

Victory Offices Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Victory Offices Limited
ACN:	616 150 022
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	26.5% to	26,499,129
Profit from ordinary activities after tax attributable to the owners of Victory Offices Limited	down	14.8% to	3,327,158
Profit for the half-year attributable to the owners of Victory Offices Limited	down	14.8% to	3,327,158

Dividends

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

Comments

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	<u>117.38</u>	<u>41.81</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. 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 Interim Report. The financial statements are not subject to a qualified independent review statement.

8. Attachments

Details of attachments (if any):

The Interim Report of Victory Offices Limited for the half-year ended 31 December 2019 is attached.



Victory Offices

Victory Offices Limited

ABN: 76 616 150 022

Financial report For the half-year ended 31 December 2019

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2019.

Victory Offices Limited and Controlled Entities
Financial Report
For the half-year ended 31 December 2019

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Victory Offices Limited and Controlled Entities
Directors' Report
For the half-year ended 31 December 2019

The directors present their report together with the financial report of the consolidated entity consisting of Victory Offices Limited ('Company' or 'parent entity') and its controlled entities (referred to hereafter as the 'Consolidated entity' or 'entity'), for the half-year ended 31 December 2019 and the independent review report thereon. This financial report has been prepared in accordance with *AASB 134 Interim Financial Reporting*.

Directors

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

Hon Steve Bracks AC
 Dan Baxter
 Alan Jones
 Ted Chwasta
 Shane Tanner

Principal activities

The principal activities of the Consolidated entity were 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 Consolidated entity continued to manage and add to its portfolio of flexible workplace locations during the half-year ended 31 December 2019. The profit of the Consolidated entity after providing for income tax amounted to \$3.3 million (31 December 2018: \$3.9 million).

Financial and operating highlights

	Measure	1HFY2019	1HFY2018	Change	Change %
Key financial data					
Revenue ⁽¹⁾	A\$ millions	26.5	20.6	5.9	29
Earnings before interest, tax, depreciation and amortisation	A\$ millions	18.0	14.3	3.7	26
Net profit after tax ⁽²⁾	A\$ millions	3.3	3.9	(0.6)	(15)
Operating cash flows	A\$ millions	13.3	10.1	3.2	32
Operating expenses (% revenue) ⁽²⁾	%	32.2	32.4	(0.2)	-

(1) Excluding service charges

(2) Excluding the impact of the new location that opened in the first half of the 2020 financial year, net profit after tax was \$4.1 million in the first half of the 2020 financial year attributable to the 'mature' locations that were in existence at 30 June 2019

(3) Operating expenses include employee benefits expense, other expenses and occupancy costs (outgoings)

Included in the table above and following commentary are several non IFRS measures including earnings before interest, tax, depreciation and amortisation and net profit after tax attributable to 'mature' locations. These figures have not been subject to audit but have been provided to give a better understanding of the performance of the Consolidated entity during the half-year ended 31 December 2019 financial year (and comparatives).

The Consolidated entity achieved revenue of \$26.5 million during the half-year up \$5.9 million on the prior half-year. This was mainly due to the six sites that opened during the prior half-year having a full six months of operations.

Earnings before interest, tax, depreciation and amortisation grew by \$3.7 million to \$18.0 million compared to the prior half-year mainly due to the increase in revenue and proportionally similar expenses.

Net profit after tax was \$3.3 million down from \$3.9 million in the prior half-year. Net profit after tax attributable to 'mature' locations was \$4.1 million. Mature locations include those that were in existence at 30 June 2019 and exclude the location that opened in the first half of the 2020 financial year. The new location had minimal revenue during the period whilst incurring five months of operating expenses and AASB 16 leasing expenses.

The Consolidated entity achieved a net profit after tax to revenue margin of 13% during the half-year. For 'mature' locations this ratio was 16% during the half-year.

Victory Offices Limited and Controlled Entities
Directors' Report
For the half-year ended 31 December 2019

Operating cash flows grew by \$3.2 million to \$13.3 million compared to the prior half-year mainly due to the increase in revenue partially offset by an increase in operating expenses. The Consolidated entity continued to invest in new locations during the period with \$29.9 million invested into new locations (fit-out costs and bank guarantees).

Although gross operating expenses increased, the Consolidated entity maintained its operating expenses as a percentage of revenue at 32%.

Outlook

The Consolidated entity expects to achieve 20% year-on-year revenue growth in the 2020 financial year compared to the prior year.

The Consolidated entity expects the net profit after tax to revenue margin to remain close to the 20% margin reported in the 2019 financial year for 'mature' locations (and excluding the impact of the 11 locations open or scheduled to open during the financial year).

Significant changes in the state of affairs

The Consolidated entity has opened one new location during the financial half-year. The Consolidated entity has also executed ten contracts during the financial half-year and plans to open these locations in the second half of the 2020 financial year.

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

Rounding of amounts

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

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 signed in accordance with a resolution of the Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.



Hon Steve Bracks AC
Chairman



Dan Baxter
Managing Director / CEO

Dated this 28th day of February 2020

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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 2019, 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.

A handwritten signature in blue ink, appearing to be "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to be "R B Miano".

R B MIANO
Partner

Dated: 28 February 2020
Melbourne, Victoria

Victory Offices Limited and Controlled Entities
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2019

	Note	31 Dec 2019 \$	31 Dec 2018 \$
Revenue			
Revenue from continuing activities	5	26,484,402	20,589,900
Interest income		14,727	-
Service charges		-	360,272
		26,499,129	20,950,172
Operating Expenses			
Employee benefits expense		(4,092,861)	(3,120,680)
Depreciation and amortisation expense	6	(8,871,666)	(5,175,778)
Other administration expenses		(2,638,290)	(2,123,523)
Occupancy costs		(1,802,269)	(1,418,524)
Finance costs	6	(4,339,507)	(3,443,225)
		(21,744,593)	(15,281,730)
Profit before Income Tax Expense		4,754,536	5,668,442
Income tax expense		(1,427,378)	(1,761,401)
Profit after Income Tax Expense		3,327,158	3,907,041
Other comprehensive income		-	-
Total Comprehensive Income for the Period Attributable to the Owners		3,327,158	3,907,041
Earnings per share for profit attributable to the owners:			
Basic earnings per share (cents)	13	8.1	15.1
Diluted earnings per share (cents)	13	8.1	15.1

These financial statements should be read in conjunction with the accompanying notes.

Victory Offices Limited and Controlled Entities
Consolidated Statement of Financial Position
As at 31 December 2019

	Note	31 Dec 2019 \$	30 Jun 2019 \$
Current Assets			
Cash and cash equivalents		640,596	3,198,805
Trade and other receivables	7	7,551,670	1,080,232
Other financial assets	8	2,041,864	20,135,903
Total Current Assets		10,234,130	24,414,940
Non-Current Assets			
Other financial assets	8	28,904,259	10,795,496
Deferred tax assets		6,357,095	5,374,869
Plant and equipment	9	160,523,558	139,452,193
Total Non-Current Assets		195,784,912	155,622,558
Total Assets		206,019,042	180,037,498
Current Liabilities			
Trade and other payables	10	9,707,364	2,926,458
Provisions		324,115	336,775
Other liabilities		3,294,886	2,911,899
Lease liabilities	11	6,091,997	5,888,004
Current tax liabilities		2,566,582	156,978
Total Current Liabilities		21,984,944	12,220,114
Non-Current Liabilities			
Trade and other payables	10	9,067,512	11,098,263
Provisions		1,801,443	1,047,108
Other liabilities		199,623	354,776
Lease liabilities	11	124,955,108	110,633,983
Total Non-Current Liabilities		136,023,686	123,134,130
Total Liabilities		158,008,630	135,354,244
Net Assets		48,010,412	44,683,254
Equity			
Issued capital	12	28,164,585	28,164,585
Retained earnings		19,845,827	16,518,669
Total Equity		48,010,412	44,683,254

These financial statements should be read in conjunction with the accompanying notes.

Victory Offices Limited and Controlled Entities
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2019

	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance as at 1 July 2018	2	6,922,171	6,922,173
Total Comprehensive Income	-	3,907,041	3,907,041
Balance as at 31 December 2018	<u><u>2</u></u>	<u><u>10,829,212</u></u>	<u><u>10,829,214</u></u>
Balance as at 1 July 2019	28,164,585	16,518,669	44,683,254
Total Comprehensive Income	-	3,327,158	3,327,158
Balance as at 31 December 2019	<u><u>28,164,585</u></u>	<u><u>19,845,827</u></u>	<u><u>48,010,412</u></u>

These financial statements should be read in conjunction with the accompanying notes.

Victory Offices Limited and Controlled Entities
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2019

	31 Dec 2019	31 Dec 2018
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers (inc GST)	23,440,867	21,211,941
Payments to suppliers and employees (inc GST)	(6,596,798)	(8,959,282)
Interest received	14,727	-
Interest paid (including leases)	(3,585,723)	(2,200,948)
Net cash inflow from operating activities	13,273,073	10,051,711
Cash Flows from Investing Activities		
Proceeds from term deposits	18,079,314	-
Payments for bank guarantees	(18,094,038)	-
Purchase of plant and equipment	(11,764,446)	(9,591,019)
Net cash outflow from investing activities	(11,779,170)	(9,591,019)
Cash Flows from Financing Activities		
Payment of funds to related parties	(450,694)	(10,783,250)
Receipt of funds from related parties	470,694	9,790,700
Proceeds from incentives received from landlord	-	1,225,956
Payment of hire purchase liabilities	-	(56,290)
Payments for lease liabilities	(4,072,113)	(1,611,106)
Net cash inflow from financing activities	(4,052,113)	(1,433,990)
Net decrease in cash and cash equivalents	(2,558,209)	(973,298)
Cash and cash equivalents at start of period	3,198,805	1,446,674
Cash and Cash Equivalents at end of period	640,596	473,376

These financial statements should be read in conjunction with the accompanying notes.

Victory Offices Limited and Controlled Entities
Notes to the Financial Statements
For the half-year ended 31 December 2019

1 Introduction

The consolidated half-year financial statements covers Victory Offices Limited ('Company' or 'parent entity') and its controlled entities ('Consolidated entity' or 'entity'). Victory Offices Limited is a for profit Company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors on 27 February 2020. Comparatives are consistent with prior years, unless otherwise stated.

2 Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ending 31 December 2019 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS34: *Interim Financial Reporting*.

The half-year financial statements are intended to provide users with an update on the latest annual financial statements of the Consolidated entity. As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Consolidated entity. The consolidated financial statements do not include all the notes normally included in an annual financial report. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the Consolidated entity for the year ended 30 June 2019, together with 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, unless otherwise stated.

3 Segment Information

The consolidated entity is organised into one operating segment providing comprehensive serviced office 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 Decisions Makers) in assessing performance and in determining the allocation of resources.

4 Cashflow Management

As at 31 December 2019 the Consolidated Statement of Financial Position showed current liabilities exceeded current assets by \$11,750,814 (\$21,984,944 less \$10,234,130). The Directors and Management closely monitor liquidity and the following details are provided to explain the company's financial position and how cash flow will be managed.

This deficit working capital position at 31 December 2019 reflects the impact of the company's increased business activity since the previous reporting period of 30 June 2019. Following the company's listing on the ASX on 14 June 2019 when new capital of \$28,164,585 (net of costs) was raised, the company entered into lease arrangements for an additional 10 properties which required an immediate and significant cash outlay in the 2020 financial year. The company was also required to allocate \$18,108,763 in cash reserves to support new lease deposits for those new properties.

The negative working capital position that resulted from this escalation of activity is expected to improve during the current financial year as new sites open and begin to generate revenue in excess of lease expenses. It should be noted that the Statement of Cash Flows for the half year ended 31 December 2019 showed positive cash flow from operating activities of \$13,273,073. This amount is expected to improve with the impact of the new leased properties.

Victory Offices Limited and Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

5 Revenue

	31 Dec 2019	31 Dec 2018
	\$	\$
<i>Revenue from continuing operations</i>		
Suite services	26,482,746	20,541,900
Other revenue	1,656	48,000
	<u>26,484,402</u>	<u>20,589,900</u>

6 Expenses

	31 Dec 2019	31 Dec 2018
	\$	\$
<i>Depreciation</i>		
Right of use asset	5,728,035	4,272,500
Plant and equipment	3,143,631	903,278
	<u>8,871,666</u>	<u>5,175,778</u>
<i>Finance costs</i>		
Interest and finance charges paid	100,465	168,114
Unwinding of lease liability interest	4,239,042	3,275,111
	<u>4,339,507</u>	<u>3,443,225</u>

7 Trade and other receivables

	31 Dec 2019	30 Jun 2019
	\$	\$
Trade receivables	6,192,470	272,660
Sundry debtors and prepayments	1,359,200	807,572
	<u>7,551,670</u>	<u>1,080,232</u>

The collection policy has changed for accounts receivable since 30 June 2019, customer now trade with the consolidated entity on 30 day terms which is consistent with other industry participants.

8 Other financial assets

	31 Dec 2019	30 Jun 2019
	\$	\$
Current		
Term deposits	2,041,864	20,135,903
Non-current		
Term deposits for bank guarantees	<u>28,904,259</u>	<u>10,795,496</u>

Victory Offices Limited and Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

9 Plant and Equipment

	31 Dec 2019	30 Jun 2019
	\$	\$
<i>Office furniture</i>		
Cost	7,171,653	6,528,358
Accumulated depreciation	(839,185)	(499,815)
	<u>6,332,468</u>	<u>6,028,543</u>
<i>Office equipment</i>		
Cost	10,633,677	10,525,955
Accumulated depreciation	(1,989,711)	(1,099,050)
	<u>8,643,966</u>	<u>9,426,905</u>
<i>Computer equipment</i>		
Cost	2,533,268	2,156,859
Accumulated depreciation	(581,072)	(377,746)
	<u>1,952,196</u>	<u>1,779,113</u>
<i>Computer software</i>		
Cost	202,722	141,849
Accumulated depreciation	(74,338)	(53,863)
	<u>128,384</u>	<u>87,986</u>
<i>Leasehold Improvements</i>		
Cost	37,673,389	26,773,214
Accumulated depreciation	(4,513,126)	(2,967,758)
	<u>33,160,263</u>	<u>23,805,456</u>
<i>Artwork</i>		
Cost	358,399	325,414
Accumulated depreciation	(8,363)	(6,308)
	<u>350,036</u>	<u>319,106</u>
<i>Right of use asset</i>		
Cost	134,370,561	116,625,486
Accumulated depreciation	(24,414,316)	(18,620,402)
	<u>109,956,245</u>	<u>98,005,084</u>
	<u>160,523,558</u>	<u>139,452,193</u>

Victory Offices Limited and Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

9 Plant and Equipment (continued)

Reconciliation of Carrying Amount

The following table shows a reconciliation from the opening balances to the closing balances for the reporting periods:

	Office Furniture	Motor Vehicles	Office Equipment	Computer Equipment	Computer Software	Leasehold Improvements	Artwork	Right of use asset	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	1,107,875	300,306	6,361,105	307,845	42,375	11,221,045	259,003	76,907,478	96,507,032
Additions	5,193,611	-	4,012,772	1,658,028	64,071	14,658,186	62,895	30,444,035	56,093,598
Disposals - written down value	-	(243,947)	-	-	-	-	-	-	(243,947)
Depreciation expense	(272,943)	(56,359)	(946,972)	(186,760)	(18,460)	(2,073,775)	(2,792)	(9,346,429)	(12,904,490)
Balance at 30 June 2019	<u>6,028,543</u>	<u>-</u>	<u>9,426,905</u>	<u>1,779,113</u>	<u>87,986</u>	<u>23,805,456</u>	<u>319,106</u>	<u>98,005,084</u>	<u>139,452,193</u>
Balance at 1 July 2019	6,028,543	-	9,426,905	1,779,113	87,986	23,805,456	319,106	98,005,084	139,452,193
Additions	643,295	-	107,722	376,409	60,873	11,042,552	32,985	17,679,196	29,943,031
Disposals - written down value	-	-	-	-	-	-	-	-	-
Depreciation expense	(339,370)	-	(890,661)	(203,326)	(20,475)	(1,687,745)	(2,055)	(5,728,035)	(8,871,666)
Balance at 31 December 2019	<u>6,332,468</u>	<u>-</u>	<u>8,643,966</u>	<u>1,952,196</u>	<u>128,384</u>	<u>33,160,263</u>	<u>350,036</u>	<u>109,956,245</u>	<u>160,523,558</u>

Victory Offices Limited and Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

10 Trade and other payables

	31 Dec 2019	30 Jun 2019
	\$	\$
Current		
Trade payables	5,127,896	2,325,017
GST and PAYG withholding payable	2,305,824	527,006
Accrued expenses	222,893	74,435
Related party income tax payable	2,050,751	-
	<u>9,707,364</u>	<u>2,926,458</u>
Non-current		
Related party income tax payable	-	2,030,751
Amounts due to related parties	9,067,512	9,067,512
	<u>9,067,512</u>	<u>11,098,263</u>

11 Lease Liabilities

As a lessee	31 Dec 2019	30 Jun 2019
	\$	\$
Right-of-use assets	109,956,245	98,005,084
	<u>109,956,245</u>	<u>98,005,084</u>

The right of use assets comprise 23 leased premises with varying lease terms between 5 and 10 years. Information regarding leases for which the consolidated entity is a lessee is presented below:

Right-of-use assets	31 Dec 2019	30 Jun 2019
	\$	\$
Balance at beginning of period	98,005,084	76,907,478
Additions	17,679,196	30,444,035
Depreciation charge for the year	(5,728,035)	(9,346,429)
Balance at end of period	<u>109,956,245</u>	<u>98,005,084</u>

Lease liabilities

Maturity analysis - contractual undiscounted cash flows

Less than one year	14,511,351	13,413,820
One to five years	91,231,001	80,339,831
More than five years	85,094,345	76,008,494
Total undiscounted lease liabilities	<u>190,836,697</u>	<u>169,762,145</u>

Lease liabilities included in the statement of financial position

Current	6,091,997	5,888,004
Non-current	124,955,108	110,633,983

Amounts recognised in profit or loss:

	31 Dec 2019	31 Dec 2018
	\$	\$
Interest on lease liabilities	4,239,042	3,275,111
Amounts recognised in the statement of cash flows	7,657,836	3,812,054

The consolidated entity has committed to leases during the half-year ended 31 December 2019, which have not been reflected within right-of-use assets or lease liabilities as at 31 December 2019 as the locations were not open as at 31 December 2019. The leases are expected to be reflected in the second-half of the 2020 financial year.

Victory Offices Limited and Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

11 Lease Liabilities (continued)

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

	31 Dec 2019	30 Jun 2019
	\$	\$
Less than one year	7,823,837	13,413,820
One to five years	53,029,285	80,339,831
More than five years	92,843,767	79,008,494
Total expected future cash outflows	<u>153,696,889</u>	<u>172,762,145</u>

12 Contributed Equity

	31 Dec 2019	30 Jun 2019
	\$	\$
Issued capital: 40,900,000 issued shares (30 June 2019: 40,900,000 issued shares)	<u>28,164,585</u>	<u>28,164,585</u>

There were no movements in issued capital during the half-year ended 31 December 2019.

13 Earnings per Share

	31 Dec 2019	31 Dec 2018
	\$	\$
Earnings per share for profit of continuing operations		
Profit after income tax	3,327,158	3,907,041
Weighted average number of ordinary shares	40,900,000	25,900,000
Basic earnings per share (cents)	8.1	15.1
Diluted earnings per share (cents)	8.1	15.1

14 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 63.3% of Victory Offices Limited & Controlled Entities.

Related parties

Other transactions with Key Management Personnel and their related entities are shown below. Other related parties include close family members of key management personnel and entities that are controlled.

The following transactions occurred with related parties of Mr Dan Baxter:

31 Dec 2019	Purchases	Sales	Other transactions	Receivable	Payable
	\$	\$	\$	\$	\$
<i>KMP related parties</i>					
Dan Baxter	-	-	-	-	9,067,512
<i>Controlling entities</i>					
Victory Group Holdings	-	-	20,000	-	2,050,751
Victory Realty	-	-	450,694	-	-

Victory Offices Limited and Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

14 Related Party Transactions (continued)

30 Jun 2019	Purchases	Sales	Other transactions	Receivable	Payable
	\$	\$	\$	\$	\$
<i>KMP related parties</i>					
Dan Baxter	-	-	-	-	9,067,512
<i>Controlling entities</i>					
Victory Group Holdings	-	-	-	-	2,030,751
<i>Other related parties</i>					
Victory Aluminium Pty Ltd	-	503,760	-	-	-
Victory Constructions Pty Ltd	-	150,000	-	-	-
Victory Realty Pty Ltd	-	210,000	-	-	-
Victory Metals Australia Pty Ltd	-	-	243,947	-	-

Loans to/from related parties

Unsecured loans are made to the ultimate parent entity, subsidiaries, directors, key management personnel and other related parties on an arm's length basis. There are no set repayment terms and no interest is charged. Loans are unsecured and repayable in cash.

During the period Dan Baxter paid \$nil (financial year ended 30 June 2019: \$2,778,907) for bank guarantees for new leases with the amount recorded as a related party loan.

During the period Victory Group Holdings Pty Ltd paid \$nil (financial year ended 30 June 2019: \$4,283,512) in settlement of tax liabilities on behalf of the consolidated entity with the amount recorded as a related party

Other related parties - sales

Sales related to the use of suite services and cost recharges in the normal course of business and are on arm's length terms.

Other related parties - other transactions

Other transactions during the period with Victory Realty include a short-term transfer of funds and subsequent repayment within the period. Funds were received by the Consolidated entity on behalf of Victory Group Holdings during the period. There were no other transactions with other related parties during the half-year ended 31 December 2019.

Victory Offices Limited and Controlled Entities
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2019

14 Related Party Transactions (continued)

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.

15 Contingent Assets and Contingent Liabilities

The Consolidated entity had no contingent assets or contingent liabilities as at 31 December 2019 or 30 June 2019.

16 Capital commitments

The consolidated entity has entered into contracts for the fit-out of new locations prior to 31 December 2019. As at 31 December 2019 the unpaid commitments pursuant to these contracts was \$5,592,829.

17 Events after the Reporting Period

No matters or circumstances have arisen since 31 December 2019 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.

Victory Offices Limited and Controlled Entities
Directors' Declaration
For the half-year ended 31 December 2019

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 2019 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 the directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Hon Steve Bracks AC
Chairman

28 February 2020



Dan Baxter
Managing Director / CEO

RSM Australia Partners

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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 ("the Company") and its controlled entities ("the Consolidated entity") which comprises the consolidated statement of financial position, as at 31 December 2019, 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 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 2019 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 and controlled entities, 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.

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.

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 2019 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 AUSTRALIA PARTNERS



R B MIANO
Partner

Dated: 28 February 2020
Melbourne, Victoria

Victory Offices Limited and Controlled Entities
Corporate Directory

Directors

Hon Steve Bracks AC (Chairman, Non-Executive Director)
Dan Baxter (Chief Executive Officer, Managing Director)
Alan Jones (Non-Executive Director)
Ted Chwasta (Non-Executive Director)
Shane Tanner (Non-Executive Director)

Company Secretary

Geoff Hollis (appointed 26 September 2019)
Fady Said (resigned 26 September 2019)

Registered Office

Level 2, Victory Tower
416-420 Collins Street
Melbourne VIC 3000
ACN: 616 150 022

Legal Advisors

Hall & Wilcox
Level 11
525 Collins Street
Melbourne VIC 3000

Auditor

RSM Australia Partners
Level 21
55 Collins Street
Melbourne VIC 3000

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Website: www.linkmarketservices.com.au