Victory Offices Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Victory Offices Limited
ABN:	76 616 150 022
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	75.1%	to	6,608,350
Loss from ordinary activities after tax attributable to the owners of Victory Offices Limited	down	631.5%	to	(17,682,342)
Loss for the half-year attributable to the owners of Victory Offices Limited	down	631.5%	to	(17,682,342)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $17,682,342 (31 December 2019: profit of $3,327,158).

Comments on activities during the half-year are included in the Operating and Financial Review within the Director's Report attached.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	41.07	117.38

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

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Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-year financial report.

The review conclusion contains a “material uncertainty” paragraph in relation to going concern.

10. Attachments

Details of attachments (if any):

The Half-year financial report of Victory Offices Limited for the half-year ended 31 December 2020 is attached.

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Victory Offices Limited

ABN 76 616 150 022

Half-year financial report - 31 December 2020

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Victory Offices Limited
Corporate directory
For the half-year ended 31 December 2020

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Directors	Hon Steve Bracks AC (Non-Executive Chairman) Mr Dan Baxter (Managing Director and Chief Executive Officer) Mr Alan Jones (Non-Executive Director) Mr Ted Chwasta (Non-Executive Director) Ms Manisha Angirish (Executive Director and Co-Chief Executive Officer) - appointed 11 February 2021
Company secretary and Chief Financial Officer	Claire Newstead-Sinclair (appointed 24 November 2020) Geoff Hollis (resigned 24 November 2020)
Registered office	Level 2, Victory Tower 416-420 Collins Street Melbourne VIC 3000
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 www.linkmarketservices.com.au
Auditor	RSM Australia Partners Level 21 55 Collins Street Melbourne VIC 3000
Legal Advisors	Hall & Wilcox Level 11 525 Collins Street Melbourne VIC 3000
Stock exchange listing	Victory Offices Limited shares are listed on the Australian Securities Exchange (ASX code: VOL)

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Victory Offices Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were directors of Victory Offices Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Hon Steve Bracks AC (Non-Executive Chairman)
Dan Baxter (Managing Director and Chief Executive Officer)
Alan Jones (Non-Executive Director)
Ted Chwasta (Non-Executive Director)
Ms Manisha Angirish (Executive Director and Co-Chief Executive Officer) - appointed 11 February 2021
Shane Tanner (Non-Executive Director) - resigned 11 February 2021

Principal activities

The principal activities of the consolidated entity is providing flexible office solutions. Its associated revenue is driven from providing comprehensive serviced office packages and other services to its clients.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $17,682,342 (31 December 2019: profit of $3,327,158).

Revenue from suite services was $6.6 million in the 2020 half year (2019: $26.5 million). The impact of COVID-19 had a significant impact on revenues on both the first and second quarter of the 2021 financial year.

Net loss after tax for the period was $17.7 million (2019: $3.3 million profit). Underlying net loss after tax for the 2020 financial year was $14.1 million (2019: $3.3 million profit). Underlying net loss after tax excludes the impact of impairment of receivables and impairment of assets as well as adjusting for Jobkeeper subsidy and rent concession income.

A provision for impairment of assets has been identified for $3.9 million across the portfolio after performing value-in-use calculations. The impairment provision is non-cash and will result in a reduced depreciation charge going forward. The impairment provision was required, in part, due to having reflected a significant right of use asset pursuant to the requirements of AASB 16 Leases and AASB 136 Impairment.

All locations are providing a positive value-in-use however a very small number of locations have a value not in excess of the carrying value of the cash generating unit due to, in part, the current and forecast short-term trading conditions. A reversal of impairment of assets of $1.0 million from the previous assessment at 30 June 2020 has also occurred. The reversal is non-cash and reflects an increase in the value-in-use asset as a result of increased occupancy rates and forecasts.

Significant changes in the state of affairs

In response to the ongoing COVID-19 pandemic, the Victorian Government introduced stage 4 lockdowns in August 2020 forcing the closure of the consolidated entities' Victorian locations. The impact of the COVID-19 pandemic remains ongoing and it is not practicable to estimate and quantify the potential impact as it is dependent on many factors outside of the control of the consolidated entity including the timing of the return to office legislation and numbers and any further Victorian restrictions.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

The Company has entered into a commitment to receive an unsecured debt facility with an entity affiliated with Dan Baxter. The Board (other than Mr Baxter and Ms Angirish who declared their interest and recused themselves) considers that the terms of the facility are reasonable and more favourable to the Company than those available to the Company from arm's length sources of debt capital.

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The facility has not been drawn down upon at this time. If drawn down, the Company can repay the debt and cancel the facility at any time, with no penalty to the Company. There are no warrants or other instruments or any security interests attached to the facility. The documentation in relation to the debt facility is to be finalised post issuance of this financial report.

The debt facility, in the amount of A$15 million, is available to the Company until 31 December 2022 unless terminated earlier by the Company.

On 11 February 2020, Manisha Angirish was appointed Co-Chief Executive Officer of Victory Offices Limited. Ms Angirish is a Co-founder of the business and brings 13 years' experience in the senior management team as the current Chief Operating Officer of the Company. The appointment as Co-CEO recognises the contribution that Ms Angirish has made to the growth of the business to date and provides additional leadership resources and forms part of the Company's succession planning. In further Board changes, Mr Shane Tanner has tendered his resignation as a Non-Executive director of the Company, effective 11 February 2021.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Rounding of amounts

The consolidated entity is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors

Hon Steve Bracks AC
Chairman

Dan Baxter
Managing Director/CEO

26 February 2021

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RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Victory Offices Limited and its controlled entities for the half year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM AUSTRALIA PARTNERS

R B MIANO
Partner

Dated: 26 February 2021
Melbourne, Victoria

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Victory Offices Limited
Contents
For the half-year ended 31 December 2020

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Victory Offices Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated 31 December 2020 $	31 December 2019 $
Revenue	4	6,596,595	26,482,746
Other income	5	2,180,279	1,656
Interest revenue calculated using the effective interest method		11,755	14,727
Expenses			
Depreciation	6	(11,111,266)	(8,871,666)
Finance costs	7	(5,613,691)	(4,339,507)
Employee benefits expense		(2,748,849)	(4,092,861)
Other administration expenses		(2,310,230)	(2,638,290)
Occupancy costs		(2,179,485)	(1,802,269)
Impairment of receivables	8	(2,757,420)	-
Impairment of assets	11	(3,924,261)	-
Reversal of impairment of assets	11	966,445	-
Profit/(loss) before income tax (expense)/benefit		(20,890,128)	4,754,536
Income tax (expense)/benefit		3,207,786	(1,427,378)
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Victory Offices Limited		(17,682,342)	3,327,158
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income/(loss) for the half-year attributable to the owners of Victory Offices Limited		(17,682,342)	3,327,158
		Cents	**Cents**
Basic earnings/(loss) per share	21	(22.4)	8.1
Diluted earnings/(loss) per share	21	(22.4)	8.1

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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Victory Offices Limited
Consolidated statement of financial position
As at 31 December 2020

	Note	Consolidated 31 December 2020 $	30 June 2020 $
Assets			
Current assets			
Cash and cash equivalents		4,423,161	670,702
Trade and other receivables	8	2,932,654	4,618,626
Other financial assets	9	2,041,864	2,041,864
Total current assets		9,397,679	7,331,192
Non-current assets			
Other financial assets	10	30,316,625	28,904,258
Property, plant and equipment	11	193,773,108	180,639,619
Deferred tax		14,528,778	11,320,992
Total non-current assets		238,618,511	220,864,869
Total assets		248,016,190	228,196,061
Liabilities			
Current liabilities			
Trade and other payables	12	4,293,255	4,392,682
Borrowings		713,000	-
Lease liabilities	14	16,098,729	12,371,506
Income tax		2,598,515	2,598,515
Provisions		325,149	323,527
Other liabilities		2,909,928	3,207,404
Total current liabilities		26,938,576	22,893,634
Non-current liabilities			
Trade and other payables	13	13,160,127	13,160,127
Borrowings		1,917,909	2,566,085
Lease liabilities	14	169,596,945	150,257,095
Provisions		2,554,949	2,402,984
Other liabilities		250,728	302,257
Total non-current liabilities		187,480,658	168,688,548
Total liabilities		214,419,234	191,582,182
Net assets		33,596,956	36,613,879
Equity			
Issued capital	15	42,830,004	28,164,585
Retained profits/(accumulated losses)		(9,233,048)	8,449,294
Total equity		33,596,956	36,613,879

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

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Victory Offices Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2020

Consolidated	**Issued capital $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2019	28,164,585	16,518,669	44,683,254
Profit after income tax expense for the half-year	-	3,327,158	3,327,158
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	3,327,158	3,327,158
Balance at 31 December 2019	28,164,585	19,845,827	48,010,412

Consolidated	**Issued capital $**	**Retained profits / (accumulated losses) $**	**Total equity $**
Balance at 1 July 2020	28,164,585	8,449,294	36,613,879
Loss after income tax benefit for the half-year	-	(17,682,342)	(17,682,342)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(17,682,342)	(17,682,342)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 15)	14,665,419	-	14,665,419
Balance at 31 December 2020	42,830,004	(9,233,048)	33,596,956

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The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Victory Offices Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2020

	Note	Consolidated 31 December 2020 $	31 December 2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,637,283	23,440,867
Payments to suppliers and employees (inclusive of GST)		(8,045,892)	(6,596,798)
Interest received		11,755	14,727
Grant revenue and COVID 19 concessions		1,266,000	-
Interest and other finance costs paid		(4,518,657)	(3,585,723)
Net cash from/(used in) operating activities		(4,649,511)	13,273,073
Cash flows from investing activities			
Payments for property, plant and equipment		(1,686,144)	(11,764,446)
Payments for bank guarantees		(1,412,366)	(18,094,038)
Proceeds from release of security deposits		-	18,079,314
Net cash used in investing activities		(3,098,510)	(11,779,170)
Cash flows from financing activities			
Proceeds from issue of shares	15	15,337,500	-
Receipt of funds from related parties		-	470,694
Share issue transaction costs	15	(672,081)	-
Payment of funds to related parties		-	(450,694)
Repayment of lease liabilities		(3,164,939)	(4,072,113)
Net cash from/(used in) financing activities		11,500,480	(4,052,113)
Net increase/(decrease) in cash and cash equivalents		3,752,459	(2,558,210)
Cash and cash equivalents at the beginning of the financial half-year		670,702	3,198,805
Cash and cash equivalents at the end of the financial half-year		4,423,161	640,595

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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Note 1. General information

The financial statements cover Victory Offices Limited as a consolidated entity consisting of Victory Offices Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Victory Offices Limited's functional and presentation currency.

Victory Offices Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2, Victory Tower
416-420 Collins Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 February 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of $17,682,342 and had net cash outflows from operating activities of $4,649,511 for the half-year ended 31 December 2020. As at that date the consolidated entity had net current liabilities of $17,540,897.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe there are reasonable grounds to believe the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- subsequent to the end of the reporting period, the consolidated entity has received a letter of support from Victory Petroleum Pty Ltd, a company controlled by Mr D Baxter, Managing Director, stating that it will provide a debt facility of $15M to enable the group to meet its debts as and when they fall due;
- the consolidated entity has external related party debt, but no repayments are due within 12 months;
- the consolidated entity also has lease payments due in the next 12 months which are expected to be met from cash generating activities and utilising the above-mentioned debt facility;

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Note 2. Significant accounting policies (continued)

- the consolidated entity has delayed any planned capital expenditure until economic and trading conditions show an appropriate level of improvement, and is also looking at alternative ways of funding capital expenditure going forward; and
- the consolidated entity has undertaken a number of cost saving measures, including reducing the workforce; introduction of salary reductions in the form of unpaid leave days; reduction in discretionary spending and a focus on cost control.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. The Director's believe that continued financial support from the co-founders underlines their belief in and commitment to the business as the Board navigates this difficult period on behalf of all shareholders.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into one operating segment providing comprehensive office serviced packages and other services to customers in Australia. One operating segment is consistent with the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 4. Revenue

	Consolidated	
	31 December 2020 $	31 December 2019 $
Suite services	6,596,595	26,482,746

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 December 2020 $	31 December 2019 $
Timing of revenue recognition		
Services transferred at a point in time	677,939	1,932,698
Services transferred over time	5,918,656	24,550,048
	6,596,595	26,482,746

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Note 5. Other income

	Consolidated 31 December 2020 $	31 December 2019 $
Jobkeeper subsidy	1,276,800	-
Rent concession income	903,479	-
Other revenue	-	1,656
Other income	2,180,279	1,656

Note 6. Depreciation

	Consolidated 31 December 2020 $	31 December 2019 $
Right of use asset	8,039,983	5,728,035
Plant and equipment	3,071,283	3,143,631
	11,111,266	8,871,666

Note 7. Finance costs

	Consolidated 31 December 2020 $	31 December 2019 $
Interest and finance charges paid	71,120	100,465
Unwinding of lease liability interest	5,477,747	4,239,042
Interest on related party loan	64,824	-
	5,613,691	4,339,507

Note 8. Current assets - trade and other receivables

	Consolidated 31 December 2020 $	30 June 2020 $
Trade receivables	7,203,517	6,933,556
Less: Allowance for expected credit losses	(6,657,107)	(3,899,687)
	546,410	3,033,869
Sundry debtors and prepayments	2,386,244	1,584,757
	2,932,654	4,618,626

Allowance for expected credit losses
The consolidated entity has recognised a loss of $2,757,420 (30 June 2020: 3,899,687) in profit or loss in respect of the expected credit losses for the period ended 31 December 2020.

Note 8. Current assets - trade and other receivables (continued)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 31 December 2020 %	Expected credit loss rate 30 June 2020 %	Carrying amount 31 December 2020 $	Carrying amount 30 June 2020 $	Allowance for expected credit losses 31 December 2020 $	Allowance for expected credit losses 30 June 2020 $
Current	14%	11%	122,793	148,450	14,633	16,101
30-90 days	55%	35%	73,108	197,718	23,611	68,535
90+ days	96%	58%	7,007,616	6,587,388	6,618,863	3,815,051
			7,203,517	6,933,556	6,657,107	3,899,687

Note 9. Current assets - Other financial assets

	Consolidated 31 December 2020 $	Consolidated 30 June 2020 $
Term deposits	2,041,864	2,041,864

Note 10. Non-current assets - Other financial assets

	Consolidated 31 December 2020 $	Consolidated 30 June 2020 $
Term deposits - restricted cash to support bank guarantees	30,316,625	28,904,258

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Note 11. Non-current assets - property, plant and equipment

	Consolidated 31 December 2020 $	30 June 2020 $
Leasehold improvements - at cost	42,115,638	41,265,629
Less: Accumulated depreciation	(7,729,225)	(5,943,190)
Less: Impairment	(2,068,873)	(1,591,906)
	32,317,540	33,730,533
Office furniture - at cost	7,749,492	7,301,328
Less: Accumulated depreciation	(1,562,085)	(1,188,551)
Less: Impairment	(362,556)	(275,490)
	5,824,851	5,837,287
Computer equipment - at cost	2,561,205	2,551,341
Less: Accumulated depreciation	(1,018,283)	(782,330)
Less: Impairment	(100,187)	(79,726)
	1,442,735	1,689,285
Office equipment - at cost	11,020,571	10,991,909
Less: Accumulated depreciation	(3,000,073)	(2,349,051)
Less: Impairment	(498,702)	(389,515)
	7,521,796	8,253,343
Computer software - at cost	202,722	202,722
Less: Accumulated depreciation	(118,971)	(96,502)
Less: Impairment	(5,845)	(4,787)
	77,906	101,433
Artwork - at cost	411,491	405,451
Less: Accumulated depreciation	(12,779)	(10,506)
Less: Impairment	(23,402)	(17,799)
	375,310	377,146
Right-of-use asset - at cost	193,341,306	167,505,608
Less: Accumulated depreciation	(38,704,832)	(30,688,986)
Less: Impairment	(8,423,504)	(6,166,030)
	146,212,970	130,650,592
	193,773,108	180,639,619

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Note 11. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Leasehold Improvements $	Office Furniture $	Computer Equipment $	Office Equipment $	Computer Software $	Artwork $	Right-of-use Asset $	Total $
Balance at 1 July 2020	33,730,533	5,837,287	1,689,286	8,253,342	101,433	377,146	130,650,592	180,639,619
Additions	850,004	448,163	9,863	28,663	-	6,043	25,859,834	27,202,570
Reversal of impairment	180,463	31,230	9,038	44,156	543	2,018	698,998	966,446
Impairment of assets	(657,429)	(118,296)	(29,499)	(153,343)	(1,601)	(7,622)	(2,956,471)	(3,924,261)
Depreciation expense	(1,786,031)	(373,533)	(235,953)	(651,022)	(22,469)	(2,275)	(8,039,983)	(11,111,266)
Balance at 31 December 2020	32,317,540	5,824,851	1,442,735	7,521,796	77,906	375,310	146,212,970	193,773,108

Impairment of assets
The total written down value of right-of-use assets (pre-impairment) is $154,636,474. The total written down value for all other plant and equipment (pre-impairment) is $50,619,703.

Cash-generating-units have been identified for the purposes of impairment testing representing the location of a lease or a combination of leases (if at the same address).

Value-in-use calculations have been used as the basis for the assessment of impairment. Value-in-use calculations are based on a discounted cashflow analysis of expected cash inflows and cash outflows over the remaining expected use of the cash-generating-units (remaining lease terms with an assessment as to the likelihood of exercising an option if applicable). No terminal values have been used.

The key assumptions used in the value-in-use calculations are:

- no growth in revenue rates in FY2021 and FY2022;
- gradual increase in occupancy in 2021 growing to between 20%-70% (depending on location) by December 2021 (below pre-COVID levels);
- occupancy between 20% and 80% (depending on location) for the 12 month period ending December 2022 (below pre-COVID levels);
- occupancy between 30% and 95% (depending on location) from January 2023 onwards (some locations below pre-COVID levels, some locations at pre-COVID levels);
- revenue growth of 8% per annum from 2023 onwards;
- growth in lease costs as per lease agreements (between 3-4% per annum), growth in other costs at 3% per annum; and
- pre-tax discount rates between 4.5% and 6.3% depending on location.

An impairment loss of $3.9 million (in relation to plant and equipment including right-of-use assets) has been recognised in profit or loss during the period. The impairment loss recognised relates to two cash-generating-units being two leased offices based in Victoria.

The recognition of an impairment loss as both cash-generating-units is mainly due to the impact on short-term cash flows of the COVID-19 pandemic.

The recoverable amounts of the cash-generating units are $7.5 million and $1.7 million. The discount rates used to determine the value in use for both was 4.8%.

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Note 11. Non-current assets - property, plant and equipment (continued)

Sensitivities
Based on the assumptions above the total value-in-use calculations has a positive (net) amount of $149.0 million. Impairment in this scenario was $3.9 million relating to the two locations referred to above. The key input into the value-in-use models is revenue and sensitivities have been presented below.

Revenue +10%
If revenues year-on-year were 10% higher (whether due to occupancy or price increases) the total value-in-use calculations has a positive (net) amount of $328.6 million. Impairment in this scenario would be $2.0 million and confined to the two locations above.

Revenue -10%
If revenues year-on-year were 10% lower (whether due to occupancy or price decreases) the total value-in-use calculations has a positive (net) amount of $68.0 million. Impairment in this scenario would be $13.4 million. Impairment would be across eight locations in this scenario.

Revenue -20%
If revenues year-on-year were 20% lower (whether due to occupancy or price decreases) the total value-in use calculations has a positive (net) amount of $24.5 million. Impairment in this scenario would be $24.6 million. Impairment would be across nine locations in this scenario.

Reversal of impairment
An impairment reversal of $1.0 million (in relation to plant and equipment including right-of-use assets) has been recognised in profit or loss during the period. The impairment reversal recognised relates to one cash-generating-unit being a leased office based in Sydney.

The recognition of an impairment reversal of the cash-generating-unit is mainly due to the reassessment on short-term cash flows of the COVID-19 pandemic, thereby reducing the indication that an impairment loss that was recognized in prior priors exists. The key change in assumptions for the impairment reversal relate increase in the assumed occupancy rates for 2021 and 2022.

The recoverable amount of the cash-generating unit is $44.0 million. The discount rate used to determine the value in use for was 4.6%.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	31 December 2020 $	30 June 2020 $
Trade payables	3,482,534	3,295,857
GST and PAYG withholding payable	749,203	779,909
Accrued expenses and other payables	61,518	316,916
	4,293,255	4,392,682

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Note 13. Non-current liabilities - trade and other payables

	Consolidated 31 December 2020 $	Consolidated 30 June 2020 $
Amounts due to related parties	11,109,376	11,109,376
Related party income tax payable	2,050,751	2,050,751
	13,160,127	13,160,127

Note 14. Lease liabilities

	Consolidated 31 December 2020 $	Consolidated 30 June 2020 $
As a lessee		
Right-of-use assets	146,212,970	130,650,592

Information about leases for which the consolidated entity is a lessee is presented below:

	Consolidated 31 December 2020	Consolidated 30 June 2020
Right-of-use assets		
Balance at beginning of the period	130,650,592	98,005,084
Additions	24,584,678	45,604,781
Lease modifications and discount rate adjustments	1,275,156	5,200,963
Depreciation charge for the period	(8,039,983)	(11,994,206)
Impairment	(2,956,471)	(6,166,030)
Reversal of impairment	698,998	-
Balance at end of the period	146,212,970	130,650,592

	Consolidated 31 December 2020 $	Consolidated 30 June 2020 $
Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	26,613,041	21,898,862
One to five years	94,925,460	107,352,607
More than five years	133,187,552	98,326,080
Total undiscounted lease liabilities	254,726,053	227,577,549

Note 14. Lease liabilities (continued)

	Consolidated 31 December 2020	30 June 2020
Lease liabilities included in the statement of financial position		
Current	16,098,729	12,371,506
Non-current	169,596,945	150,257,095
	185,695,674	162,628,601
Amounts recognised in profit or loss		
Interest on lease liabilities	5,477,747	8,674,515
Amounts recognised in the statement of cashflows		
Total cash outflow for leases	(7,245,497)	(11,632,760)

The expected future cash outflows to which the consolidated entity is committed to relating to the leases not yet commenced, that are not reflected in the measurement of the lease liability are as follows:

Less than one year	4,975,615	8,127,968
One to five years	22,375,607	53,371,890
More than five years	53,792,978	87,177,382
Total expected future cash outflows	81,144,200	148,677,240

Note 15. Equity - issued capital

	Consolidated			
	31 December 2020 Shares	30 June 2020 Shares	31 December 2020 $	30 June 2020 $
Ordinary shares - fully paid	81,800,000	40,900,000	42,830,004	28,164,585

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2020	40,900,000		28,164,585
Entitlement offer	13 July 2020	40,900,000	$0.375	15,337,500
Capital raising costs				(672,081)
Balance	31 December 2020	81,800,000		42,830,004

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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Note 16. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 17. Contingent assets and liabilities

The consolidated entity has no contingent assets or liabilities at 31 December 2020 (30 June 2020: nil).

Note 18. Commitments

Capital commitments
The consolidated entity had no capital commitments relating to future fit-out expenditure at 31 December 2020 (30 June 2020: $1,400,625).

Note 19. Related party transactions

Parent entity
The ultimate parent entity, which exercises control over the group, is Victory Group Holdings Pty Ltd which is incorporated in Australia and owns 48.0% (30 June 2020: 63.3%) of Victory Offices Limited & Controlled Entities as at 31 December 2020. The decrease during the current period is due to completion of a capital raising in July 2020.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	31 December 2020 $	**31 December 2019 $**
Other transactions:		
Controlling entity (Victory Group Holdings Pty Ltd)	-	20,000
Controlling entity (Victory Realty Pty Ltd)	-	450,694
Interest incurred on related party loan (Dan Baxter)	64,824	-

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	31 December 2020 $	**30 June 2020 $**
Non-current borrowings:		
Loan from key management personnel (Dan Baxter) - non-interest bearing	9,067,512	9,067,512
Loan from key management personnel (Dan Baxter) - interest bearing	2,630,909	2,566,085
Loan from controlling entity (Victory Group Holdings Pty Ltd)	2,050,751	2,050,751
Loan from other related party (Victory Petroleum Pty Ltd)	2,041,864	2,041,864

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Note 19. Related party transactions (continued)

Loans from related parties - non-interest bearing
Unsecured loans have been provided from the key management personnel related parties, controlling entities and other related parties on an arm's length basis. There are no set repayment terms. Loans are unsecured and repayable in cash.

The $2,050,751 loan from Victory Group Holdings relates to tax liabilities when the consolidated entity was part of the Victory Group Holdings tax consolidated group and is expected to be repaid in 1-2 years with the nature of the loan being a parent subsidiary nature so no interest is considered. The $2,041,864 loan from Victory Petroleum relates to working capital and is expected to be repaid in 1-3 years so interest would otherwise have been immaterial. The $9,067,512 loan from Dan Baxter relates to funding of bank guarantees prior to the IPO of the consolidated entity in June 2019 and is considered as part of the founder's contribution to initial capital requirements of the consolidated entity with no interest considered.

Loans from related parties - interest bearing
Unsecured loans have been provided to the ultimate parent entity and subsidiaries on an arm's length basis. The loan has a coupon of 5% p.a. accruing monthly and capitalising until repayment commence. Quarterly repayments will commence on 1 July 2021 amortising over 24 months. Interest of $64,824 was capitalised against this loan during this period. Loans are unsecured and repayable in cash. The loan was provided in March 2020 to fund capital expenditure commitments.

Leases with related parties
The consolidated entity has four leases with the lessors being related entities of Dan Baxter. The consolidated entity considers that all leases are on arm's length terms which reflect customary provisions commonly found in commercial leases of a similar nature.

Each lease has the following consistent material terms: on termination the lessee is responsible for make good of the premises; rent is payable in advance by monthly instalments; and the lessee is responsible for maintaining appropriate insurance coverage.

Other material terms of each lease have been disclosed below:

- Ground floor, 416-420 Collins Street, Melbourne - The lessor is DB CLS-G1 Pty Ltd, a related entity of Dan Baxter. This lease commenced on 1 July 2018 with an initial term of ten years plus a five year option.
- Level 1, 416-420 Collins Street, Melbourne - The lessor is DB CLS-1 Pty Ltd, a related entity of Dan Baxter. This lease commenced on 4 August 2014 with an initial term of five years plus two, five year options. The first five year option was exercised on 4 August 2019.
- Level 2, 416-420 Collins Street, Melbourne - The lessor is DB CLS-2 Pty Ltd, a related entity of Dan Baxter. This lease commenced on 4 August 2014 with an initial term of five years plus two, five year options. The first five year option was exercised on 4 August 2019.
- Level 9, 416-420 Collins Street, Melbourne - The lessor is DB CLS-9 Pty Ltd, a related entity of Dan Baxter. This lease commenced on 1 July 2018 with an initial term of ten years plus a five year option.

Note 20. Events after the reporting period

The Company has entered into a commitment to receive an unsecured debt facility with an entity, affiliated with Dan Baxter. The Board (other than Mr Baxter and Ms Angirish who declared their interest and recused themselves) considers that the terms of the facility are reasonable and more favourable to the Company than those available to the Company from arm's length sources of debt capital.

The facility has not been drawn down upon at this time. If drawn down, the Company can repay the debt and cancel the facility at any time, with no penalty to the Company. There are no warrants or other instruments or any security interests attached to the facility. The documentation in relation to the debt facility is to be finalised post issuance of this financial report.

The debt facility, in the amount of A$15 million, is available to the Company until 31 December 2022 unless terminated earlier by the Company.

Note 20. Events after the reporting period (continued)

On 11 February 2020, Manisha Angirish was appointed Co-Chief Executive Officer of Victory Offices Limited. Ms Angirish is a Co-founder of the business and brings 13 years' experience in the senior management team as the current Chief Operating Officer of the Company. The appointment as Co-CEO recognises the contribution that Ms Angirish has made to the growth of the business to date and provides additional leadership resources and forms part of the Company's succession planning. In further Board changes, Mr Shane Tanner has tendered his resignation as a Non-Executive director of the Company, effective 11 February 2021.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 21. Earnings/(loss) per share

	Consolidated	
	31 December 2020 $	31 December 2019 $
Profit/(loss) after income tax attributable to the owners of Victory Offices Limited	(17,682,342)	3,327,158
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	78,910,326	40,900,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	78,910,326	40,900,000
	Cents	**Cents**
Basic earnings/(loss) per share	(22.4)	8.1
Diluted earnings/(loss) per share	(22.4)	8.1

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Victory Offices Limited
Directors' declaration
For the half-year ended 31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Hon Steve Bracks AC	Dan Baxter
Chairman	Managing Director/CEO

26 February 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

VICTORY OFFICES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Victory Offices Limited which comprises the Consolidated statement of financial position as at 31 December 2020, the Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Victory Offices Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report 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 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.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Victory Offices Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the interim financial report, which indicates that the Consolidated entity incurred a net loss of $17,682,342 and had an operating cash outflow of $4,649,511 during the half-year ended 31 December 2020. As of that date the consolidated entity had net current liabilities of $17,540,897. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Victory Offices Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

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R B MIANO
Partner

Dated: 26 February 2021
Melbourne, Victoria