1. Company details

Name of entity:	Victory Offices Limited
ABN:	76 616 150 022
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	6.2%	to	7,020,974
Loss from ordinary activities after tax attributable to the owners of Victory Offices Limited	up	46.2%	to	(25,854,152)
Loss for the half-year attributable to the owners of Victory Offices Limited	up	46.2%	to	(25,854,152)

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 $25,854,152 (31 December 2020: $17,682,342).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	32.48	53.62

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.

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.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

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

The Appendix 4D is based on the Half-year report which has been reviewed. An unmodified auditor's review report is attached with a material uncertainty paragraph around going concern.

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11. Attachments

Details of attachments (if any):

The Half-year financial report of Victory Offices Limited for the half-year ended 31 December 2021 is attached.

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12. Signed

Signed: Steve Bracks

Date: 28 February 2022

Hon Steve Bracks AC
Chairman

Victory Offices Limited

ABN 76 616 150 022

Half-year financial report - 31 December 2021

Directors	Hon Steve Bracks AC (Non-Executive Chairman) Mr Dan Baxter (Managing Director and Co-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) Ms Kelly Humphreys (Non-Executive Director) - appointed 1 December 2021
Company secretary	Mark Licciardo (appointed 3 September 2021) Claire Newstead-Sinclair (resigned 3 September 2021)
Registered office and principal place of business	Level 2, 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
Solicitors	Hall & Wilcox Level 11 525 Collins Street Melbourne VIC 3000
Bankers	National Australia Bank Ground Level 330 Collins Street Melbourne, VIC 3000
Stock exchange listing	Victory Offices Limited shares are listed on the Australian Securities Exchange (ASX code: VOL)
Website	www.victoryoffices.com.au
Corporate Governance Statement	www.victoryofficeslimited.com/corporate-governance

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 2021.

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)
Mr Dan Baxter (Managing Director and Co-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)
Ms Kelly Humphreys (Non-Executive Director) - appointed 1 December 2021

Principal activities
The principal activities of the consolidated entity are 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 $25,854,152 (31 December 2020: $17,682,342).

Revenue from suite services was $7.0 million in the December 2021 half year (2020: $6.6 million). The impact of COVID-19 had a significant impact on revenues on both the first and second quarter of the 2022 financial year.

Net loss after tax for the period was $25.9 million (2020: $17.7 million loss). Underlying net loss after tax for the 2021 financial year was $18.6 million (2020: $14.1 million loss). Underlying net loss after tax excludes the impact of impairment of receivables, impairment of assets, gains on termination of leases and surrender of bank guarantees as well as adjusting for JobKeeper subsidy and rent concession income.

A provision for impairment of assets has been identified for $17.7 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 $3.2 million from the previous assessment at 30 June 2021 has also occurred relating to surrendered leases.

Significant changes in the state of affairs
There were no 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 impact of the Coronavirus (COVID-19) pandemic is ongoing and it has been financially negative for the consolidated entity up to 31 December 2021.

As a result of recent announcements by both the Commonwealth and State governments (particularly in Victoria and NSW) regarding the full return to the office this is expected to have a positive impact on the occupancy levels in those related offices.

No other matter or circumstance has arisen since 31 December 2021 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.

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.

Victory Offices Limited
Directors' report
For the half-year ended 31 December 2021

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/Co-Chief Executive Officer

28 February 2022

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Victory Offices Limited for the half year ended 31 December 2021, 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

Date: 28 February 2022
Melbourne, Victoria

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, 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 28 February 2022.

Victory Offices Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	Consolidated 31 December 2021 $	31 December 2020 $
Revenue	3	6,961,077	6,596,595
Other income	4	705,418	2,180,279
Interest revenue calculated using the effective interest method		59,897	11,755
Net gain on termination of leases		2,203,793	-
Expenses			
Employee benefits expense		(2,947,910)	(2,748,849)
Depreciation and amortisation expense	5	(9,687,064)	(11,111,266)
Impairment of assets	5	(2,380,394)	(3,924,261)
Loss on disposal of fixed assets		(1,228,658)	-
Occupancy costs		(1,421,757)	(2,179,485)
Reversal of impairment/(impairment) of receivables		120,653	(2,757,420)
Derecognition of financial asset		(10,880,922)	-
Write off of assets under construction and fixed assets related to surrendered leases		(1,675,733)	-
Other administration expenses		(47,767)	(2,310,230)
Finance costs	5	(4,837,552)	(5,613,691)
Reversal of impairment for surrendered leases		3,185,021	-
Reversal of impairment of assets		-	966,445
Loss before income tax (expense)/benefit		(21,871,898)	(20,890,128)
Income tax (expense)/benefit		(3,982,254)	3,207,786
Loss after income tax (expense)/benefit for the half-year attributable to the owners of Victory Offices Limited		(25,854,152)	(17,682,342)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the owners of Victory Offices Limited		(25,854,152)	(17,682,342)
		Cents	**Cents**
Basic loss per share	20	(16.4)	(22.4)
Diluted loss per share	20	(16.4)	(22.4)

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

Victory Offices Limited
Consolidated statement of financial position
As at 31 December 2021

	Note	Consolidated 31 December 2021 $	30 June 2021 $
Assets			
Current assets			
Cash and cash equivalents		9,502,056	15,116,337
Trade and other receivables	6	1,618,567	3,505,125
Other financial assets	7	-	940,988
Total current assets		11,120,623	19,562,450
Non-current assets			
Other financial assets	8	13,421,963	31,423,810
Property, plant and equipment	9	36,407,079	41,839,496
Right-of-use assets	10	123,461,215	131,742,858
Intangibles	11	38,787	53,919
Deferred tax		13,261,957	17,244,213
Total non-current assets		186,591,001	222,304,296
Total assets		197,711,624	241,866,746
Liabilities			
Current liabilities			
Trade and other payables	12	5,306,475	6,125,317
Borrowings		1,392,046	603,325
Lease liabilities	13	15,585,759	20,124,572
Income tax		1,581,344	1,581,353
Provisions		2,878,567	469,007
Other	14	2,065,208	3,159,936
Total current liabilities		28,809,399	32,063,510
Non-current liabilities			
Trade and other payables	12	6,184,869	8,008,374
Borrowings		298,665	2,697,371
Lease liabilities	13	151,231,922	162,507,244
Provisions		2,282,301	2,548,712
Other	14	957,763	240,678
Total non-current liabilities		160,955,520	176,002,379
Total liabilities		189,764,919	208,065,889
Net assets		7,946,705	33,800,857
Equity			
Issued capital	15	61,922,519	61,922,519
Accumulated losses		(53,975,814)	(28,121,662)
Total equity		7,946,705	33,800,857

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

Victory Offices Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2021

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	14,665,419	-	14,665,419
Balance at 31 December 2020	42,830,004	(9,233,048)	33,596,956

Consolidated	**Issued capital $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2021	61,922,519	(28,121,662)	33,800,857
Loss after income tax expense for the half-year	-	(25,854,152)	(25,854,152)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(25,854,152)	(25,854,152)
Balance at 31 December 2021	61,922,519	(53,975,814)	7,946,705

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

	Consolidated 31 December 2021 $	Consolidated 31 December 2020 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	7,373,907	6,637,283
Payments to suppliers and employees (inclusive of GST)	(8,257,230)	(8,045,892)
Interest received	59,897	11,755
Grant revenue and COVID-19 concessions	-	1,266,000
Interest and other finance costs paid	(3,308,704)	(4,518,657)
Net cash used in operating activities	(4,132,130)	(4,649,511)
Cash flows from investing activities		
Payments for property, plant and equipment	(374,340)	(1,686,144)
Payments for bank guarantees	-	(1,412,366)
Payments for surrender of bank guarantees	(10,880,922)	-
Proceeds from release of term deposits	2,196,688	-
Proceeds from release of bank guarantees	15,193,119	-
Proceeds from fit out contribution	652,467	-
Net cash from/(used in) investing activities	6,787,012	(3,098,510)
Cash flows from financing activities		
Proceeds from issue of shares	-	15,337,500
Share issue transaction costs	-	(672,081)
Repayment of lease liabilities	(7,665,838)	(3,164,939)
Net cash (used in)/from financing activities	(7,665,838)	11,500,480
Net (decrease)/increase in cash and cash equivalents	(5,010,956)	3,752,459
Cash and cash equivalents at the beginning of the financial half-year*	14,513,012	670,702
Cash and cash equivalents at the end of the financial half-year	9,502,056	4,423,161

*The $14,513,012 balance as at 1 July 2021 includes a $603,325 bank overdraft which is reflected in borrowings within the statement of financial position.

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 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 2021 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.

Impairment of assets
The total written down value of right-of-use assets (pre-impairment) is $136,816,150. The total written down value for all other plant and equipment and intangibles (pre-impairment) is $40,741,163.

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:

- Occupancy between 15% and 84% (depending on location) from January to February 2022 based on actual average occupancy levels in the half-year period;
- From March to June 2022, occupancy level used is between 70% and 80% (depending on location) based on expected growth to pre-COVID levels except for two properties (20% occupancy used);
- Occupancy between 80% and 90% (depending on location) for the 6-month period ending December 2022 (below pre-COVID levels) except for two properties (20% occupancy used);
- Occupancy between 80% and 90% (depending on location) from January 2023 onwards except for two properties (20% occupancy used);
- 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 $2.4 million has been recognised in profit or loss during the period.

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

Sensitivities
Based on the assumptions above the total value-in-use calculations has a positive (net) amount of $219.8 million. Impairment in this scenario was $2.4 million for the half-year period relating to 6 locations. 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 $254.4 million. A reversal of impairment of $3.5m for the half-year period would occur in this scenario related to 5 locations.

Note 1. Significant accounting policies (continued)

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 $185.1 million. Impairment in this scenario would be $9.7 million for the half-year and across 8 locations.

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 $150.4 million. Impairment in this scenario would be $22.4 million for the half-year and across 11 locations.

Reversal of impairment
An impairment reversal of $3.2 million has been recognised in profit or loss during the period. The impairment reversal recognised relates to surrendered leases.

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.

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 $25,854,152 and had net cash outflows from operating activities of $4,132,130 for the half-year ended 31 December 2021. As at that date the consolidated entity had net current liabilities of $17,688,776.

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:

- The consolidated entity has received a letter of support from companies controlled by Mr D Baxter, Managing Director, stating that they will provide support to enable the group to meet its debts as and when they fall due;
- The consolidated entity has delayed any planned capital expenditure until economic and trading conditions show an appropriate level of improvement, and is also seeking alternative sources of capital;
- Recent announcements by both the Commonwealth and State governments (particularly in Victoria & NSW) regarding the end of COVID related restrictions are expected to have a positive impact on the occupancy levels in offices in those states; and
- The consolidated entity has demonstrated the ability to raise capital if required from existing shareholders.

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 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.

Note 2. 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 3. Revenue

	Consolidated	
	31 December 2021 $	31 December 2020 $
Suite services	6,961,077	6,596,595

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

	Consolidated	
	31 December 2021 $	31 December 2020 $
Timing of revenue recognition		
Services transferred at a point in time	751,396	677,939
Services transferred over time	6,209,681	5,918,656
	6,961,077	6,596,595

Note 4. Other income

	Consolidated	
	31 December 2021 $	31 December 2020 $
JobKeeper subsidy	-	1,276,800
Rent concession income	678,954	903,479
Fit-out works income	26,464	-
Other income	705,418	2,180,279

Note 5. Expenses

	Consolidated 31 December 2021 $	31 December 2020 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	2,033,562	1,786,031
Office equipment	661,477	651,022
Buildings right-of-use assets	6,365,536	8,039,983
Artwork	2,280	2,275
Computer equipment	211,726	235,953
Office furniture	395,331	373,533
Total depreciation	9,669,912	11,088,797
Amortisation		
Software	17,152	22,469
Total depreciation and amortisation	9,687,064	11,111,266
Impairment		
Leasehold improvements	362,596	657,429
Office equipment	89,926	153,343
Buildings right-of-use assets	1,834,242	2,956,471
Artwork	5,194	7,622
Computer equipment	14,669	29,499
Office furniture	73,170	118,296
Software	597	1,601
Total impairment	2,380,394	3,924,261
Finance costs		
Interest and finance charges paid/payable on borrowings	83,827	71,120
Interest and finance charges paid/payable on lease liabilities	4,709,972	5,477,747
Interest on related party loan	43,753	64,824
Finance costs expensed	4,837,552	5,613,691
Superannuation expense		
Defined contribution superannuation expense	267,148	212,982

Note 6. Trade and other receivables

	Consolidated 31 December 2021 $	30 June 2021 $
Current assets		
Trade receivables	563,889	782,229
Less: Allowance for expected credit losses	(145,509)	(265,981)
	418,380	516,248
Sundry debtors and prepayments	1,200,187	2,988,877
	1,618,567	3,505,125

Note 6. Trade and other receivables (continued)

Allowance for expected credit losses
The consolidated entity has recognised a reversal of impairment of $120,653 (31 December 2020: impairment of $2,757,420) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2021.

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	**31 December 2021 %**	**30 June 2021 %**	**31 December 2021 $**	**30 June 2021 $**	**31 December 2021 $**	**30 June 2021 $**
Current 0-30 days	3%	2%	94,383	23,525	2,583	451
30 - 60 days	3%	2%	83,312	67,633	2,281	1,295
60-120 days	36%	25%	72,930	45,780	26,560	11,445
120+ days	36%	39%	313,264	645,291	114,085	252,790
			563,889	782,229	145,509	265,981

Note 7. Other financial assets

	Consolidated	
	31 December 2021 $	**30 June 2021 $**
Current assets		
Term deposits	-	940,988

Note 8. Other financial assets

	Consolidated	
	31 December 2021 $	**30 June 2021 $**
Non-current assets		
Term deposit - restricted cash to support bank guarantees	13,421,963	30,167,857
Term deposits	-	1,255,953
	13,421,963	31,423,810

Note 9. Property, plant and equipment

	Consolidated 31 December 2021 $	30 June 2021 $
Non-current assets		
Leasehold improvements - at cost	37,646,822	41,294,847
Less: Accumulated depreciation	(10,597,148)	(9,644,817)
Less: Impairment	(2,918,165)	(3,206,530)
	24,131,509	28,443,500
Computer equipment - at cost	2,386,233	2,574,156
Less: Accumulated depreciation	(1,292,069)	(1,249,182)
Less: Impairment	(122,337)	(145,845)
	971,827	1,179,129
Office furniture - at cost	7,795,902	7,755,925
Less: Accumulated depreciation	(2,338,132)	(1,944,989)
Less: Impairment	(533,544)	(573,877)
	4,924,226	5,237,059
Office equipment - at cost	11,019,290	11,035,781
Less: Accumulated depreciation	(4,311,681)	(3,651,877)
Less: Impairment	(679,001)	(764,199)
	6,028,608	6,619,705
Artwork - at cost	404,367	413,578
Less: Accumulated depreciation	(16,930)	(15,090)
Less: Impairment	(36,528)	(38,385)
	350,909	360,103
	36,407,079	41,839,496

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 $	Computer equipment $	Office furniture $	Office equipment $	Artwork $	Total $
Balance at 1 July 2021	28,443,500	1,179,129	5,237,059	6,619,705	360,103	41,839,496
Additions	362,773	1,090	85,203	-	3,400	452,466
Disposals and write off of assets	(2,929,567)	(20,174)	(43,038)	(14,818)	(12,171)	(3,019,768)
Impairment of assets	(362,596)	(14,669)	(73,170)	(89,926)	(5,194)	(545,555)
Reversal of impairment of assets	650,961	38,177	113,503	175,124	7,051	984,816
Depreciation expense	(2,033,562)	(211,726)	(395,331)	(661,477)	(2,280)	(3,304,376)
Balance at 31 December 2021	24,131,509	971,827	4,924,226	6,028,608	350,909	36,407,079

Note 10. Right-of-use assets

	Consolidated 31 December 2021 $	30 June 2021 $
Non-current assets		
Land and buildings - right-of-use	178,154,017	192,272,629
Less: Accumulated depreciation	(41,337,867)	(46,811,699)
Less: Impairment	(13,354,935)	(13,718,072)
	123,461,215	131,742,858

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

Consolidated	Land and buildings $
Balance at 1 July 2021	131,742,858
Additions	10,291,617
Termination of leases	(12,570,861)
Impairment of assets	(1,834,242)
Reversal of impairment of assets	2,197,379
Depreciation expense	(6,365,536)
Balance at 31 December 2021	123,461,215

Note 11. Intangibles

	Consolidated 31 December 2021 $	30 June 2021 $
Non-current assets		
Software - at cost	202,722	202,722
Less: Accumulated amortisation	(158,213)	(141,061)
Less: Impairment	(5,722)	(7,742)
	38,787	53,919

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

Consolidated	Software $
Balance at 1 July 2021	53,919
Impairment of assets	(597)
Reversal of impairment of assets	2,617
Amortisation expense	(17,152)
Balance at 31 December 2021	38,787

Note 12. Trade and other payables

	Consolidated	
	31 December 2021 $	30 June 2021 $
Current liabilities		
Trade payables	2,889,158	4,716,948
GST and PAYG withholding payable	2,277,835	1,253,703
Accrued expenses and other payables	139,482	154,666
	5,306,475	6,125,317
Non-current liabilities		
Amounts due to related parties	6,184,869	8,008,374
	11,491,344	14,133,691

Note 13. Lease liabilities

	Consolidated	
	31 December 2021 $	30 June 2021 $
Current liabilities		
Lease liability	15,585,759	20,124,572
Non-current liabilities		
Lease liability	151,231,922	162,507,244
	166,817,681	182,631,816

	Consolidated	
	31 December 2021 $	30 June 2021 $
Maturity analysis - contractual undiscounted cash flows		
Less than one year	24,256,449	32,118,453
One to five years	86,243,555	72,181,897
More than five years	113,825,026	145,425,110
Total undiscounted lease liabilities	224,325,030	249,725,460

	Consolidated	
	31 December 2021 $	30 June 2021 $
Lease commitments - leases not yet commenced		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	5,175,473
One to five years	-	22,564,276
More than five years	-	50,966,647
	-	78,706,396

Note 13. Lease liabilities (continued)

	Consolidated	
	31 December 2021 $	31 December 2020 $
Amounts recognised in statement of cashflows		
Total cash ouflow for leases	(10,896,578)	(7,425,497)

Note 14. Other

	Consolidated	
	31 December 2021 $	30 June 2021 $
Current liabilities		
Contractual liabilities	130,884	268,509
Client deposits	1,934,324	2,891,427
	2,065,208	3,159,936
Non-current liabilities		
Client deposits	957,763	240,678
	3,022,971	3,400,614

Note 15. Issued capital

	Consolidated			
	31 December 2021 Shares	30 June 2021 Shares	31 December 2021 $	30 June 2021 $
Ordinary shares - fully paid	157,848,016	157,848,016	61,922,519	61,922,519

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.

Share buy-back
There is no current on-market share buy-back.

Note 16. Dividends

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

Note 17. Contingent liabilities

As at 31 December the consolidated entity has outstanding claims from landlords in relation to damages and costs for the termination of leases in the period.

It is not possible at this time to quantify what such damages may amount to or the amounts which may be claimed by Landlords in connection with any breaches or termination of leases. The consolidated entity will contest all such claims.

Note 18. 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 73.3% (30 June 2021: 73.3%) of Victory Offices Limited & Controlled Entities as at 31 December 2021.

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

	Consolidated	
	31 December 2021 $	**31 December 2020 $**
Payment for other expenses:		
Interest incurred on related party loan (Dan Baxter)	43,753	64,824
Other transactions:		
Transfer of loan to Victory Serviced Offices (HK) Ltd to loan from key management personnel (Dan Baxter)	1,059,538	-
Additional loans provided by key management personnel (Dan Baxter)	8,725	-
Offset of non-interest bearing loan from key management personnel (Dan Baxter) against bank guarantee	2,882,243	-

A relative of Dan Baxter and Manisha Angirish is employed by Victory Management Services Pty Ltd. Remuneration is $94,465 inclusive of salary, annual leave entitlements taken and superannuation payments. Terms of this employment are on a normal arm's length basis.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

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

	Consolidated	
	31 December 2021 $	**30 June 2021 $**
Non-current receivables:		
Loan to Victory Serviced Offices (HK) Ltd	-	1,059,538
Current borrowings:		
Loan from key management personnel (Dan Baxter) - interest bearing	1,392,046	-
Non-current borrowings:		
Loan from key management personnel (Dan Baxter) - non-interest bearing	6,184,869	9,067,512
Loan from key management personnel (Dan Baxter) - interest bearing	298,665	2,697,371

Reconciliation of loan from key management personnel (Dan Baxter)	Loan $
Balance 1 July 2021	11,764,883
Add: interest accrued on loan	43,753
Less: Transfer of loan to Victory Serviced Offices (HK) Ltd	(1,059,538)
Add: additional loans from Dan	8,725
Less: Offset of non-interest bearing loan against bank guarantee	(2,882,243)
Balance at 31 December 2021	7,875,580

Note 18. 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 non-interest bearing loan from Dan Baxter initially related to the 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 repayments commence. 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 19. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it has been financially negative for the consolidated entity up to 31 December 2021.

Recent announcements by both the Commonwealth and State governments (particularly in Victoria & NSW) regarding the end of COVID related restrictions are expected to have a positive impact on the occupancy levels in offices in those states.

No other matter or circumstance has arisen since 31 December 2021 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 20. Loss per share

	Consolidated	
	31 December 2021 $	**31 December 2020 $**
Loss after income tax attributable to the owners of Victory Offices Limited	(25,854,152)	(17,682,342)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic loss per share	157,848,016	78,910,326
Weighted average number of ordinary shares used in calculating diluted loss per share	157,848,016	78,910,326
	Cents	**Cents**
Basic loss per share	(16.4)	(22.4)
Diluted loss per share	(16.4)	(22.4)

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 2021 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
Chairman

Dan Baxter
Managing Director/Co-Chief Executive Officer

28 February 2022

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of Victory Offices Limited

Conclusion

We have reviewed the accompanying half-year financial report of Victory Offices Limited (the Company), and its subsidiaries (the Consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other 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 notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Consolidated entity does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, 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 review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the interim financial report, which indicates that the Consolidated entity incurred a net loss of $25,854,152 and had negative operating cash outflow of $4,132,130 during the half-year ended 31 December 2021. As of that date the Consolidated entity had net current liabilities of $17,688,776. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

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 for the Review of the Financial Report

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 2021 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*.

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.

RSM

RSM AUSTRALIA PARTNERS

Miano

R B MIANO
Partner

Date: 28 February 2022
Melbourne, Victoria

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