



VIVA

LEISURE

VIVA LEISURE LIMITED

**Interim Financial Statements
For the half Year Ended 31 December 2021**

Viva Leisure Group

Interim Financial Statements for the Half-Year Ended 31 December 2021

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DIRECTORS' REPORT

The Directors of Viva Leisure Limited (Viva Leisure) present their Report together with the financial statements of the Consolidated Entity, being Viva Leisure Limited (the Company) and its controlled entities (Viva Leisure Group or the Group) for the half-year ended 31 December 2021.

Directors

The following persons were Directors of Viva Leisure during or since the end of the financial half-year:

- Harry Konstantinou
- Bruce Glanville
- Rhys Holleran
- Louise Bolger (appointed 5 July 2021).

Review of Operations and Financial Results

The Group recorded a loss of \$10,446,237 (2020: loss of \$3,302,675).

During the half-year ended 31 December 2021, the following events took place:

- Completed seven separate acquisitions comprising:
 - Four Plus Fitness sites in Manly, Mona Vale, and Rydalmere, New South Wales and Beerwah, Queensland;
 - The assets of One Health South Morang, Vic and Live Well Gregory Hills, New South Wales
 - The Master Franchise of the Rebalance Group and assets of the corporate owned sites comprising eight Yoga/Pilates studios in Queensland, New South Wales and Victoria
- Completed a fully underwritten \$11.7m equity raising by way of an institutional placement of approximately 7.56m ordinary shares at \$1.55
- Opened two new greenfield sites in Castle Hill, NSW and Belconnen, ACT.

COVID-19 Impacts

Viva Leisure Limited's clubs were subjected to significant closures during the period of July to October 2021.

The Company took immediate steps to mitigate exposure to ongoing costs and to preserve cash:

- Wage costs reduced significantly by the stand down of significant numbers of staff during this period of closure,
- Rent relief negotiations commenced with landlords for the period of shutdown
- Delayed all un-committed capital works on rollouts
- Funding received through the NSW JobSaver Grant
- Undertook a capital raise to further preserve the cash position.

During this period, the Group suffered a significant reduction in revenues, which in turn has affected profits for the period.

In addition, the Plus Fitness business suffered a reduction in Franchise Fees (clubs closed by reason of government direction) and lower than normal territory rollouts due to uncertainty across the sector.

The onset of the Omicron variant then led to a reluctance of members to attend our facilities, suppressed the rate of new members joining and led to an increase of voluntary suspensions by existing members.

Over the period to 31 December, the Viva Group delayed the works on several of its greenfield locations to preserve cash in the uncertain COVID environment, whilst in many cases carrying full rent costs. These delays have deferred club openings into late in the second half of FY2022.

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the group operates.

Revenues and financial outcomes were significantly impacted during the closure periods and where appropriate, this has been addressed in the specific notes, estimates and judgements in the Financial Statements. There remains uncertainty with respect to future events or circumstances which may continue to impact the financial results of the consolidated entity.

As announced to the ASX on 17 May 2021, the Company received a draft statement of claim prepared on behalf of a number of Plus Fitness franchisees. The draft statement of claim advised of the possibility of proceedings being commenced against Viva Leisure and its subsidiary Australian Fitness Management (AFM).

No claim has been filed with any Court as at the date of this report, and accordingly no provision or contingent liability has been recorded. Viva Leisure is confident that it and its group companies are dealing with franchising appropriately and in accordance with the law.

This directors' report is signed in accordance with a resolution of the Board of Directors:



Director

Harry Konstantinou

Dated this 24 day of FEBRUARY 2022.

AUDITORS INDEPENDENCE DECLARATION

HALL CHADWICK  (NSW)

VIVA LEISURE LIMITED AND CONSOLIDATED ENTITIES
ABN 76 607 079 792

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF VIVA LEISURE LIMITED

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
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In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Viva Leisure Limited. As the lead audit partner for the review of the financial report of Viva Leisure Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Hall Chadwick

Hall Chadwick (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

S. Kumar

Sandeep Kumar
Partner
Date: 24 February 2022

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

		31 DEC 2021	31 DEC 2020
	Note	\$	\$
Revenue	2	32,917,655	35,366,574
Other income		1,076,806	582,447
Rental expense		(119,627)	(63,395)
Employee benefits expense		(12,450,187)	(10,817,730)
Bank Charges		(406,282)	(526,384)
Advertising and marketing costs		(684,035)	(893,901)
Utilities and cleaning		(2,523,375)	(3,116,265)
Licences and subscriptions		(885,400)	(880,036)
Insurances		(357,634)	(163,133)
Repairs and maintenance		(493,419)	(493,933)
Professional fees		(433,503)	(104,740)
Depreciation and amortisation expense	2,4	(18,455,302)	(12,909,718)
Finance costs	2,4	(7,322,015)	(5,825,033)
Costs of acquisitions, debt facility and capital raise	2	(362,701)	(238,175)
Other expenses		(4,124,933)	(4,422,555)
Loss before income tax		(14,623,952)	(4,505,977)
Tax benefit		4,177,715	1,203,302
Loss for the half-year		(10,446,237)	(3,302,675)
Total other comprehensive income for the half-year		-	-
Total comprehensive loss for the half-year		(10,446,237)	(3,302,675)

The accompanying notes form part of these financial statements.

EARNINGS PER SHARE	31 DEC 2021	31 DEC 2020
Basic earnings per share (cents)	(12.05)	(4.52)
Diluted earnings per share (cents)	(11.49)	(4.32)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	NOTE	31 DEC 2021	30 JUNE 2021
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	16,385,281	17,290,971
Trade and other receivables		1,706,952	2,719,211
Tax receivable		963,731	-
Inventories		711,466	899,521
Other current assets		3,400,126	2,692,697
TOTAL CURRENT ASSETS		23,167,556	23,602,400
NON-CURRENT ASSETS			
Trade and other receivables		359,052	130,423
Property, plant, and equipment		46,858,419	51,707,684
Right of use assets	4	218,229,067	204,883,653
Intangible assets		57,180,466	47,915,884
Deferred tax assets		75,516,591	69,896,036
TOTAL NON-CURRENT ASSETS		398,143,595	374,533,680
TOTAL ASSETS		421,311,151	398,136,080
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		6,488,143	6,383,048
Borrowings	5	3,355,800	2,080,500
Lease liabilities	4	25,896,012	22,873,600
Contract liabilities		2,473,662	4,437,889
Current tax liabilities		-	1,560,361
Provisions		1,900,182	1,875,182
TOTAL CURRENT LIABILITIES		40,113,799	39,210,580
NON-CURRENT LIABILITIES			
Borrowings	5	11,191,960	7,927,000
Lease liabilities	4	210,540,399	197,287,676
Provisions		7,928,041	6,794,176
Deferred tax liabilities		64,138,078	60,564,445
TOTAL NON-CURRENT LIABILITIES		293,798,478	272,573,297
TOTAL LIABILITIES		333,912,277	311,783,877
NET ASSETS		87,398,874	86,352,203
EQUITY			
Issued capital		128,064,691	116,677,780
Reserves		(21,501,134)	(21,607,131)
Retained earnings		(19,164,683)	(8,718,446)
TOTAL EQUITY		87,398,874	86,352,203

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Share Capital	Reserves	Retained Earnings	Total
	\$	\$	\$	\$
For the half-year ended 31 December 2021				
Balance at 1 July 2021	116,677,780	(21,607,131)	(8,718,446)	86,352,203
Issue of share capital, net of transaction costs and tax	11,386,911	-	-	11,386,911
Share option premium reserve	-	105,997	-	105,997
Transactions with owners	11,386,911	105,997	-	11,492,908
Loss for the period	-	-	(10,446,237)	(10,446,237)
Total comprehensive profit for the period attributable to members of the entity	-	-	(10,446,237)	(10,446,237)
Total transactions with owners and other transfers	11,386,911	105,997	(10,446,237)	1,046,671
Balance at 31 December 2021	128,064,691	(21,501,134)	(19,164,683)	87,398,874

	Share Capital	Reserves	Retained Earnings	Total
	\$	\$	\$	\$
For the half-year ended 31 December 2020				
Balance at 1 July 2020	87,375,694	(21,725,385)	(2,333,548)	63,316,761
Issue of share capital, net of transaction costs and tax	29,162,554	-	-	29,162,554
Exercise of share options	134,000	-	-	134,000
Share option premium reserve	-	43,864	-	43,864
Transactions with owners	29,296,554	43,864	-	29,340,418
Loss for the period	-	-	(3,302,675)	(3,302,675)
Total comprehensive profit for the period attributable to members of the entity	-	-	(3,302,675)	(3,302,675)
Total transactions with owners and other transfers	29,296,554	43,864	(3,302,675)	26,037,743
Balance at 31 December 2020	116,672,248	(21,681,521)	(5,636,223)	89,354,504

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	31 Dec 2021	31 Dec 2020
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	36,765,776	43,380,501
Payments to suppliers and employees	(26,651,610)	(25,443,724)
Interest received	3,916	51,999
Interest paid	(7,322,015)	(5,825,033)
Income tax paid	(181,028)	-
Net cash provided by operating activities	<u>2,615,039</u>	<u>12,163,743</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,198,914)	(13,391,776)
Purchase of intangibles	(476,185)	(332,930)
Payments for business combinations, net of cash acquired	(9,535,691)	(17,428,307)
Net cash (used in) investing activities	<u>(13,210,790)</u>	<u>(31,153,013)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	11,714,929	30,134,000
Direct costs of issue of shares	(468,597)	(1,200,000)
Proceeds from borrowings	5,616,500	-
Repayment of borrowings	(1,076,240)	(364,500)
Proceeds from sale and leaseback transactions	5,317,295	-
Repayment of lease principal	(11,413,826)	(4,407,583)
Net cash provided by / (used in) financing activities	<u>9,690,061</u>	<u>24,161,917</u>
Net decrease in cash held	(905,690)	5,172,647
Cash at beginning of financial period	<u>17,290,971</u>	<u>30,103,095</u>
Cash at end of financial period	<u><u>16,385,281</u></u>	<u><u>35,275,742</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Note 1 Summary of Significant Accounting Policies

a. Nature of Operations

Viva Leisure Limited and its Subsidiaries' (Viva Leisure Group or the Group) principal activities are health club services. No significant change in the nature of these activities occurred during the half-year ended 31 December 2021.

b. General Information and Basis of Preparation

The interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2021 and are presented in Australian Dollars (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards and should be read in conjunction with the consolidated financial statements and ASX announcements of the Group for the year ended 30 June 2021.

c. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Note 2 Profit for the Period

	31 Dec 2021	31 Dec 2020
	\$	\$
(i) Revenue		
Revenue from contracts with customers	30,036,067	31,783,685
Revenue from franchise operations	2,881,588	3,582,889
	<u>32,917,655</u>	<u>35,366,574</u>
(ii) Interest expense from borrowings at amortised cost		
External entities	614,175	162,555
Interest expenses for lease liabilities	6,707,840	5,662,478
	<u>7,322,015</u>	<u>5,825,033</u>
(iii) Depreciation and amortisation		
Depreciation expense	3,515,927	2,315,520
Amortisation expense	281,962	184,208
Depreciation of right of use assets	14,657,413	10,409,990
	<u>18,455,302</u>	<u>12,909,718</u>
(iv) Legal and other professional costs related to the capital raise, debt facility and acquisitions recognised as an expense in the consolidated statement of profit or loss and other comprehensive income	362,701	238,175
	<u>362,701</u>	<u>238,175</u>

Note 3 Cash and Cash Equivalents

	31 Dec 2021	30 June 2021
	\$	\$
Cash at bank and on hand	12,154,037	3,261,521
Short-term bank deposits	-	9,678,852
Cash backed bank guarantees	4,231,244	4,350,598
	<u>16,385,281</u>	<u>17,290,971</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Note 4 Leases

	31 Dec 2021	30 June 2021
	\$	\$
(i) AASB 16 related amounts recognised in the balance sheet		
Right of use assets		
Leased buildings:		
Opening balance	187,421,481	160,836,896
Additions to right-of-use assets	22,523,343	47,699,023
Depreciation expense	(12,971,688)	(21,114,439)
Net carrying amount	<u>196,973,136</u>	<u>187,421,480</u>
Leased equipment:		
Opening balance	17,462,172	16,044,881
Additions to right-of-use assets	5,683,103	4,319,065
Disposals of right-of-use assets	(203,619)	(93,956)
Depreciation expense	(1,685,725)	(2,807,817)
Net carrying amount	<u>21,255,931</u>	<u>17,462,173</u>
Total right-of-use assets	<u>218,229,067</u>	<u>204,883,653</u>
Lease liabilities		
Leased buildings:		
Opening balance	204,619,289	168,106,082
Additions to lease liabilities	22,006,686	47,579,096
Principal repayments	(8,988,459)	(11,065,065)
Net carrying amount	<u>217,637,516</u>	<u>204,620,113</u>
Leased equipment:		
Opening balance	15,541,163	14,521,011
Additions to lease liabilities	5,683,099	4,319,944
Principal repayments	(2,425,367)	(3,299,792)
Net carrying amount	<u>18,798,895</u>	<u>15,541,163</u>
Total lease liabilities	<u>236,436,411</u>	<u>220,161,276</u>
Current liabilities	25,896,012	22,873,600
Non-current liabilities	210,540,399	197,287,676
	<u>236,436,411</u>	<u>220,161,276</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	31 Dec 2021	30 June 2021
	\$	\$
Net carrying amount		
(ii) AASB 16 related amounts recognised in the statement of profit or loss		
Depreciation charge related to right-of-use assets (included in total depreciation and amortisation expense)	14,657,413	24,033,264
Interest expense on lease liabilities (included in total finance costs)	6,707,840	11,873,437
(iii) Cash outflows relating to leases / rental payments		
Property lease payments	15,307,511	22,126,667
Equipment lease payments	2,814,155	4,074,620
Total cash outflows for leases / rental payments	<u>18,121,666</u>	<u>26,201,287</u>

Note 5 Borrowings

	Current		Non-current	
	31 Dec 2021	30 June 2021	31 Dec 2021	30 June 2021
	\$	\$	\$	\$
At amortised cost:				
Bank loans	3,355,800	2,080,500	11,191,960	7,927,000
	3,355,800	2,080,500	11,191,960	7,927,000

There are several asset specific security interests registered on the PPS Register against members of the Group.

In addition, the bank loans mature on 28 May 2025 and the facility agreement specifies the following security interests:

1. First ranking General Security Interest from each Obligor comprising first ranking charge over all present and after acquired property.
2. First ranking charge over any assets financed under the Equipment Finance Facility.
3. Account Set offs from Viva Leisure Property Pty Ltd over Deposits totalling \$3,250,000 (relating to security for all cash covered bank guarantees issued in the name of Viva Leisure Property Pty Ltd).
4. The interest rate payable on the drawn balance of the market rate loan is BBSY plus 4.30%, at 31 December 2021 this amounted to 4.55%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Note 6 Business Combinations

During the period the Group acquired the following businesses:

Number of Clubs Acquisition	4 PLUS Sites \$	2 NSW, VIC \$	8 Rebalance \$	14 Total \$
Purchase consideration				
Amount settled in cash	4,043,083	2,616,584	2,876,024	9,535,691
Assets and liabilities acquired at fair value				
Property, plant and equipment	188,820	215,595	214,000	618,415
Other net identifiable assets /(liabilities) acquired	10,083	(103,416)	(23,976)	(117,309)
Goodwill	3,844,180	2,504,405	2,686,000	9,034,585
	4,043,083	2,616,584	2,876,024	9,535,691
Revenue and profit contribution from the date of acquisition until 31 December 2021				
Revenue	499,283	193,885	116,508	809,676
Profit before depreciation, amortisation, interest and tax (including rental payments)	128,242	(10,176)	80,299	198,365
Revenue and profit contribution if consolidated from 1 July until 31 December 2021				
Revenue	906,800	912,467	1,020,835	2,840,102
Profit before depreciation, amortisation, interest and tax (including rental payments)	312,747	225,164	703,575	1,241,486

Acquisition-related costs amounting to \$225,116 have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

The goodwill arising from these business combinations is not expected to be deductible for tax purposes.

Note 7 Segment reporting

The Company has determined that the Group operates one business segment, being health club services, with two main streams of revenue being revenue from contracts with customers and revenue from franchise operations (see Note 2) which represents the main services provided by the group. There are no other distinguishable components of the Group that are subject to risks and returns that are different from the main business segment, relating either to the nature, production, class, distribution or regulatory environment of the main service. In addition, the Company has determined that the Group operates in one geographic segment, being Australia.

Note 8 Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Note 9 **Events After the Reporting Period**

The following events occurred after the reporting period:

- On 20 January 2022, the Group completed the acquisition of Plus Fitness St Mary's, NSW for consideration of \$1.1m
- On 18 February 2022, the Group completed the acquisition of My Fitness Clubs (three locations in Broadbeach, Sippy Downs and Noosaville, Queensland) for consideration of \$3.7m

Note 10 **Fair Value Measurement**

Financial assets and financial liabilities measured at fair value in the statement of financial position are measured at amortised cost.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Viva Leisure Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 15, are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director



Harry Konstantinou

Dated this 24 day of FEBRUARY 2022.

INDEPENDENT AUDITOR'S REVIEW REPORT

HALL CHADWICK  (NSW)

VIVA LEISURE LIMITED AND ITS CONTROLLED ENTITIES
ABN 76 607 079 792

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
VIVA LEISURE LIMITED

SYDNEY

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Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Viva Leisure Limited, which comprises the consolidated statement of financial position as at 31 December 2021, 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 half-year ended on that date, notes to the financial statements including a summary of significant accounting policies, other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of Viva Leisure Limited's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of the Company.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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HALL CHADWICK  (NSW)

VIVA LEISURE LIMITED AND ITS CONTROLLED ENTITIES
ABN 76 607 079 792

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
VIVA LEISURE LIMITED

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Hall Chadwick

Hall Chadwick (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

S. Kumar

Sandeep Kumar
Partner
Dated: 24 February 2022