as earned using effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Leases

(i) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.



The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

(iii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(e) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

(g) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in receivables in the balance sheet.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

(h) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. Any changes in the fair value of the derivative instrument are recognised immediately in the profit or loss unless the derivative is designated as a hedging instrument in a cash flow hedge.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to the profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred into equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other income or other expense.

(i) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or



loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference is the deferred income tax liability not recognised. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(j) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group is the current bid price; and appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices, dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rates swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using the forward exchange market rates at the balance sheet date. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(k) Inventories

Raw materials, work in progress, and finished goods

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- | | |
|---|------------|
| • Plant and machinery | 3–20 years |
| • Leasehold improvements and office equipment | 3–16 years |
| • Other | 5–8 years |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 carrying amount. These are included in the statement of comprehensive income.



(m) Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense when it is incurred.

Computer software

Computer software acquired and computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to six years). Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Goodwill

Goodwill represents the excess of the consideration transferred on acquisition of the subsidiary over the acquisition date fair value of the Group's share of the net identifiable assets acquired. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Trademarks

Acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have an indefinite useful life and are assessed for impairment on an annual basis.

(n) Impairment of non financial assets

Assets that have an indefinite useful life, for example goodwill and investments, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

(o) Trade and other payables

These amounts represent obligations to pay for goods and services provided to the Group in the ordinary course of business from suppliers. The amounts are unsecured and are usually paid within 30–60 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability of at least 12 months after the balance date.

(q) Borrowing costs

Borrowing costs are expensed when incurred except for setup costs which are allocated using the effective interest rate method over the life of the loan.

(r) Provisions

Provisions are recognised when; the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.



(s) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date based on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

The grant-date fair value of share-based payment awards granted to employees is recognised as a share based payment expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(t) Contributed equity

Ordinary shares are classified as equity. Costs associated with the issuance of new shares are netted off against equity.

(u) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial period but not distributed at balance date.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments.



SECTION 13

Euromonitor International definitions





The below definitions have been provided by Euromonitor International for the purposes of interpreting Euromonitor International data throughout this Prospectus.

Beauty and Personal Care

This is the aggregation of baby and child-specific products, bath and shower, deodorants, hair care, colour cosmetics, men's grooming, oral hygiene, fragrances, skin care, depilatories, sun care and sets/kits. Black market sales and travel retail are excluded.

Consumer Health

It is the aggregation of the over the counter, Vitamins and Dietary Supplements, Sports Nutrition and Weight Management categories.

Sports Nutrition

These supplements improve physical endurance, increasing muscle growth/development/mass, or speeding recovery after exercise. Sports nutrition is targeted at serious athletes and gym-goers, and their principal purpose is to build muscle and to boost energy. Sports Nutrition only tracks protein bars, powder and RTDs with equal or more of 20 grams of protein per serving. The products are sold in powder, bar, RTD, and other forms (gel, capsules, tablets etc). Both protein and non-protein based products are included. Note: mainstream sports nutrition products such as sports drinks (e.g. Gatorade), energy drinks (e.g. Red Bull), or mass-market energy/low protein bars (e.g. Clif Bar) are not included here. Energy and sports drinks are tracked in Soft Drinks and energy/nutrition bars in Packaged Foods.

- **Protein Products**

This category includes supplements that are primarily composed of animal and plant-based protein products and targeted at bodybuilders and athletes. This is the aggregation of bar, powder, RTD, and other protein products.

- **Protein Bars**

Bars with or more than 20 grams of protein per serving are included here. Bars with less than 20 grams of protein per serving are tracked in Packaged Foods – "Energy and Nutrition Bars" category.

- **Protein Powder**

These supplements are marketed as sports nutrition or bodybuilding supplements and are typically made from whey, soy, or egg proteins. Can be made into a drink or mixed with food giving a minimum of 20g of protein per serving. Exclude protein supplements for daily nutrition complement and not positioned to serious bodybuilders and athletes, tracked as protein supplements under dietary supplements.

- **RTDs**

Ready to drink beverage or shake made with high protein content (20mg or more per serving). Used to aid in sports activities, especially bodybuilding. Include variants under the Muscle Milk concept. Exclude protein shakes for weight loss, usually tracked under meal replacement slimming (weight management category).

- **Other Protein**

Tablet, capsule, gel, or shot protein products are included here.

- **Non-Protein Products**

Products that do not have protein as their core ingredient are included here. These products can be used to build or repair muscles. Non-protein products may also be positioned as energy-producing, endurance, muscle growth, recovery, or strength-improvers. It includes amino acids, carbohydrates, creatine, L-carnitine, and nitric oxide among other ingredients.

Vitamins and Dietary Supplements

This is the aggregation of Dietary Supplements, Vitamins, Paediatric Vitamins and Dietary Supplements, and Tonics and Bottled Nutritive Drinks.

Health and Wellness

Health and wellness is the aggregation of health and wellness packaged food and health and wellness beverages.

Health and Wellness Packaged Food

Health and Wellness Packaged Food is the aggregation of all health and wellness food broken down by organic, fortified/functional, naturally healthy, better for you and food intolerance types.

Packaged Food

In packaged food Euromonitor International consider two aspects of food sales:

- **Retail sales**

Retail sales is defined as sales through establishments primarily engaged in the sale of fresh, packaged and prepared foods for home preparation and consumption. This excludes hotels, restaurant, cafés, duty free sales and institutional sales (canteens, prisons/jails, hospitals, army, etc).



- **Foodservice**

Euromonitor International's retail definition excludes the purchase of food products from foodservice outlets for consumption off-premises, e.g. impulse confectionery bought from counters of cafés/bars. This falls under foodservice sales. For foodservice, we capture all sales to foodservice outlets, regardless of whether the products are eventually consumed on-premise or off-premise. Foodservice sales is defined as sales to consumer foodservice outlets that serve the general public in a non-captive environment. Outlets include cafés/bars, full-service restaurants, fast food, 100% home delivery/takeaway, self-service cafeterias and street stalls/kiosks. Sales to semicaptive foodservice outlets are also included. This describes outlets located in leisure, travel and retail environments. 1) Retail refers to units located in retail outlets such as department stores, shopping malls, shopping centres, super/hypermarkets etc. 2) Leisure refers to units located in leisure establishments such as museums, health clubs, cinemas, theatres, theme parks and sports stadiums. 3) Travel refers to units located in based in airports, rail stations, coach stations, motorway service stations offering gas facilities etc. Beyond the scope of the foodservice research are captive foodservice units that serve captive populations around institutions such as hospitals, schools, and prisons. This is also known as institutional sales.

Pet Care

This is the aggregation of pet food and pet products.

Soft Drinks

This is the aggregation of the following categories; Carbonates, Fruit/vegetable juice, Bottled water, Functional drinks, Concentrates, RTD tea, RTD coffee and Asian speciality drinks.

Tissue and Hygiene

This is the aggregation of retail and away-from home disposable paper products.

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Shares in the Company. Further details about the Shares are contained in the Prospectus dated 4 September 2015 issued by the Company. The Prospectus will expire on 23 September 2016. While the Prospectus is current, the Company will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Corporations Act prohibits any person from passing onto another person the Application Form in relation to the offer of Shares, unless the Application Form is attached to or accompanies a complete and unaltered copy of the Prospectus (or an electronic copy of this Prospectus). A person who gives another person access to the Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary or replacement prospectus. Applications for Shares will only be accepted if made on an Application Form that was attached to or accompanies the Prospectus (or in its paper copy form which may be downloaded in its entirety with the electronic form of the Prospectus, at www.vitaco.com.au). This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of A\$2,000 worth of Shares (953 Shares). You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the Offer Price of A\$2.10 per Share. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title. Applicants using the wrong form of names may be rejected. Clearing House Electronic Subregister System (**CHES**) participants should complete their name identically to that presented registered in CHES.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and

will not affect your Application. However, if these are not provided, the Company will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

- E** Please enter your postal address for all correspondence. All communications to you from the Company and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to the Company's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

ACKNOWLEDGEMENTS: I/we declare that by lodging this Application Form, I/we represent and warrant that I/we have read and understood the Prospectus to which this Application Form relates. By lodging this Application Form, I/we represent, warrant and agree that I/we am/are and each person on whose behalf I am/we are submitting this Application Form is named on the front of this Application Form and has a registered address in Australia or New Zealand and is not located in the United States and is not acting for the account or benefit of any person in the United States. I/we understand that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States, and accordingly, the Shares may not be offered, sold or resold in the United States or in any other jurisdiction outside Australia or New Zealand except in transactions exempt from or not subject to registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which such Shares are offered and sold. I/we have not, and I/we agree that I/we will not, send this Application Form or any materials relating to the Offer to any person in the United States; and I/we hereby authorise the Company to complete and execute any documents necessary to effect transfer or issue of any Shares.

DECLARATION: By submitting this Application Form, I/we declare, represent and warrant that this Application Form is completed and lodged in accordance with the Prospectus and subject to the declarations/statements in the Prospectus including, without limitation, those set out in Section 7.6 of the Prospectus and this Application Form and declare that all declarations, details and statements made by me/us are complete and accurate. I/we agree to be bound by the Constitution of the Company and the terms of the Offer and agree to the issue to me/us of any number of Shares equal to or less than the value indicated above which may be issued to me/us pursuant to the Prospectus including, without limitation, the terms set out in Section 7. It is not necessary to sign an Application Form. Any application may be rejected without giving reasons, including where the Application Form is not properly completed or where a cheque submitted with the Application Form is dishonoured. If your Application Form is not completed correctly, is late or if the accompanying payment is for the wrong amount, it may still be traded as valid. The Company's decision as to whether to treat your application as valid, and how to construe, amend or complete it, is final. An application may be accepted in part only and applicants may be allocated fewer Shares than the applicant applied for. The Company's decision on the number of Shares to be allocated to you is final. An applicant will not, however, be treated as having offered to subscribe for a higher dollar value of Shares than as indicated on the Application Form. If an Application Form is rejected, or is accepted in part only, the applicant will receive a refund of the relevant Application Monies without interest (as applicable). No refunds pursuant to rounding will be provided.

LODGEMENT INSTRUCTIONS: Applicants who have been identified to participate by their Broker (as described in Section 7 of the Prospectus) should return their completed Application Form and Application Monies to the Broker from whom they received their firm offer of Shares (unless instructed otherwise). The Broker Firm Offer opens at 9:00am (Sydney time) on 4 September 2015 and is expected to close at 5:00pm (Sydney time) on 11 September 2015 (**Closing Date**). Applications must be received by the Broker before 5:00pm on the Closing Date or any earlier date determined by your Broker. Applicants must not return this Application Form to the Share Registry. Neither Link Market Services Limited nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

If you have any enquiries concerning your Application Form, please contact your Broker or the Vitaco Offer Information Line on 1800 653 805 (toll free within Australia) or +61 1800 653 805 (outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday.

CORRECT FORMS OF REGISTRABLE NAMES: Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Your Guide to the Application Form

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DECLARATION: By submitting this Application Form, I/we declare, represent and warrant that this Application Form is completed and lodged in accordance with the Prospectus and subject to the declarations/statements in the Prospectus including, without limitation, those set out in Section 7.6 of the Prospectus and this Application Form and declare that all declarations, details and statements made by me/us are complete and accurate. I/we agree to be bound by the Constitution of the Company and the terms of the Offer and agree to the issue to me/us of any number of Shares equal to or less than the value indicated above which may be issued to me/us pursuant to the Prospectus including, without limitation, the terms set out in Section 7. It is not necessary to sign an Application Form. Any application may be rejected without giving reasons, including where the Application Form is not properly completed or where a cheque submitted with the Application Form is dishonoured. If your Application Form is not completed correctly, is late or if the accompanying payment is for the wrong amount, it may still be traded as valid. The Company's decision as to whether to treat your application as valid, and how to construe, amend or complete it, is final. An application may be accepted in part only and applicants may be allocated fewer Shares than the applicant applied for. The Company's decision on the number of Shares to be allocated to you is final. An applicant will not, however, be treated as having offered to subscribe for a higher dollar value of Shares than as indicated on the Application Form. If an Application Form is rejected, or is accepted in part only, the applicant will receive a refund of the relevant Application Monies without interest (as applicable). No refunds pursuant to rounding will be provided.

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Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



Corporate directory

Company's registered office

Vitaco Holdings Limited
Level 1
82 Waterloo Road
North Ryde NSW 2113

Financial adviser

Intrinsic Partners
Level 19/20, Como Office Tower
644 Chapel Street
South Yarra VIC 3141

Joint Lead Managers

Citigroup Global Markets Australia Pty Limited
Level 23, Citigroup Centre
2 Park Street
Sydney NSW 2000

J.P. Morgan Australia Limited
Level 18, J.P. Morgan House
85 Castlereagh Street
Sydney NSW 2000

Co-Managers

Bell Potter Securities Limited
Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000

Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney NSW 2000

Australian Legal Adviser

Minter Ellison
Level 40, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Investigating Accountant

PricewaterhouseCoopers Securities Limited
201 Sussex Street
Sydney NSW 2000

Auditor

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Vitaco Offer Information Line

1800 653 805
(toll free within Australia)
+61 1800 653 805
(outside Australia)
between 8.30am and 5.30pm,
Monday to Friday (Business Days only)

Offer website

www.vitaco.com.au

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