ANNUAL REPORT
2022





Victory Offices

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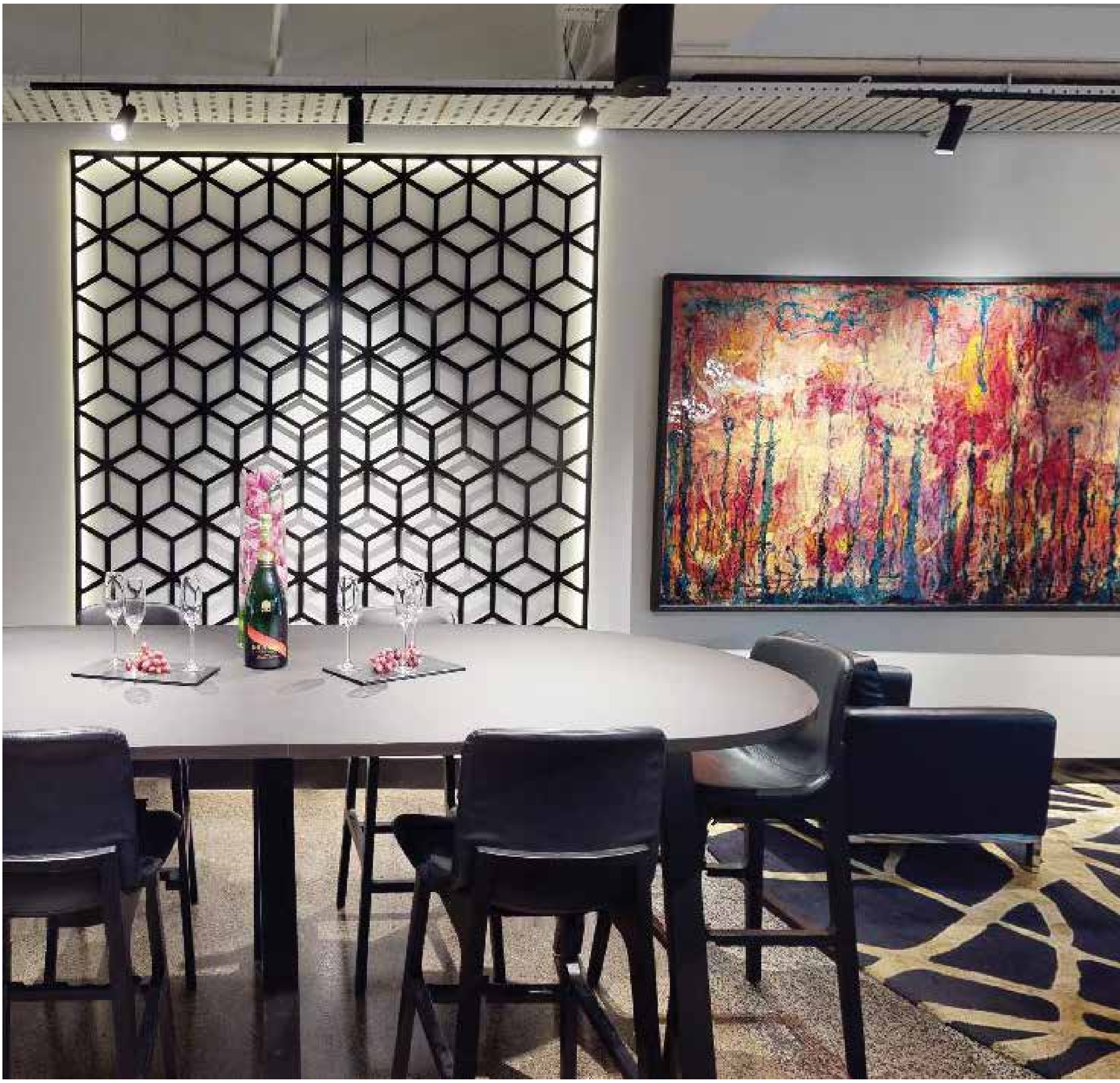
Award Winning Flexible Workspace Providers



CHAIRMAN AND MANAGING DIRECTOR'S LETTER

For the 2022 Financial Year

Dear Shareholders,

Victory Offices welcomed the substantial easing of restrictions, supported by the national vaccination campaign during FY22. Pleasingly, the Australian economy is up and running and momentum has been increasing as people and businesses navigate living in the new normal. I also welcome the recent comments by the World Health Organisation that the end of COVID-19 pandemic is in sight, which will be pivotal in the continued recovery efforts of economies and businesses around the globe to pre-pandemic levels.

The Victory team continues to be innovative and work diligently to respond to external market conditions and I am extremely grateful and encouraged by the Victory team's continued support, high morale and passion for the Victory Offices brand. I am looking forward to FY23 as being a continued significant improvement to what we have all experienced across the economy these past two years.

The Company continued to face the adverse impact of COVID-19 pandemic with certain state government mandated lockdowns and restrictions in movement in place during the first half of FY22; impacting businesses and return to work directives. In the second half of FY22, with substantial easing of restrictions, the Company experienced a gradual improvement in business and steady incremental growth in occupancy rates across many of its properties. The total number of enquiries received have increased by 16% in the second half of FY22, directly correlated to people returning 'back to work' as opposed to the mandated work from home policy. However, revenue and particularly occupancy rates are still below pre-pandemic levels. Unsurprisingly, the Company recorded an underlying loss after tax of $28.5 million for the financial year.

As the impacts of the pandemic continued, Victory Offices took the decision to strategically review its entire portfolio of office locations throughout Australia and took the difficult decision to close ten operating locations, in addition to one company location during FY22. These operating locations were likely to continue to operate at a loss for the foreseeable future. The decision to cease operating at these locations is expected to have a positive impact on the Company's remaining office locations.

Victory Offices has continued to ensure a strong focus on capital management and in August 2022, the Company secured an $8 million funding facility to fund working capital requirements and support the business as it continues to recover to pre-pandemic levels. The Company is continuing to focus on seeking ways to strengthen the balance sheet and ensure the long-term viability of the business.

I remain confident that the steady increase in occupancy levels experienced in the second half of FY22 will continue during FY23. We anticipate the gradual increase in occupancy in line with industry studies that draw attention to modified work environment and flexible employment attitudes. The service offering from Victory Offices will become more attractive and efficient as businesses firm up their future workplace options and structure.

I am committed to the challenge of continuing the recovery of Victory Offices through the remainder of 2023 financial year, with a view of returning to profitability in the 2024 financial year.

Dan Baxter
Chairman/ Managing Director/CEO

22 September 2022

DIRECTORS' REPORT

For the Year Ended 30 June 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Victory Offices Limited (referred to hereafter as the 'Company' or 'Victory Offices') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

DIRECTORS

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

Hon Steve Bracks AC (Non-Executive Chairman) - resigned 24 May 2022

Mr Dan Baxter (Managing Director and Co-Chief Executive Officer). Appointed Chairman of the Board on 24 May 2022

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, resigned 24 May 2022

PRINCIPAL ACTIVITIES

Victory Offices is an ASX-listed flexible office solutions provider, offering comprehensive serviced office packages and other services to its members, operating across four states/territory.

DIVIDENDS

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

REVIEW OF OPERATIONS

The loss for the Group after providing for income tax expense amounted to $51,303,763 (30 June 2021: loss of $36,570,956).

	30 JUNE 2022	30 JUNE 2021	CHANGE	CHANGE
	$	$	$	%
Loss before income tax	(40,489,737)	(43,511,339)	3,021,602	(7%)
(Reversal)/impairment of receivables	(195,339)	2,733,554	(2,928,893)	(107%)
Impairment of assets	5,260,906	10,895,842	(5,634,936)	(52%)
Reversal of impairment of assets	-	(966,445)	966,445	(100%)
Gain on termination of leases	(32,138,114)	-	(32,138,114)	-
Surrender of bank guarantees	23,324,625	-	23,324,625	-
Gain on disposal of subsidiaries	(5,674,754)	-	(5,674,754)	-
Write off of fixed assets related to surrendered leases	22,009,676	-	22,009,676	-
Job keeper subsidy	-	(1,632,800)	1,632,800	(100%)
Rent concession income	(646,475)	(1,313,971)	667,496	(51%)
Underlying net loss before tax	**(28,549,212)**	**(33,795,159)**	**5,245,947**	**(16%)**

Underlying net loss before tax excludes the impact of the reversal/impairment of receivables and assets, gain on termination of leases as well as surrender of bank guarantees, gain on disposal of subsidiaries, fixed assets written off relating to surrendered leases, job keeper subsidy, and rent concession income.

The Group welcomed the substantial easing of restrictions associated with the COVID-19 pandemic ('COVID-19' or 'the pandemic') aided by the national vaccination programme and elevated business and consumer confidence sentiments in the latter half of the financial year.

With many businesses and organisations returning to work in the Central Business Districts and surrounding suburbs, the Group experienced a gradual increase in occupancy rates across many of its properties, particularly in the second half of the financial year. On average the Group recorded occupancy rates in the range of 15% – 89% during the financial year (2021: 6% – 80%). However, revenue and particularly occupancy rates are still below pre-pandemic levels which were in the range of 67% to 98%.

The Group continued to face the adverse impact of COVID-19 with some locations continuing to operate in a loss-making position. This required the Group to undertake a strategic review of its portfolio of office locations which resulted in the closure of 10 operating locations (in addition to 1 company office location) during the financial year. The closed locations were likely to continue to operate at a loss for the foreseeable future and the decision to cease operating at these locations is expected to have a positive impact on the Group's remaining portfolio of 14 office locations. As a result;

- revenue from suite services was $14.06 million in the 2022 financial year (2021: $14.7 million). Underlying net loss before tax for the 2022 financial year was $28.5 million (2021: $33.8 million loss);
- the Group recorded an impairment charge of $5.3 million (2021: impairment of $10.9 million). The impairment charge is non-cash and is based on occupancy rates and forecasts;
- the Group recorded a non-cash gain of $32.1 million (inclusive of reversal of impairment) in respect of termination of leases for closed locations;
- surrendered bank guarantees of $23.2 million pertaining to closed locations;
- disposed subsidiaries relating to closed locations for non-cash gain of $5.7 million; and
- wrote off fixed assets relating to closed locations of $22.0 million.

While COVID-19 challenges remain for the Group such as the recent new wave of COVID-19 which may result in declining levels of return to work for many organisations than previously anticipated, the Board remains confident that flexible workspaces are important to the way the world does business going forward and will recover in parallel with the Australian economy.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company closed 10 operating locations and 1 company office (collectively the subsidiaries) during the year. All rights were relinquished over the respective locations. Any outstanding obligations has been settled partially through the bank guarantees in place at 30 June 2022. The Company also deconsolidated the subsidiaries, as disclosed in Note 39 to the financial statements.

The Company is currently subject to legal proceedings of a winding up application brought on by a landlord of a closed location. The Company has engaged lawyers and is rigorously opposing the application.

The Company has entered into an $8 million loan facility agreement with Redmill Metals Limited, a company controlled by Mr Dan Baxter, Co-Chief Executive Officer and Chairman of the Board, to provide a financing facility to enable the Company to meet its debts as and when they fall due.

The Group's performance continued to be adversely impacted by COVID-19. The duration and full extent of the pandemic and the impacts on the economy remain uncertain. As a result, certain significant judgements, estimates and assumptions have been made in determining the carrying value of certain assets and liabilities at 30 June 2022.

There were no other significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 9 August 2022, the Company entered into an $8 million loan facility agreement with Redmill Metals Limited, a related entity of Mr Dan Baxter. The financing facility will enable the Company to meet its debts as and when they fall due.

The duration, frequency and extent of financial, social, and public health impacts of COVID-19 pandemic remain uncertain and therefore the Group cannot quantify the impact that COVID-19 may have on future periods. The financial report includes disclosures on the potential impact of the prevailing uncertainty on the reported amounts of relevant revenues, expenses, assets, and liabilities for the year ended 30 June 2022 and future periods where relevant.

No other matters have arisen since the end of the period which have significantly affected, or may significantly affect, the operation of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group intends to continue its programme of offering serviced offices, coworking, hot desks and virtual offices and facilities for businesses to contract to use on flexible licence arrangements.

ENVIRONMENTAL REGULATION

Victory Offices is not subject to any significant environmental regulation under Australian Commonwealth or State law.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INFORMATION ON DIRECTORS

Hon Steve Bracks AC

***Non-Executive Chairman** (resigned 24 May 2022)*

Experience and expertise: The Hon Steve Bracks AC was Premier of Victoria for eight years. He now advises several leading Australian finance and service sector corporations. Mr Bracks also holds a major honorary position as an Honorary Chair of the Union Education Foundation. He is Chairman of the superannuation fund Cbus; the Chair of the MCG Trust, Chair of Maurice Blackburn and a Director of Bank of Sydney and Victory Offices. In January 2021 he was appointed to the position of Chancellor of Victoria University.

Other current directorships: None

Former directorships (last 3 years): None

Interests in shares: None

Dan Baxter

Managing Director, Co-Chief Executive Officer. (Appointed Chairman on 24 May 2022)

Experience and expertise: Dan is the founder of Victory Offices with more than 20 years of senior management experience under his belt. Under his leadership, the company has emerged as a prominent player in the flexible workspace market. Dan's creative thinking, vision and passion has led to success of Victory Offices. As the Victory Group Holdings Executive Director, Dan has also successfully led Victory Aluminium to be one of the largest exporters of aluminium from Australia. Dan is a current member of Australian Institute of Company Directors, with academic qualifications in Engineering and Business Management.

Other current directorships: None

Former directorships (last 3 years): None

Interests in shares: 115,348,392

Alan Jones

Non-Executive Director

Experience and expertise: With over 35 years' experience in various management roles within the private and public sector, Alan's successful career reflects a strong understanding of capital equipment and facilities management and experience in high performing team environments. Alan is currently the Managing Director of AML Advisory, a Melbourne based advisory established in 2003, delivering capital equipment project support and commercial services. Alan has also held senior roles on committees and boards with not for profit organisations. Alan's commercial career follows an extensive career serving within the Australian Defence Force specialising in operational and strategic logistical support. He holds graduate and postgraduate qualifications in logistics, asset management, administration and strategic studies.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chairman of the Human Resources & Remuneration Committee

Member of the Audit Committee.

Interests in shares: 100,000

Ted Chwasta

Non-Executive Director

Experience and expertise: Ted is a career retailer with over 37 years' experience with some of Australia's largest public and private companies, including The Brash Group and The Good Guys. Ted previously served as the State Chairman for The Good Guys Victoria and has held positions in various National Advertising Committees.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities:

Member of the Audit Committee

Chairman of the Audit Committee (appointed 24 June 2022)

Member of the Human Resources & Remuneration Committee

Interests in shares: 133,334

Ms Manisha Angirish

Executive Director and Co-Chief Executive Officer

Experience and expertise: An inspiring Co-founder and Co-Chief Executive Officer with 14 years of experience in senior management team, Manisha oversees the operational controls, procedures and systems. Manisha's hands-on approach ensures that every detail across all Victory Offices locations remains consistent with the 6-star brand. Her strong leadership, effective management and inspiring vision continues to ensure that Victory Offices remains the industry leader. Manisha holds a Master's degree in chemistry, and her continual love of learning has inspired her to expand her knowledge through foundational accounting, legal and now forensic psychology. Ms Angirish is Mr Dan Baxter's spouse.

Other current directorships: None

Former directorships (last 3 years): None

Interests in shares: None

Ms Kelly Humphreys

Non-Executive Director (appointed 1 December 2021, resigned 24 May 2022)

Experience and expertise: Kelly is an experienced non-executive director and accomplished financial services professional with current board roles across diverse sectors including building regulation, health, financial services and education. She is also Chair of Audit, Finance and Risk Committees. Kelly has extensive senior executive experience in insurance and lending and a depth of technical expertise in operations, risk management and governance. She brings a strong commercial approach to achieving objectives in complex regulatory environments and demonstrated ability in engaging stakeholders and working effectively to deliver business growth and improved performance. Kelly holds a Masters of Management, a Diploma of Financial Services and is a graduate member of the Australian Institute of Company Directors.

Other current directorships: National Stock Exchange of Australia, RAIZ Invest Limited

Former directorships (last 3 years): None

Special responsibilities:
Chairman of the Audit Committee (resigned 24 May 2022)

Member of the Human Resources & Remuneration Committee

Interests in shares: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARY

Mr Mark Licciardo

Mark is the founder of Mertons Corporate Services, now part of Acclime Australia and is responsible for Acclime Australia's Listed Services Division. He is also an ASX-experienced director and chair of public and private companies, with expertise in the listed investment, infrastructure, bio-technology and digital sectors. He currently serves as a director on a number of Australian company boards as well as foreign controlled entities and private companies.

During his executive career, Mark held roles in banking and finance, funds management, investment and infrastructure development businesses, including being the Company Secretary for ASX:100 companies Transurban Group and Australian Foundation Investment Company Limited.

Mark holds a Bachelor of Business degree in accounting, a Graduate Diploma in Governance and is a Fellow of the Chartered Governance Institute, the Governance Institute of Australia and the Australian Institute of Company Directors.

Mr Licciardo was appointed on 3 September 2021.

Ms Claire Newstead-Sinclair

Claire is an experienced finance and company secretarial professional with over 18 years' experience in senior financial roles within public and private entities across biotechnology, insurance and public practice sectors, including over nine years ASX-Listed experience as CFO and Company Secretary at CogState Ltd (ASX: CGS). Prior to her time at CogState, Claire worked for a subsidiary of Wesfarmers Group and began her finance career with seven years at Pitcher Partners.

Ms Newstead-Sinclair resigned on 3 September 2021.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	FULL BOARD		HR & REMUNERATION COMMITTEE		AUDIT COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Hon Steve Bracks AC*	9	9	-	-	-	-
Mr Dan Baxter	10	10	-	-	-	-
Mr Alan Jones	10	10	2	2	2	2
Mr Ted Chwasta	10	9	2	1	2	2
Ms Manisha Angirish	10	9	-	-	-	-
Ms Kelly Humphreys*	5	5	1	1	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Hon Bracks AC resigned on 24 May 2022. Ms Humphreys was appointed on 1 December 2021 and resigned on 24 May 2022.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- **Principles used to determine the nature and amount of remuneration**
- **Details of remuneration**
- **Service agreements**
- **Share-based compensation**
- **Additional information**
- **Additional disclosures relating to key management personnel**

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Human Resources and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Human Resources and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

NON-EXECUTIVE DIRECTORS REMUNERATION

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Human Resources and Remuneration Committee. The Human Resources and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

Under the Constitution, subject to the ASX Listing Rules, the Directors as a whole (other than Executive Directors) may be paid or remunerated for their services a total amount or value not exceeding $400,000 per annum or such other maximum fixed by the Company in a general meeting. Non-Executive Directors may not be paid a commission on or a percentage of profits or operating revenue. All Director's fees include superannuation at statutory amounts (FY22: 10%, FY21: 9.5%).

EXECUTIVE REMUNERATION

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Human Resources and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

GROUP PERFORMANCE AND LINK TO REMUNERATION

Whilst there are incentives in place for wider employees, remuneration for executives is not currently linked to the performance of the Group. The Human Resources and Remuneration Committee has commenced a review of industry standards and the potential to implement an incentive plan consistent with practices amongst other ASX companies of a similar size.

Voting and comments made at the company's 28 January 2022 Annual General Meeting ('AGM')

At the 28 January 2022 AGM, 43.08% of the votes received was against the adoption of the remuneration report for the year ended 30 June 2021. As more than 25% of the votes were cast against the adoption of the remuneration report, this constitutes a first strike for the purposes of the *Corporations Act 2001* (Cth).

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	
30 JUNE 2022	**CASH SALARY AND FEES $**	**ANNUAL LEAVE $**	**NON-MONETARY $**	**SUPER-ANNUATION $**	**LONG SERVICE LEAVE $**	**EQUITY SETTLED $**	**TOTAL $**
Non-Executive Directors:							
Hon Steve Bracks AC[1]	89,615	-	-	8,962	-	-	98,577
Mr Alan Jones	41,096	-	-	4,110	-	-	45,206
Mr Ted Chwasta	41,096	-	-	4,110	-	-	45,206
Ms Kelly Humphreys[1]	19,705	-	-	1,971	-	-	21,676
Executive Director:							
Mr Dan Baxter	500,000	35,492	-	35,000	9,842	-	580,334
Ms Manisha Angirish	295,455	8,913	-	28,500	5,872	-	338,740
Other Key Management Personnel:							
Mr Keith Pollocks[2]	83,813	-	-	-	-	-	83,813
Mr Stephan Scheffer[3]	9,084	-	-	-	-	-	9,084
Ms Claire Newstead-Sinclair[4]	38,100	-	-	-	-	-	38,100
Mr George Paolucci[5]	134,270	8,986	-	13,427	3,234	-	159,917
	1,252,234	53,391	-	96,080	18,948	-	1,420,653

1. Hon Steve Bracks AC resigned on 24 May 2022. Ms Kelly Humphreys was appointed on 1 December 2021 and resigned on 24 May 2022.
2. Mr Keith Pollocks was appointed Chief Financial Officer on 10 January 2022 and resigned on 1 June 2022. Mr Pollocks was remunerated by Redmill Metals Limited, a related party of Mr. Dan Baxter. Total remuneration was $167,625 inclusive of salary, annual leave entitlements and superannuation payments. A portion of the total remuneration has been recharged to Victory Offices Limited.
3. Mr Stephan Scheffer was appointed interim Chief Financial Officer on 3 September 2021 and resigned on 10 January 2022. Mr Scheffer was an external consultant and was remunerated by both the Company and a related entity, Redmill Metals Limited.
4. Ms Claire Newstead-Sinclair was appointed on 24 November 2020 and resigned as Chief Financial Officer on 3 September 2021. Her appointment was through an agreement with Leydin Freyer Corp Pty Ltd to provide services as a Chief Financial Officer and Company Secretary.
5. Mr George Paolucci is the Chief Information Officer.

30 JUNE 2021	SHORT-TERM BENEFITS CASH SALARY AND FEES $	ANNUAL LEAVE $	NON-MONETARY $	POST-EMPLOYMENT BENEFITS SUPER-ANNUATION $	LONG-TERM BENEFITS LONG SERVICE LEAVE $	SHARE-BASED PAYMENTS EQUITY SETTLED $	TOTAL $
Non-Executive Directors:							
Hon Steve Bracks AC	45,662	-	-	4,338	-	-	50,000
Mr Alan Jones	41,096	-	-	3,904	-	-	45,000
Mr Ted Chwasta	41,096	-	-	3,904	-	-	45,000
Mr Shane Tanner	25,196	-	-	2,394	-	-	27,590
Executive Director:							
Mr Dan Baxter	329,885	1,812	-	24,999	26,234	-	382,930
Ms Manisha Angirish	219,984	38,723	-	24,577	5,095	-	288,379
Other Key Management Personnel:							
Mr Geoff Hollis[6]	84,207	8,419	-	8,799	(1,369)	-	100,056
Ms Claire Newstead-Sinclair	68,000	-	-	-	-	-	68,000
Mr George Paolucci	103,542	598	-	9,893	2,920	-	116,953
	958,668	49,552	-	82,808	32,880	-	1,123,908

6 Mr Geoff Hollis resigned as Chief Financial Officer on 24 November 2020.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

- Fixed remuneration 100% – Applicable for Non-Executive Directors, Executive Directors and Other Key Management Personnel (30 June 2021: 100%)
- At risk STI (30 June 2022 and 30 June 2021) – nil
- At risk LTI (30 June 2022 and 30 June 2021) – nil

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Managing Director and Co-Chief Executive Officers

The Company has entered into employment agreements with Mr Dan Baxter, Managing Director and Co-Chief Executive Officer, and Ms Manisha Angirish, Co-Chief Executive Officer (Co-CEO), to govern their employment with the Company. Their employment agreements do not have a fixed term. Either Victory Offices or the respective Co-CEOs may terminate the employment agreements by giving three months' notice or, in the case of Victory Offices, by making a payment in lieu of notice. The Company may terminate either of the Co-CEOs' employment without payment in lieu of notice in circumstances involving serious or wilful misconduct and they are entitled to 4 weeks of annual leave per annum.

Other members of senior management

Each other member of Victory Offices senior management is employed under individual employment agreements. These agreements establish total compensation including a base salary, superannuation contribution and incentive arrangements (where applicable), variable notice and termination provisions, confidentiality provisions and leave entitlements, as a minimum, as per the National Employment Standards.

SHARE-BASED COMPENSATION

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022 (30 June 2021: nil).

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2022 (30 June 2021: nil).

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2022 (30 June 2021: nil).

ADDITIONAL INFORMATION

The earnings of the Group for the five years to 30 June 2022 are summarised below:

	2022 $	2021 $	2020 $	2019 $	2018 $
Share price	0.02	0.17	0.39	1.98	N/A
Suite services revenue	14,063,838	14,714,246	42,309,916	46,985,383	29,402,818
EBITDA	(13,471,904)	(10,161,428)	14,837,822	33,641,546	21,429,159
EBIT	(31,659,005)	(32,609,305)	(2,690,660)	20,737,056	13,531,688
(Loss)/ profit after income tax	(51,303,763)	(36,570,956)	(8,069,375)	9,596,498	5,742,519

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	RECEIVED AS PART OF REMUNERATION	ADDITIONS	DISPOSALS/ OTHER	BALANCE AT THE END OF THE YEAR
Ordinary shares					
Mr Dan Baxter	115,348,752	-	-	(360)	115,348,392
Mr Alan Jones	100,000	-	-	-	100,000
Mr Ted Chwasta	133,334	-	-	-	133,334
Mr George Paolucci	31,600	-	-	-	31,600
	115,613,686	-	-	(360)	115,613,326

The remaining key management personnel do not hold any shares in the Company.

OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

Transactions include related party loans provided by Mr. Dan Baxter, lease arrangement with related parties and employment of a relative of Mr. Dan Baxter and Ms. Manisha Angirish and other staff as disclosed in Note 33.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

There were no unissued ordinary shares of Victory Offices Limited under option outstanding at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Victory Offices Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

ROUNDING OF AMOUNTS

The Group 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.

INDEMNITY AND INSURANCE OF OFFICERS

The Company has entered into a deed of access, insurance and indemnity (Deed) with each Director. Under the Constitution, to the extent permitted by law and subject to the Corporations Act, the Company indemnifies current and past directors and secretaries of the Company against a liability incurred in their position (or as a director or secretary of a subsidiary of the Company where the Company requested the person to accept that appointment) and reasonable legal costs in defending an action for liability incurred against them in that capacity. The Constitution provides that the Company may enter into a deed to give effect to these rights.

The Deed provides that, to the extent permitted by the Corporations Act, the Company indemnifies the Director against liabilities, costs and expenses (including legal costs incurred in defending proceedings brought against the Director) incurred in the Director's capacity as a director of the Company or its subsidiaries.

In addition, the Deed requires the Company to take out and maintain (and pay the premium of) Directors' and Officers' insurance during Director's period of office and for a period of seven years after a Director ceases to hold office (Access Period). During the Access Period, the Director also has rights to access papers, documents and other information relating to the affairs of the Company for specified purposes during the period the Director is an officer of the Company and for a period of seven years after the Director ceases to hold office.

During the financial year the Company has paid insurance premiums in respect of Directors' and officers' liability and legal expenses insurance contracts, for current and former Directors, secretaries and officers of the Company and its controlled entities. The insurance policies prohibit disclosure of the nature of the liability insured against and the amount of the premiums.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the company's auditor, RSM Australia Partners, for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the company who are former partners of RSM Australia Partners.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration is set out immediately after this Directors' Report.

This report is made in accordance with a resolution of Directors.

On behalf of the directors

Dan Baxter
Chairman

22 September 2022

AUDITOR'S INDEPENDENCE DECLARATION

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 audit of the financial report Victory Offices Limited for the year ended 30 June 2022, 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 audit; and

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

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Date: 22 September 2022
Melbourne, Victoria

FINANCIAL STATEMENTS

For the Year Ended 30 June 2022

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	NOTE	CONSOLIDATED 30 JUNE 2022 $	CONSOLIDATED 30 JUNE 2021 $
Suite services and other revenue	5	14,063,838	14,714,246
Other income	6	688,135	2,969,388
Interest revenue		59,898	18,269
Expenses			
Employee benefits expense		(6,261,255)	(6,216,346)
Depreciation and amortisation expense	13	(18,187,101)	(22,447,877)
Impairment of assets	13	(5,260,906)	(10,895,842)
Occupancy costs		(4,070,932)	(4,547,332)
Reversal/ (impairment) of receivables	10	195,339	(2,733,554)
Derecognition of financial assets		(23,324,625)	-
Write off of assets under construction and fixed assets related to surrendered leases		(22,009,676)	-
Other administration expenses		(5,364,587)	(4,436,702)
Gain on disposal of subsidiaries	39	5,674,754	-
Finance costs	7	(8,830,733)	(10,902,034)
Gain on termination of leases	13	32,138,114	-
Reversal of impairment of assets		-	966,445
Loss before income tax		**(40,489,737)**	**(43,511,339)**
Income tax (expense)/benefit	8	(10,814,025)	6,940,383
Loss after income tax for the year	26	**(51,303,763)**	**(36,570,956)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		**(51,303,763)**	**(36,570,956)**

		CENTS	CENTS
Basic loss per share	38	(32.5)	(46.3)
Diluted loss per share	38	(32.5)	(46.3)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	NOTE	CONSOLIDATED 30 JUNE 2022 $	CONSOLIDATED 30 JUNE 2021 $
Assets			
Current assets			
Cash and cash equivalents	9	74,972	15,116,337
Trade and other receivables	10	645,286	3,505,125
Other financial assets	11	732,804	940,988
Total current assets		1,453,062	19,562,450
Non-current assets			
Other financial assets	12	-	31,423,810
Property, plant and equipment	13	58,819,424	173,636,273
Deferred tax	14	6,430,186	17,244,213
Total non-current assets		65,249,610	222,304,296
Total assets		**66,702,672**	**241,866,746**
Liabilities			
Current liabilities			
Trade and other payables	15	2,380,615	6,125,317
Borrowings	16	1,758,537	603,325
Lease liabilities	24	3,686,810	20,124,572
Income tax	17	1,581,344	1,581,353
Provisions	18	3,633,284	469,007
Other liabilities	19	10,321,658	3,159,936
Total current liabilities		23,362,248	32,063,510
Non-current liabilities			
Trade and other payables	20	414,834	8,008,374
Borrowings	21	-	2,697,371
Lease liabilities	24	59,190,493	162,507,244
Provisions	22	1,258,382	2,548,712
Other liabilities	23	-	240,678
Total non-current liabilities		60,863,709	176,002,379
Total liabilities		**84,225,957**	**208,065,889**
Net (liabilities)/ assets		**(17,523,285)**	**33,800,857**
Equity			
Issued capital	25	61,902,621	61,922,519
Accumulated losses	26	(79,425,906)	(28,121,662)
Total (deficit)/ equity		**(17,523,285)**	**33,800,857**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

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 year		(36,570,956)	(36,570,956)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(36,570,956)	(36,570,956)
Transactions with owners in their capacity as owners: Contributions of equity, net of transaction costs	33,757,934	-	33,757,934
Balance at 30 June 2021	**61,922,519**	**(28,121,662)**	**33,800,857**

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 year	-	(51,303,763)	(51,303,763)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(51,303,763)	(51,303,763)
Transactions with owners in their capacity as owners: Contributions of equity, net of transaction costs (note 25)	(19,898)	(481)	(20,379)
Balance at 30 June 2022	**61,902,621**	**(79,425,906)**	**(17,523,285)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	NOTE	CONSOLIDATED 30 JUNE 2022 $	CONSOLIDATED 30 JUNE 2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		15,752,031	15,656,042
Payments to suppliers and employees (inclusive of GST)		(16,488,893)	(15,121,053)
		(736,862)	534,989
Interest and other income		101,559	18,629
Job keeper subsidy		-	1,848,800
Interest and other finance costs paid		(8,692,914)	(10,770,748)
Net cash used in operating activities	37	(9,328,217)	(8,368,330)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,573,586)	(2,241,416)
Proceeds from release of term deposits (net of exercise of bank guarantees)		863,322	-
Payments for bank guarantees		-	(1,418,675)
Payments for security deposits and member refunds		(653,685)	-
Proceeds from office fit-out contributions		626,026	-
Net cash used in investing activities		(737,923)	(3,660,091)
Cash flows from financing activities			
Proceeds from share issues		-	30,337,400
Share issue transaction costs		-	(672,079)
Repayment of related party borrowings		(7,444,048)	-
Repayment of borrowings		(603,325)	-
Repayment of lease liabilities		(4,371,900)	(3,794,590)
Net cash (used in)/from financing activities		(4,975,225)	25,870,731
Net (decrease)/increase in cash and cash equivalents		(15,041,365)	13,842,310
Cash and cash equivalents at the beginning of the financial year		15,116,337	670,702
Cash and cash equivalents at the end of the financial year[1]	9	**74,972**	**14,513,012**

1 Cash on hand and at bank $15,116,337 net of bank overdraft of $603,325 for 30 June 2021.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

NOTE 1. GENERAL INFORMATION

The financial statements cover Victory Offices Limited as a consolidated entity consisting of Victory Offices Limited (the 'Company' or 'Victory Offices') and the entities it controlled at the end of, or during, the year (referred to as the 'Group').

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 Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

New and amended standards issued by the Australian Accounting Standards Board ('AASB') that became effective as of 1 July 2021 did not have a material impact on the financial statements of the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's accounting policies.

The Group has not adopted any standard, interpretations or amendments that has been issued but is not yet effective.

BASIS OF PREPARATION

These general purpose financial statements:

- Has been prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards issued by the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- Is presented in Australian dollars ($), which is the Group's functional and presentation currency and rounded to the nearest dollar in accordance with ASIC Legislative Instrument 2016/191 (unless otherwise stated);
- Has been prepared in accordance with the historical cost convention, except for certain financial assets and liabilities which have been recognised at fair value; and
- Was authorised for issue by the Board of Directors on 22 September 2022.

CRITICAL ACCOUNTING ESTIMATES

While occupancy rates have improved for most locations with significant easing of restrictions and Australia operating in a 'vaccinated economy' over the financial year, the COVID-19 pandemic ('COVID-19' or the 'pandemic') continued to unfavorably impact the Group's operations and financial results during the year with several judgements and estimates made in the preparation of the financial statements. Where relevant, additional disclosures has been included within the notes to the financial statements on accounting judgements and estimates subject to a significant level of uncertainty due to the pandemic.

These judgements and estimates are summarised in the 'Significant accounting judgements, estimates and assumptions' in note 3.

GOING CONCERN

As disclosed in the financial statements, the Group incurred a loss after tax of $51,303,763 and had net cash outflows from operating activities of $9,328,217 for the year ended 30 June 2022. As at that date, the Group had net current liabilities of $21,909,186.

These factors indicate a material uncertainty which may cast significant doubt as to whether the Group 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 statements.

The Directors have considered the following factors at 30 June 2022 in determining that the Financial Report of the Group should be prepared on a going concern basis:

- As disclosed in Note 36, on 9 August 2022 the Group has entered into an $8 million loan facility agreement with Redmill Metals Limited, a company controlled by Mr Dan Baxter, Co-Chief Executive Officer and Chairman of the Board, stating that it will provide a financing facility to enable the Group to meet its debts as and when they fall due;
- the easing of restrictions and increase in return to office in 2022 financial year is expected to result in continued improvement in occupancy rates into 2023 financial year, barring any COVID-19 variant outbreaks, and in turn improve the Group's performance;
- the Group has undertaken a number of cost saving measures, including closing loss-making locations, reducing the workforce and continues to focus on discretionary spending and cost control; and
- The Company has demonstrated the ability to raise further capital, if required, pursuant to ASX listing rule 7.1 and 7.1A and continues to receive ongoing support from existing shareholders.

Accordingly, the Directors remain confident that the Group 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 Group does not continue as a going concern.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CON'T)

PARENT ENTITY INFORMATION

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

PRINCIPLES OF CONSOLIDATION

These consolidated financial statements comprise the assets and liabilities of Victory Offices Limited and all controlled entities (subsidiaries) at 30 June 2022 and the results of all controlled entities for the financial year unless otherwise stated. Controlled entities are;

- all entities over which the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity; and
- fully consolidated from the date on which control is transferred to the Group, and, where applicable, deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities, and the balances and effects of transactions between all controlled entities are eliminated in full on consolidation.

Where Victory Offices Limited loses control of a subsidiary, it derecognises the assets (including goodwill), liabilities and non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

CURRENT AND NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the Statement of Financial Position based on current /non-current classification. An asset is current when it is;

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purposed of trading
- Expected to be realised within twelve months after the reporting period or
- Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CON'T)

FINANCIAL ASSETS AT AMORTISED COST

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

FINANCE COSTS

Finance costs are expensed in the period in which they are incurred.

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

NOTE 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the Group to make judgements in the application of accounting policies and estimates when developing assumptions that affect the reported amounts of certain revenues, expenses, assets and liabilities. These judgements and estimates are made considering historical experience and other reasonable and relevant factors, but are inherently uncertain. Due to this inherent uncertainty, actual results may differ from these judgements and estimates.

The duration and full extent of the COVID-19 pandemic and its impact on the economy and consumers remain uncertain. As a result, certain significant judgements, estimates and assumptions has been applied in the preparation of the financial report at 30 June 2022. The table below summarises the areas of the Financial Report subject to significant judgement and estimation by management and those which are impacted by the increased uncertainty due to the impacts of COVID-19, where relevant:

ITEM	AREA OF JUDGEMENT OR ESTIMATION
Recoverability of debtors	The Group's revenue largely consists of suite revenue under contract with customers. Occupancy rates had been unfavorably impacted by COVID-19 particularly with snap lockdowns and work from home mandates, only easing later in the 2022 financial year with gradual improvements in occupancy rates experienced. As a result, significant judgement and estimate are required in determining allowances for expected credit losses on receivables. Refer to Note 10.
Estimation of useful lives of assets	The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.
Right-of-use assets	The Group capitalises right of use assets in accordance with the accounting policy described in Note 24. The capitalised cost is based on management's judgement regarding discount rate and assumptions in relation to determining the contract lease terms including renewals and termination options.
Impairment of non-financial assets	Key assumptions and inputs into the determination of fair value of the Group's operating locations (cash generating units) such as forecast cash flows, occupancy rates, discount rates and growth rates, are subject to significant estimation. Refer to Note 13.
Lease term and incremental borrowing rates	The Group leases various offices and properties across four states/territory. Lease terms are determined as the non-cancellable term of the lease, together with periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or to terminate and continues to reassess after commencement date for any significant event or change. The Group determines the incremental borrowing rates based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value, with similar terms, security and economic environment.
Employee benefits provision	As discussed in Note 22, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.
Lease make good provision	A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

NOTE 4. OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE OPERATING SEGMENTS

The Group 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.

ACCOUNTING POLICY FOR OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

NOTE 5. SUITE SERVICES AND OTHER REVENUE

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Suite services and other revenue	14,063,838	14,714,246

DISAGGREGATION OF REVENUE

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

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Timing of revenue recognition		
Services transferred at a point in time	2,689,897	1,705,868
Services transferred over time	11,373,941	13,008,378
	14,063,838	14,714,246

ACCOUNTING POLICY FOR REVENUE RECOGNITION

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

Revenue in relation to the rendering of suite services is recognised on a straight-line basis over the term of the lease agreement. The Group also recognises other revenue such as secretarial services, meeting room bookings which are recognised at a point in time.

NOTE 6. OTHER INCOME

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Jobkeeper subsidy	-	1,632,800
Rent concession income	646,474	1,313,971
Other revenue	41,661	22,617
Other income	**688,135**	**2,969,388**

JOBKEEPER SUBSIDY

Job keeper subsidy revenue is recognised when it is received.

RENT CONCESSION INCOME

Rent concession income is recorded pursuant to 'AASB 2020-4 *Covid-19-Related Rent Concessions*', which has been early adopted. The practical expedient in paragraph 46A has been applied to each relevant lease where a rental concession was agreed prior to 30 June 2021.

OTHER REVENUE

Other revenue is recognised when it is received or when the right relevant performance obligations have been met.

INTEREST INCOME

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

NOTE 7. FINANCE COSTS

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Interest and finance charges paid	45,925	164,511
Unwinding of lease liability interest	8,673,229	10,606,237
Interest on related party loan	111,579	131,286
	8,830,733	**10,902,034**

NOTE 8. INCOME TAX EXPENSE/ (BENEFIT)

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Income tax benefit		
Current tax	-	(1,017,171)
Deferred tax	10,814,025	(5,923,212)
Aggregate income tax expense/ (benefit)	10,814,025	(6,940,383)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(40,489,737)	(43,511,339)
Tax at the statutory tax rate of 30%	(12,146,921)	(13,053,402)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	10,388,810	8,319,107
Deferred tax adjustments	12,572,136	(1,188,917)
Under provision	-	(1,017,171)
	22,960,946	6,113,019
Income tax benefit	10,814,025	(6,940,383)

NOTE 9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Cash on hand	4,093	8,040
Cash at bank	70,879	15,108,297
	74,972	15,116,337
Reconciliation to cash and cash equivalents at the end of the financial year		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	74,972	15,116,337
Bank overdraft (note 16)	-	(603,325)
Balance as per statement of cash flows	74,972	14,513,012

ACCOUNTING POLICY FOR CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the Statement of Cash Flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Trade receivables	388,739	782,229
Less: Allowance for expected credit losses	(70,823)	(265,981)
	317,916	516,248
Sundry debtors and prepayments	327,370	2,988,877
	645,286	3,505,125

Allowance for expected credit losses

The Group has recognised a reversal of $195,339 in profit or loss in respect of the expected credit losses for the period ended 30 June 2022 (30 June 2021: loss of $2,733,554).

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

	EXPECTED CREDIT LOSS RATE	CARRYING AMOUNT	EXPECTED ALLOWANCE FOR CREDIT LOSSES
CONSOLIDATED	%	30 JUNE 2022 $	30 JUNE 2022 $
Current	1%	116,399	1,054
30-60 days	1%	61,065	553
60-120 days	33%	90,241	29,564
120+ days	33%	121,034	39,652
		388,739	70,823

	EXPECTED CREDIT LOSS RATE	CARRYING AMOUNT	EXPECTED ALLOWANCE FOR CREDIT LOSSES
CONSOLIDATED	%	30 JUNE 2021 $	30 JUNE 2021 $
Current	2%	23,525	451
30-60 days	2%	67,633	1,295
60-120 days	39%	45,780	11,445
120+ days	39%	645,291	252,790
		782,229	265,981

ACCOUNTING POLICY FOR TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

NOTE 11. CURRENT ASSETS - OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Term deposits	732,804	940,988

ACCOUNTING POLICY FOR OTHER FINANCIAL ASSETS

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

NOTE 12. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Term deposits - restricted cash to support bank guarantees	-	30,167,857
Term deposits	-	1,255,953
	-	31,423,810

NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Leasehold improvements - at cost	18,345,835	41,294,847
Less: Accumulated depreciation	(6,423,676)	(9,644,817)
Less: Impairment	(1,644,397)	(3,206,530)
	10,277,763	28,443,500
Office furniture - at cost	2,763,650	7,755,925
Less: Accumulated depreciation	(953,500)	(1,944,989)
Less: Impairment	(336,697)	(573,877)
	1,473,453	5,237,059
Computer equipment - at cost	689,052	2,574,156
Less: Accumulated depreciation	(457,531)	(1,249,182)
Less: Impairment	(122,101)	(145,845)
	109,419	1,179,129
Office equipment - at cost	4,565,266	11,035,781
Less: Accumulated depreciation	(2,032,578)	(3,651,877)
Less: Impairment	(432,347)	(764,199)
	2,100,342	6,619,705
Computer software - at cost	9,573	202,722
Less: Accumulated depreciation	(8,203)	(141,061)
Less: Impairment	(970)	(7,742)
	400	53,919
Artwork - at cost	236,561	413,578
Less: Accumulated depreciation	(13,195)	(15,090)
Less: Impairment	(9,110)	(38,385)
	214,256	360,103
Right-of-use asset - at cost	67,786,709	192,272,629
Less: Accumulated depreciation	(16,185,972)	(46,811,699)
Less: Impairment	(6,956,945)	(13,718,072)
	44,643,791	131,742,858
	58,819,424	173,636,273

NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CON'T)

RECONCILIATIONS

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

CONSOLIDATED	LEASEHOLD IMPROVE-MENTS $	OFFICE FURNITURE $	COMPUTER EQUIPMENT $	OFFICE EQUIPMENT $	COMPUTER SOFTWARE $	ARTWORK $	RIGHT-OF-USE ASSET $	TOTAL
Balance at 1 July 2020	33,730,534	5,837,287	1,689,285	8,253,342	101,433	377,146	130,650,592	180,639,619
Additions	1,766,776	458,026	23,134	43,873	-	8,126	24,815,298	27,115,233
Disposals	(1,737,557)	(3,429)	(319)	-	-	-	-	(1,741,305)
Reversal of impairment	180,463	31,229	9,038	44,156	543	2,018	698,998	966,445
Impairment of assets	(1,795,088)	(329,616)	(75,157)	(418,840)	(3,498)	(22,603)	(8,251,040)	(10,895,842)
Depreciation expense	(3,701,628)	(756,438)	(466,852)	(1,302,826)	(44,559)	(4,584)	(16,170,990)	(22,447,877)
Balance at 30 June 2021	**28,443,500**	**5,237,059**	**1,179,129**	**6,619,705**	**53,919**	**360,103**	**131,742,858**	**173,636,273**

CONSOLIDATED	LEASEHOLD IMPROVE-MENTS $	OFFICE FURNITURE $	COMPUTER EQUIPMENT $	OFFICE EQUIPMENT $	COMPUTER SOFTWARE $	ARTWORK $	RIGHT-OF-USE ASSET $	TOTAL
Balance at 1 July 2021	28,443,500	5,237,059	1,179,129	6,619,705	53,919	360,103	131,742,858	173,636,273
Additions	1,520,072	39,076	2,503	8,259	-	3,400	8,890,365	10,463,674
Disposals[1]	(17,209,595)	(3,291,033)	(685,833)	(3,636,169)	(27,508)	(173,838)	(91,021,979)	(116,045,506)
Reversal of impairment	2,480,158	376,564	41,571	526,873	6,877	46,481	10,734,465	14,212,989
Impairment of assets	(918,025)	(139,384)	(17,827)	(195,021)	(106)	(17,205)	(3,973,338)	(5,260,906)
Depreciation expense	(4,038,346)	(748,830)	(410,123)	(1,223,306)	(33,233)	(4,683)	(11,728,580)	(18,187,101)
Balance at 30 June 2022	**10,277,763**	**1,473,453**	**109,419**	**2,100,341**	**400**	**214,257**	**44,643,791**	**58,819,424**

1 Consists of write-off of assets related to closed locations, deconsolidation of subsidiaries and termination of leases.

IMPAIRMENT OF ASSETS

The total written down value of right-of-use assets (pre-impairment) is $37.9 million. The total written down value for all other plant and equipment (pre-impairment) is $11.9 million.

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.

NOTE 13. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CON'T)

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

- reduction in in rental revenue rates in FY2023 of 10% due to discount incentives;
- revenue based on actual average of the last quarter of FY2022 occupancy levels as return to work resumed;
- rental revenue growth of 8% per annum from 2023 onwards;
- increase in occupancy from FY24 onwards to between 60%-95% (depending on location), below pre-COVID levels;
- 3% growth in lease and other costs per annum in 2023 and thereafter; and
- post-tax discount rates between 4.65% and 6.26% depending on location.

The Group previously conducted an impairment assessment at 31 December 2021 which resulted in an impairment loss of $2.4 million.

For the year ended 30 June 2022, the Group recognised of an impairment loss of $5.3 million (2021: $10.9 million) for cash-generating-units whose short-term cash flows have been impacted by the COVID-19 pandemic.

The impairment loss recognised relates to cash-generating units being leased offices in Brisbane, ACT, Melbourne and Perth due to assumptions in forecasted occupancy rates and cash flows for these locations.

SENSITIVITIES

Based on the assumptions above the total value-in-use calculations has a positive (net) amount of $20.9 million. The key inputs in the value-in-use models is the mix of rent rates and occupancy level. The sensitivity of the results to different assumptions 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 $59.4 million with no impairment recorded in this scenario.

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 $44.6 million. Impairment in this scenario would be $8.7 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 negative (net) amount of $35.2 million. Impairment in this scenario would be $18.1 million. Impairment would be across nine locations in this scenario.

GAIN ON TERMINATION OF LEASES

During the year, the Group terminated ten office locations and one head office location resulting in the recognition of a gain on termination of leases for $32.1 million and reversal of previously recognised impairment of $14.2 million relating to these leases (including allocation of other assets).

ACCOUNTING POLICY FOR PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Office furniture	10 years
Office equipment	5 years
Computer equipment	4 - 5 years
Computer software	4 years
Leasehold improvements	Life of lease
Artwork	100 years
Right-of-use assets	Life of lease

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

RIGHT-OF-USE ASSETS

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

NOTE 14. NON-CURRENT ASSETS - DEFERRED TAX

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Deferred tax asset	6,430,186	17,244,213
Recognised deferred tax asset		
Employee benefits provision	190,805	198,536
Make good provision	743,181	706,780
Lease liabilities	18,838,576	52,600,568
Impairment of assets	2,020,369	5,536,458
Allowance for expected credit losses	21,247	79,849
Black hole expenditure	-	122,582
Other sundry differences in tax recognition	96,229	1,627,600
Capital raising costs	-	10,440
	21,910,407	60,882,813
Recognised deferred tax liabilities		
Right of use assets	(15,480,221)	(43,638,600)
	6,430,186	17,244,213

The Group has carried forward tax losses of $40,702,288 (30 June 2021: $30,313,478).

NOTE 15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Trade payables	956,809	4,716,948
GST and PAYG withholding payable	961,541	1,253,703
Accrued expenses and other payables	462,265	154,666
	2,380,615	6,125,317

Refer to note 28 for further information on financial instruments.

ACCOUNTING POLICY FOR TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 16. CURRENT LIABILITIES - BORROWINGS

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Bank overdraft	-	603,325
Loan payable to related party	1,758,537	-

Refer to note 28 for further information on financial instruments.

NOTE 17. CURRENT LIABILITIES - INCOME TAX

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Provision for income tax	1,581,345	1,581,353

NOTE 18. CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Annual leave	385,746	469,007
Provision for make good on leased premises (note 22)	1,469,161	-
Other – dispute provision with landlords	1,778,377	-
	3,633,284	469,007

ACCOUNTING POLICY FOR EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

NOTE 19. CURRENT LIABILITIES - OTHER LIABILITIES

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Client deposits	1,726,900	2,891,427
Contractual liabilities	88,111	268,509
Payables – closed location(i)	8,506,647	-
	10,321,658	3,159,936

(i) Relates to lease rental arrears for locations closed during the year.

ACCOUNTING POLICY FOR OTHER LIABILITIES

Client deposits

Deposits received are security bonds payable at the commencement of the lease to insure against any potential damage to properties. Bonds are repayable upon final inspection of the premise at the end of the lease term.

Contractual liabilities

Income received in advance is recognised as revenue over the life of the lease as services are rendered in accordance with the terms of the lease agreement.

NOTE 20. NON-CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Amounts due to related parties	414,834	8,008,374

Refer to note 28 for further information on financial instruments.

NOTE 21. NON-CURRENT LIABILITIES - BORROWINGS

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Loan payable to related party	-	2,697,371

Refer to note 28 for further information on financial instruments.

TOTAL SECURED LIABILITIES

The total secured liabilities (current and non-current) are as follows:

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Bank overdraft	-	603,325
Loan payable to related party	1,758,537	2,697,371
	1,758,537	3,300,696

ACCOUNTING POLICY FOR BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Non-current borrowings are unsecured loans and have been provided to a director related 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. Interest of $111,579 was capitalised against this loan in 2022. Loans are unsecured and repayable in cash.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- finance lease charges.

NOTE 22. NON-CURRENT LIABILITIES - PROVISIONS

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Long service leave	250,271	192,778
Provision for make good on leased premises	1,008,111	2,355,934
	1,258,382	2,548,712

ACCOUNTING POLICY FOR PROVISIONS

The provision for make good on leased premises represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

ACCOUNTING POLICY FOR OTHER LONG-TERM EMPLOYEE BENEFITS

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 23. NON-CURRENT LIABILITIES - OTHER LIABILITIES

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Client deposits	-	240,678

NOTE 24. LEASES

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
As a lessee		
Right-of-use assets	44,643,791	131,485,977

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

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Right-of-use assets		
Balance at beginning of the period	131,742,858	130,650,592
Additions	8,890,365	23,540,142
Lease modifications and discount rate adjustments	-	1,275,156
Lease terminations during the period	(91,021,979)	-
Depreciation charge for the period	(11,728,580)	(16,170,990)
Impairment	(3,973,338)	(8,251,040)
Reversal of impairment	10,734,465	698,998
Balance at end of the period	44,643,791	131,742,858

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	7,067,132	32,118,453
One to five years	29,163,428	72,181,897
More than five years	52,005,752	145,425,110
Total undiscounted lease liabilities	88,236,312	249,725,460

NOTE 24. LEASES (CON'T)

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Lease liabilities included in the statement of financial position		
Current	3,686,810	20,124,572
Non-current	59,190,494	162,507,244
	62,877,304	182,631,816
Amounts recognised in profit or loss		
Interest on lease liabilities	8,673,229	10,606,237
Amounts recognised in the statement of cashflows		
Total cash outflow for leases	(13,045,130)	(14,023,423)
The expected future cash outflows to which the Group 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	-	5,175,473
One to five years	-	22,564,276
More than five years	-	50,966,647
Total expected future cash outflows	-	78,706,396

ACCOUNTING POLICY FOR LEASE LIABILITIES

Leased offices

The Group has numerous commercial office leases include leases of shared office spaces.

The non-cancellable period of the leases varies between 1 and 11 years and the Group has an option to extend the leases up to an additional term of the lease and in many cases it is up to the discretion of the lessor. The lease payments are adjusted every year, based on either a fixed annual rate increase or a change in the consumer price index in the preceding year. If the Group exercises the renewal option, then the lease payments in the renewal period will reflect the then market rate or an equivalent index dependent on the terms of the lease agreement.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group determines whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocate the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the lease of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

NOTE 24. LEASES (CON'T)

ACCOUNTING POLICY FOR LEASE LIABILITIES

As a lessee

The Group recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which compromises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be easily determined, the Group incremental borrowing rate. Generally, the Group use its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability compromise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or a rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably to exercise an extension option, and penalties for early termination of a lease unless the consolidated is reasonably certain to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that has a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTE 25. EQUITY - ISSUED CAPITAL

	CONSOLIDATED			
	30 JUNE 2022 SHARES	30 JUNE 2021 SHARES	30 JUNE 2022 $	30 JUNE 2021 $
Ordinary shares - fully paid	157,848,016	157,848,016	61,902,621	61,922,519

MOVEMENTS IN ORDINARY SHARE CAPITAL

DETAILS	DATE	SHARES	$
Balance	1 July 2021	157,848,016	61,922,519
Capital raising costs		-	(19,898)
Balance		157,848,016	61,902,621

ORDINARY SHARES

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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.

DIVIDENDS

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

ACCOUNTING POLICY FOR ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 26. EQUITY - RETAINED PROFITS/(ACCUMULATED LOSSES)

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
(Accumulated losses)/ retained profits at the beginning of the financial year	(28,121,662)	8,449,294
Transactions costs, net of tax	(481)	-
Loss after income tax expense/benefit for the year	(51,303,763)	(36,570,956)
Accumulated losses at the end of the financial year	(79,425,906)	(28,121,662)

NOTE 27. EQUITY - DIVIDENDS

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

NOTE 28. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a regular basis.

MARKET RISK

Foreign currency risk

The Group's exposure to currency risk is minimal at this stage of the operations.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets and investment decisions are governed by the monetary policy. Interest bearing liabilities comprise hire purchase and lease liabilities.

The Group's cash and cash equivalents and term deposits (including restricted to bank guarantees) were $807,776 as at 30 June 2022 (2021: $45,936,822). An official increase/decrease in interest rates of 100 basis points (2021: 100) would have a favourable/ (adverse) effect on profit before tax of $8,078 (2021: $45,937) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group does hold a security deposit (refer to note 19) which acts as a form of collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

NOTE 28. FINANCIAL INSTRUMENTS (CON'T)

LIQUIDITY RISK

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

CONSOLIDATED - 30 JUNE 2022	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS $	BETWEEN 1 AND 2 YEARS $	OVER 5 YEARS $	REMAINING CONTRACTUAL MATURITIES $
Non-derivatives					
Non-interest bearing					
Trade payables	-	956,809	414,834	-	1,371,643
Client deposits	-	1,726,900	-	-	1,726,900
Other payables	-	1,423,805	-	-	1,423,805
Contractual liabilities	-	88,112	-	-	88,112
Payables – closed locations	-	8,506,647	-	-	8,506,647
Interest-bearing - variable					
Bank overdraft	-	-	-	-	-
Other loans	5.00%	1,758,537	-	-	1,758,537
Lease liability	6.01%	7,067,132	29,163,428	52,005,752	88,236,312
Total non-derivatives		**21,527,942**	**29,578,262**	**52,005,752**	**103,111,956**

CONSOLIDATED - 30 JUNE 2021	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS $	BETWEEN 1 AND 2 YEARS $	OVER 5 YEARS $	REMAINING CONTRACTUAL MATURITIES $
Non-derivatives					
Non-interest bearing					
Trade payables	-	4,718,160	8,008,374	-	12,726,534
Client deposits	-	2,891,427	240,678	-	3,132,105
Other payables	-	1,406,857	-	-	1,406,857
Contractual liabilities	-	268,509	-	-	268,509
Interest-bearing - variable					
Bank overdraft	-	603,325	-	-	603,325
Other loans	5.00%	1,348,686	1,348,685	-	2,697,371
Lease liability	6.20%	30,195,282	96,670,678	120,936,329	247,802,289
Total non-derivatives		**41,432,246**	**106,268,415**	**120,936,329**	**268,636,990**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTE 29. FAIR VALUE MEASUREMENT

ACCOUNTING POLICY FOR FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES

COMPENSATION

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Short-term employee benefits	1,305,624	1,008,220
Post-employment benefits	96,081	82,808
Long-term benefits	18,948	32,880
	1,420,653	1,123,908

NOTE 31. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by the auditor of the company:

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Audit and assurance services -		
Audit and review of financial statements	173,000	174,800
Other assurance services	30,363	20,000
	203,363	194,800
Other services		
Taxation advice	-	-
	203,363	194,800

NOTE 32. CONTINGENCIES AND COMMITMENTS

CAPITAL COMMITMENTS

The Group had $nil in commitments for future fit-out expenditure at 30 June 2022 (30 June 2021: $1,695,000).

As at 30 June 2022, the Group has outstanding claims from landlords in relation to damages and costs for termination of leases during the year. It is not possible at this time to quantify what such damages which may be claimed by landlords in connection with any breaches or termination of leases. The Group will contest all such claims.

NOTE 33. 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 73.03% (30 June 2021: 73.03%) of Victory Offices Limited & Controlled Entities as at 30 June 2022.

SUBSIDIARIES

Interests in subsidiaries are set out in note 35.

KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 30 and the remuneration report included in the directors' report.

TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

During the year an interest bearing loan was provided by key management personnel (Dan Baxter) amounting to $8,725 (30 June 2021: $131,286).

A relative of Dan Baxter and Manisha Angirish is employed by Victory Management Services Pty Ltd. Remuneration is $141,230 inclusive of salary, annual leave entitlements taken and superannuation payments (30 June 2021: $126,545) and terms of this employment are on a normal arm's length basis.

Apart from the key management personnel disclosure in note 30, certain employees are also remunerated by Redmill Metals Limited, a related party of Mr. Dan Baxter. Total remuneration amounted to $145,408 inclusive of salary, annual leave entitlements and superannuation payments. A portion of remuneration amounting to $72,704 was re-charged to Victory Offices Limited.

LOANS TO/FROM RELATED PARTIES

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

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Non-current loans receivable:		
Loan to Victory Serviced Offices (HK) Ltd	-	1,059,538
Non-current borrowings:		
Loan from key management personnel (Dan Baxter) - non-interest bearing	414,834	9,067,512
Loan from key management personnel (Dan Baxter) - interest bearing	1,758,537	2,697,371

NOTE 33. RELATED PARTY TRANSACTIONS (CON'T)

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 $414,834 loan from Dan Baxter relates to funding of bank guarantees, 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. Interest of $111,579 was capitalised against this loan during this period. Loans are unsecured and repayable in cash. The loan was provided to fund capital expenditure commitments.

As disclosed in note 36, Victory Offices entered into an $8 million loan facility agreement with Redmill Metals Limited, a related party of Mr Dan Baxter. The facility can be fully drawn down by 30 June 2023. The loan has a coupon of 5% p.a. with interest accruing daily with repayment due within 24 months from utilisation date. The facility is unsecured and repayable in cash. The financing facility will enable the Company to meet its debts as and when they fall due.

Leases with related parties

The Group has four leases with the lessors being related entities of Dan Baxter. The Group 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 34. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	PARENT	
	30 JUNE 2022 $	30 JUNE 2021 $
Impairment of investment in subsidiaries	30,971,308	-
Profit/(loss) after income tax	30,971,308	-
Total comprehensive income/(loss)	30,971,308	-

STATEMENT OF FINANCIAL POSITION

	PARENT	
	30 JUNE 2022 $	30 JUNE 2021 $
Total current assets	-	-
Total assets (net of impairment)	30,951,311	61,922,619
Total current liabilities	-	-
Total liabilities	-	100
Total equity	30,951,311	61,922,519

CONTINGENT LIABILITIES

Other than disclosed in Note 32, the parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

CAPITAL COMMITMENTS - PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

NOTE 35. INTERESTS IN SUBSIDIARIES

The Group's financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

NAME	PRINCIPAL PLACE OF BUSINESS / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST 30 JUNE 2022 %	OWNERSHIP INTEREST 30 JUNE 2021 %
Victory Management Services Pty Ltd	Australia	100.00%	100.00%
Victory Offices Australia Pty Ltd	Australia	100.00%	-
Victory Equipment & Leasing Pty Ltd	Australia	100.00%	100.00%
Victory Offices (420 Collins) Pty Ltd	Australia	100.00%	100.00%
Victory Offices (35 Collins) Pty Ltd*	Australia	-	100.00%
Victory Offices (600 Bourke) Pty Ltd*	Australia	-	100.00%
Victory Offices (727 Collins) Pty Ltd*	Australia	-	100.00%
Victory Offices (200 George) Pty Ltd*	Australia	-	100.00%
Victory Offices (175 Eagle) Pty Ltd	Australia	100.00%	100.00%
Victory Offices (Box Hill) Pty Ltd*	Australia	-	100.00%
Victory Offices (Chadstone) Pty Ltd	Australia	100.00%	100.00%
Victory Offices (Barangaroo) Pty Ltd*	Australia	-	100.00%
Victory Offices (333 Collins) Pty Ltd	Australia	100.00%	100.00%
Victory Offices (2 Esplanade) Pty Ltd	Australia	100.00%	100.00%
Victory Offices (Dandenong) Pty Ltd	Australia	100.00%	100.00%
Victory Offices (Sunshine) Pty Ltd	Australia	100.00%	100.00%
Victory Offices (420 George) Pty Ltd*	Australia	-	100.00%
Victory Offices (St Kilda) Pty Ltd*	Australia	-	100.00%
Victory Offices (Projects) Pty Ltd*	Australia	-	100.00%
Victory Offices (900 Ann) Pty Ltd	Australia	100.00%	100.00%
Victory Offices (85 Castlereagh) Pty Ltd*	Australia	-	100.00%
Victory Offices (100 Mount) Pty Ltd*	Australia	-	100.00%
Victory Offices (600 Church) Pty Ltd*	Australia	-	100.00%
Victory Offices (73 Northbourne) Pty Ltd	Australia	100.00%	100.00%
Victory Offices (254 George) Pty Ltd*	Australia	-	100.00%
Victory Offices (275 George - B) Pty Ltd*	Australia	-	100.00%

* Denotes entities deconsolidated due to loss of control on 30 June 2022.

NOTE 36. EVENTS AFTER THE REPORTING PERIOD

On 9 August 2022, the Company entered into an $8 million loan facility agreement with Redmill Metals Limited, a related party of Mr Dan Baxter. The facility can be fully drawn down by 30 June 2023. The loan has a coupon of 5% p.a. with interest accruing daily with repayment due within 24 months from utilisation date. The facility is unsecured and repayable in cash. The financing facility will enable the Company to meet its debts as and when they fall due.

The impact of the COVID-19 pandemic is ongoing and while it has not been financially positive for the Group up to 30 June 2022, it is not practicable, except where otherwise disclosed, to accurately estimate the potential impact, positive or negative, after the reporting date.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

NOTE 37. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Loss after income tax (expense)/ benefit for the year	(51,303,763)	(36,570,956)
Adjustments for:		
Depreciation and amortisation	18,187,101	22,447,877
Gain on termination of leases	(32,138,114)	-
Gain on loss of subsidiaries	(5,674,754)	-
Impairment of non-current assets	5,260,906	10,895,842
Rent concession income	(646,474)	(1,313,971)
(Reversal)/ impairment of receivables	(195,339)	2,733,554
Derecognition of financial assets	23,324,625	-
Write-off of fixed assets	22,009,676	-
Interest and other expenses	304,719	131,286
Reversal of impairment of assets	-	(966,445)
Change in operating assets and liabilities:		
Increase in trade and other receivables	193,697	(372,434)
Decrease in accrued revenue	88,112	216,000
Decrease in prepayments and other assets	2,822,641	(1,096,216)
(Decrease)/increase in trade and other payables	(2,555,599)	2,138,187
Increase/ (decrease) in contract liabilities	-	(153,121)
Increase in other provisions	83,630	220,283
Increase/(decrease) in other liabilities	96,692	262,167
Increase/(decrease) in tax assets and liabilities	10,814,027	(6,940,383)
Net cash from/used in operating activities	(9,328,217)	(8,368,330)

NOTE 38. LOSS PER SHARE

	CONSOLIDATED	
	30 JUNE 2022 $	30 JUNE 2021 $
Loss after income tax	(51,303,763)	(36,570,956)

	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	(32.5)	(46.3)
Diluted loss per share	(32.5)	(46.3)

ACCOUNTING POLICY FOR LOSS PER SHARE

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of Victory Offices Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 39. DISPOSAL OF SUBSIDIARIES DUE TO LOSS OF CONTROL

During the year, the Group lost control of twelve entities and these entities were deconsolidated. This is in addition to two entities which did not commence operations due to the impacts of COVID-19 with the Group subsequently concluding not to proceed with opening of these locations. Entities that were deconsolidated during the year are noted in Note 35.

The entities deconsolidated in general had performed poorly with many in a loss-making position. Following a strategic review which concluded on 1 June 2022, which included several attempts to remedy the operations did not eventuate as expected. The Group disposed these entities for a nominal value as a result of sale of the shares of the entities with any obligations for outstanding liabilities extinguished. The Group recognised a total gain of $5,674,754 for all the entities. The gain represents the carrying value of net liabilities included in the financial statements in respect of these entities at the date of deconsolidation.

	CONSOLIDATED
	30 JUNE 2022 $
Total consideration	-
Carrying amount of net liabilities	5,674,754
Gain before income tax	5,674,754
Income tax expense	-
Gain on loss of control after income tax	5,674,754

Net liabilities of the entities at the time of loss of control were as follows:

	CONSOLIDATED
	30 JUNE 2022 $
Current assets	
Other current assets	4,874
Total current assets	4,874
Property, plant and equipment	1,960,308
Total non-current assets	1,960,308
Other current liabilities	(7,639,936)
Total current liabilities	**(7,639,936)**
Non-current liabilities	**-**
Net liabilities	**(5,674,754)**

DIRECTORS' DECLARATION

For the year ended 30 June 2022

Victory Offices

In accordance with a resolution of the Directors of Victory Offices Limited, we declare that:

(a) in the opinion of the Directors, the financial statements and notes set out on pages 18 to 52 are in accordance with the *Corporations Act 2001* (Cth), including;

  i. giving a true and fair view of the Group and its controlled entities' financial position as at 30 June 2022 and of the performance for the financial year ended on that date; and

  ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth); and

  iii. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in Note 2 to the financial statements; and

(b) in the opinion of the Directors, there are reasonable grounds to believe that the Group and its controlled entities will be able to pay their debts as and when they become due and payable;

(c) the Directors have been given the Declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 30 June 2022.

Signed in accordance with a resolution of Directors of Victory Offices Limited.

On behalf of the directors

Dan Baxter

Chairman

22 September 2022

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2022

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

Opinion

We have audited the financial report of Victory Offices Limited (the Company) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

I. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

II. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity 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* (the Code) that are relevant to our audit of the 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Consolidated Entity incurred a net loss of $51,303,763 and had net operating cash outflows from operating activities of $9,328,217 during the year ended 30 June 2022 and, as of that date, had net current liabilities of $21,909,186. 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 opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Recognition of Revenue Refer to Note 5 in the financial statements	
The Consolidated Entity generates income from providing a range of services with the main revenue driver being the licencing of serviced and coworking offices with a typical licence term of 12 to 18 months. Some of the revenue contracts include rent free periods. There is a risk that inappropriate revenue recognition will lead to a material misstatement of income and related receivables. The risk is heightened due to the timing of invoicing and contracts having several complexities attached to them. Revenue recognition was considered a key audit matter due to the significance of the balance in the consolidated statement of profit or loss and other comprehensive income.	Our audit procedures in relation to the recognition of revenue included: • Reviewing the Consolidated Entity's terms and conditions of sales; • Evaluating the operating effectiveness of management's controls related to revenue recognition; • Performing detailed substantive procedures on suite revenue; • Assessing the recognition and measurement of revenue against the requirements of *AASB 15 Revenue from Contracts with Customers*; and • Reviewing any large or unusual transactions near year-end to test if cut-off has been applied appropriately.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Valuation of Lease Liability and Right-of-Use Asset Refer to Note 13 and 24 in the financial statements	
The Consolidated Entity currently holds 14 material leases for each of their leased office spaces across Australia. The application of AASB 16 *Leases* involves judgements and estimates and the balances created for the right-of-use assets and lease liabilities are material to the statement of financial position. The impact of COVID restrictions has had a severe effect on operations over the past 2 years and this has triggered indicators of impairment in relation to value of the right- of-use assets for each of the leases. Consequently, management have prepared value-in-use calculations for each of the leases, representing the smallest cash generating unit to support the carrying values held in the statement of financial position as at 30 June 2022. Additionally, during the financial year the Consolidated Entity exited several leases as part of a strategic plan to close all loss-making sites. There is a risk that any outstanding liabilities associated with these leases maybe understated.	Our audit procedures in relation to the leases included: • Reviewing the leasing model used by management to calculate the right-of-use assets and lease liabilities, including reviewing the accuracy of key inputs used in the model, and the operation of the model; • Reviewing the financial impact of rental concessions obtained in the financial period to ensure that they have been accounted for in line with AASB 16; and • Reviewing all leasing disclosures within the financial statement to ensure the completeness and accuracy, and overall compliance with AASB 16. Our audit procedures in relation to management's assessment of impairment of the right-of use assets included: • Assessing the valuation methodology used; • Challenging the reasonableness of key assumptions, including the cash flow projections, discount rates, and sensitivities used; • Checking the mathematical accuracy of the cashflow model, and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and • Reviewing the accuracy of disclosures of critical estimates and assumptions in the financial report in relation to the valuation methodologies. Our audit procedures performed around terminated leases included: • Reviewing supporting agreements/documentation confirming the surrender or exit of lease agreement to ensure the accounting treatment is consistent with the legal form; • Reviewing legal advice confirming the status of each terminated lease at year end; • Reviewing management's calculations relating to the gain or loss on exit of lease to ensure it has accurately been recorded; and • Reviewing payables balances year end to ensure all outstanding liabilities are still recorded where appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance; but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdff. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Victory Offices Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Date: 22 September 2022
Melbourne, Victoria

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 September 2022.

1. TOTAL SECURITIES ON ISSUE

ASX CODE	DESCRIPTION	EXPIRY	QUOTED	UNQUOTED
VOL	Fully paid ordinary shares	-	157,848,016	-
			157,848,016	
	TOTAL FULLY DILUTED		**157,848,016**	

TOP HOLDERS	SECURITIES	%
Top 20 holders	140,090,310	88.75
Balance Of Register	17,757,706	11.25
Total Issued Capital	**157,848,016**	**100.00**

2. DISTRIBUTION OF EQUITY SECURITIES – ORDINARY SHARES

RANGE	UNITS	%	NO. OF HOLDERS	%
100,001 and Over	148,915,534	94.34%	67	10.98%
10,001 to 100,000	7,631,714	4.83%	233	38.20%
5,001 to 10,000	760,770	0.48%	94	15.41%
1,001 to 5,000	518,583	0.33%	167	27.38%
1 to 1,000	21,415	0.01%	49	8.03%
	157,848,016		**617**	
Unmarketable Parcels	**2,282,287**	**1.45%**	**374**	**60.62%**

3. VOTING RIGHTS

Ordinary Shares

Each member present at a general meeting of the Company in person or by proxy, attorney or official representative is entitled:

- on a show of hands – to one vote
- to a poll – to one vote for each share held

There are no other classes of equity securities.

4. SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the company registered as at 20 September 2021 are set out below:

NAME OF SUBSTANTIAL HOLDER	UNITS	%IC
VICTORY GROUP HOLDINGS PTY LTD (VGH)	115,281,350	73.03%

5. SHARE BUY-BACK

There is no current or planned buy-back of the Company's shares.

6. STATEMENT IN ACCORDANCE WITH ASX LISTING RULE 4.10.19

The Company confirms that is has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

7. TWENTY LARGEST SHAREHOLDERS - ORDINARY SHARES

RANK	NAME	NO. UNITS	%IC
1	VICTORY GROUP HOLDINGS PTY LTD	89,381,350	56.62
2	VICTORY GROUP HOLDINGS PTY LTD <DAN BAXTER>	25,900,000	16.41
3	SANDHURST TRUSTEES LTD <COLLINS ST VALUE FUND A/C>	6,605,000	4.18
4	GRAHAM NEWMAN PTY LTD	4,000,000	2.53
5	MR JASON ALAN CARROLL	3,000,000	1.90
6	MR HONGZHI WU	2,005,200	1.27
7	MR TYLER JOHN MCMILLAN	1,010,298	0.64
8	MR ROBERT GEORGE FURNEY	1,000,000	0.63
9	NDPM PTY LTD <MORRIS FAMILY SUPER FUND A/C>	730,000	0.46
10	MR GREGORY WAYNE BROWN & MRS STEFANIE BROWN <GW BROWN FAMILY S/FUND A/C>	674,275	0.43
11	MISS NGOC KHANH VAN BUI	645,699	0.41
12	MR KESTUTIS PRANAS ZIUKELIS	604,200	0.38
13	R G FURNEY PROJECTS PTY LIMITED	503,000	0.32
14	CITICORP NOMINEES PTY LIMITED	501,225	0.32
15	AQUATRAIL PTY LTD <GW BROWN FAMILY S/FUND A/C>	500,000	0.32
16	MR ELIA BRUCE LYTRAS & MRS KRISTINE MAREE LYTRAS <LYTRAS SUPER FUND A/C>	500,000	0.32
17	CUSTOMER-KNOWLOGY PTY LTD <TYHYDE A/C>	500,000	0.32
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	444,027	0.28
19	MS LIZHEN ZHU	431,569	0.27
20	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	417,717	0.26
	Total	**139,571,987**	**88.75**
	Balance of register	**18,111,456**	**11.25**
	Grand total	**157,848,016**	**100.00**

8. TWENTY LARGEST SHAREHOLDERS - QUOTED SHARE OPTIONS

The Company has no options on issue.

9. HOLDERS OF GREATER THAN 20% UNQUOTED SECURITIES

The Company has no unquoted equity securities on issue.

CORPORATE DIRECTORY

DIRECTORS

Hon Steve Bracks AC (Non-Executive Chairman) – resigned 24 May 2022

Mr Dan Baxter (Managing Director and Co-Chief Executive Officer). Appointed Chairman of the Board on 24 May 2022

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, resigned 24 May 2022

COMPANY SECRETARY

Mr Mark Licciardo (appointed 3 September 2021)

Ms Claire Newstead-Sinclair (resigned 3 September 2021)

REGISTERED OFFICE

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

https://victoryoffices.com.au/

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

RSM Australia Partners
Level 21, 55 Collins Street
Melbourne VIC 3000

LEGAL ADVISORS

Gadens
Level 13, 447 Collins Street
Melbourne VIC 3000

BANKERS

Westpac
Ground Level, 275 Kent Street
Sydney, NSW 2000

ANZ
388 Collins Street
Melbourne, VIC 3000

STOCK EXCHANGE LISTING

Victory Offices Limited shares are listed on the Australian Securities Exchange (ASX code: VOL)

CORPORATE GOVERNANCE STATEMENT

https://victoryofficeslimited.com/corporate-governance/

www.victoryoffices.com.au

Victory Offices