WOTSO
PROPERTY

Property by name, flexible by nature

ANNUAL REPORT
JUNE 2021

Brookvale, NSW

CONTENTS

Zetland, NSW

Directors' Report

In one of the most challenging years we have achieved one of our biggest milestones. In February 2021 we successfully stapled three businesses, WOTSO Limited (WOTSO), Planloc Limited (Planloc) and the BlackWall Property Trust (BWR), to create Australia's first listed flexible property security, now known as WOTSO Property (the Stapled Group or WOT). WOTSO Property will pay its maiden distribution of 3.0 cents per stapled security on 31 August 2021.

WOTSO Property owns over 87,000 sqm of property and operates nearly 37,000 sqm of flexible space. We are home to hundreds of Australian businesses, which operate across a multitude of industries. Our purpose is to create flexible buildings, allowing our members to expand and contract depending on where they find themselves in the lifecycle of their business. Our perfect building is one that is vertically integrated and aims to make the lives of its occupants easier by providing amenities and services such as coffee shops, gyms, childcare centres and flexible spaces. Of course, the flexibility model isn't suited to every property and, where not applicable, we are happy to balance our portfolio with conventional real estate investment.

The recent spotlight on the future of how people work has further reaffirmed our mission to put flexible space near to where people live. All of our WOTSO spaces and buildings are in city fringe, suburban and regional locations and our two most recent purchases in Brookvale and Newcastle, NSW are continuing this narrative. Both acquisitions were made with the objective of expanding the WOTSO network, but with the added benefit that the properties are well positioned for alternative uses.

So what is WOTSO Property?

WOTSO

Operates flexible workspaces, largely targeted towards small to medium enterprises in city fringe, suburban and regional locations. It operates 18 sites across Australia and its revenue is largely derived from the use of private offices on monthly terms and memberships for the use of open-plan co-working spaces, events spaces and meeting rooms.

BlackWall Property Trust

Planloc Limited

The property owning entities of the group that make up the segment we call "Property". Modestly geared entities with a portfolio of 14 commercial properties across 4 Australian states and the ACT. WOTSO is a tenant in 10 of these properties.

WOTSO Property

Highlights

Financial

$1.49
Adjusted Net Asset Value (NAV) per Security

$402 million
Gross Assets (excluding right of use lease assets)

3.0 cents
Final Distribution

25%
Net Gearing

Operational

$30.4 million
Total Revenue

Corporate Social Responsibility

$4.8 million
Total Rent Relief Since the Start of the Pandemic

7
Disability Employment Service Employees

Despite the year that was, WOTSO Property has navigated the ever changing landscape of the pandemic. We provided a total of $1.4 million in rent relief to our traditional tenants and WOTSO members during this financial year, in addition to the $3.4 million provided in FY20. We were proud to be one of the first movers to provide support to our WOTSO members and traditional tenants at the outset of the pandemic and feel that this has not gone unnoticed. The vast majority of our WOTSO members maintained their memberships and, to date, we have not lost any of our conventional tenants as a result of the pandemic. The recovery from the March to June 2020 lockdown for WOTSO has been strong, growing its annualised revenue from a pre-pandemic $16 million to $21 million. In addition, over the past 12 months we have renewed or signed just shy of 16,000 sqm of traditional leases. We are confident that this provides us with a strong platform for growth going forward.

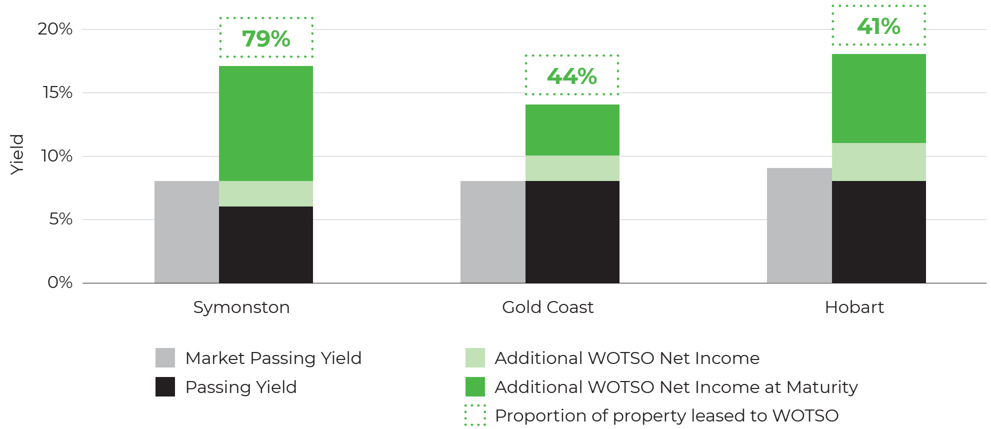
What Does Flexible Property Mean to Us?

REITs have traditionally had a major focus on the Weighted Average Lease Expiries (WALE). We do not share the same focus. WALE is only as strong as the company that underlies it and we have had many examples of a seemingly long WALE property become a short WALE as tenants have failed without enough security to cover the remainder of their lease. We think the way people work and where they work is changing. Tenants are looking for flexibility in many aspects of their business and WOTSO seeks to provide a solution to fulfill their accommodation needs. In particular we are providing an easy solution for small to medium enterprises. Some businesses will still want the security of a long lease and we will provide that but most do not need it. So flexibility to us means responding to what our tenants and members need and simplifying the property side of their business. We are much happier to have a building with 100 different businesses on flexible terms than a building with just one tenant on a long term lease. **From an investment perspective when we get our flexible offering right we are seeing returns on our properties 2-3% higher than under a long WALE scenario. When our WOTSOs reach occupancy and pricing maturity, this number could be closer to 10%.**

Enhanced Yield

Investors in WOTSO Property are able to access the enhanced yields that are unlocked via WOTSO's flexible space offerings. The graph below demonstrates how WOTSO's flexible workspace business can supercharge the yields of a traditional property fund. Sites with a higher percentage of net lettable area (NLA) attributed to WOTSO have the highest yield potential.

Enhanced Property Yields from WOTSO



Property Investment Review

In the December 2020 half year accounts, we reflected on the commercial real estate market and the difficultly in acquiring well-priced properties. In our view, the market continues to be overpriced, however opportunities are starting to present themselves and WOTSO Property has purchased three, well-priced and well-positioned properties over the last six months. Two of the properties, 2 Ada Avenue in Brookvale, NSW and 1 Tudor Street in Newcastle West, NSW, were consistent with our mandate of finding vacant, suburban real estate with the intent of creating value through a WOTSO led turnaround of the asset. The third property was an opportunistic purchase of the neighbouring property at Newcastle, 811-815 Hunter Street. The property is approved for a 14 storey high-rise development.

2 Ada Avenue is a 1,400sqm office and warehouse space sitting on a prominent high traffic street. Works have started to refurbish the building with WOTSO due to open in October 2021. If you look at the building in the photo below and the one used for our front cover, it's hard to believe they are the same building, less than 2 months apart. As we have done previously, we have elevated the building's street presence and identification through street art.

1 Tudor Street, Newcastle is a 1,000sqm three storey modern office building sitting on the corner of Tudor and Hunter Street in the emerging west end of Newcastle's CBD, just 350m from the Newcastle interchange. We have commenced converting the building to be home to WOTSO with a soft opening of the space due mid August 2021. The adjoining property on Hunter Street provides a bigger land holding for us and a future development opportunity.

Tudor Street and Hunter Street, Newcastle

Brookvale

As part of the stapling process, all BWR properties were subject to updated independent valuations in December 2020. This resulted in an overall increase in the value of the portfolio of $4.35 million from June 2020. We will likely have the portfolio revalued in early 2022 and it will be interesting to see if our December 2020 valuations were hamstrung by the lack of transactions at that time. We are well positioned to ride-out any valuation volatility, with our net gearing at 25%. We see any future valuation volatility as an acquisition opportunity, not a threat to our existing portfolio.

Property ($'million)	June 2021 Valuations	June 2020 Valuations	Movement
Dickson	31.3	31.1	0.2
Symonston	8.4	8.2	0.2
Pyrmont	150.1	147.0	3.1
Villawood	22.0	22.3	(0.3)
Penrith*	21.5	-	21.5
Newcastle*	6.0	-	6.0
Brookvale*	4.2	-	4.2
Sunshine Coast	24.2	23.0	1.2
Yandina	20.2	20.3	(0.1)
Gold Coast	19.8	19.5	0.3
Fortitude Valley	8.6	8.2	0.4
Adelaide	7.1	6.7	0.4
Hobart	8.2	8.0	0.2
Total excl Toowoomba	**331.6**	**294.3**	**37.3**
Toowoomba (held for sale)	3.5	3.8	(0.3)
Total	**335.1**	**298.1**	**37**

*New additions during FY2021

Sustainability to Us

Within our properties we take a practical approach to sustainability, that is, it makes real business and environmental sense. For example:

- reducing demand on power plants and decreasing greenhouse gas emissions through our solar panel installation program;
- reducing waste by repurposing and upcycling materials for fit outs, such as turning tyres into lights, computer floor tiling into walls and server racks into tables;
- reducing emissions through LED lighting upgrades; and
- urban regeneration of physically distressed real estate.

WOTSO Review

WOTSO is Australia's leading provider of flexible office space in suburban and regional Australia. We provide sustainable and stimulating spaces for over 1,300 businesses and 4,200 people and deliver value by creating long term relationships on short term contracts.

Our strategy is to be flexible.

Member Proposition

A flexible space that is industry agnostic and created to meet member's needs. Critically, our flexible memberships allow our members space requirements to evolve.

Network of Spaces

Our portfolio is predominantly across the east coast of Australia. Of our 18 sites, 10 are owner occupied. Our owner occupier model gives us the flexibility to improve the quality of our spaces and expand our footprint through refurbishing or redeveloping the properties.

Operating Platform

We have developed our own in-house operating platform, Hamlet, that manages member onboarding, member billing and customer relationship management. The software gives us the flexibility to manage our members in ways off-the-shelf products could not and is a potential revenue stream in the future.

Our Team

We are a listed business with a family ethos. We impress upon our team that family always comes first and in return we believe we have a committed group of unique individuals with a broad range of backgrounds. Our longest serving team member this year celebrated his 25th year with the Group. We are also proud to support Disability Employment Services and have seven employees operating under these programs.

Our Values

1 **Learn**

We like people who are prepared to learn new things. We like our team members to take an interest in all facets of our business. Just because you are in the finance team doesn't mean you shouldn't or couldn't have a view on how a WOTSO should look.

2 **Trust**

We encourage our team to have a go, this does mean that mistakes will be made but that is part of the learning process and often results in unexpected outcomes that can be beneficial to the business.

3 **Adapt**

An ability to be flexible and persistent and find a way to resolve any situation.

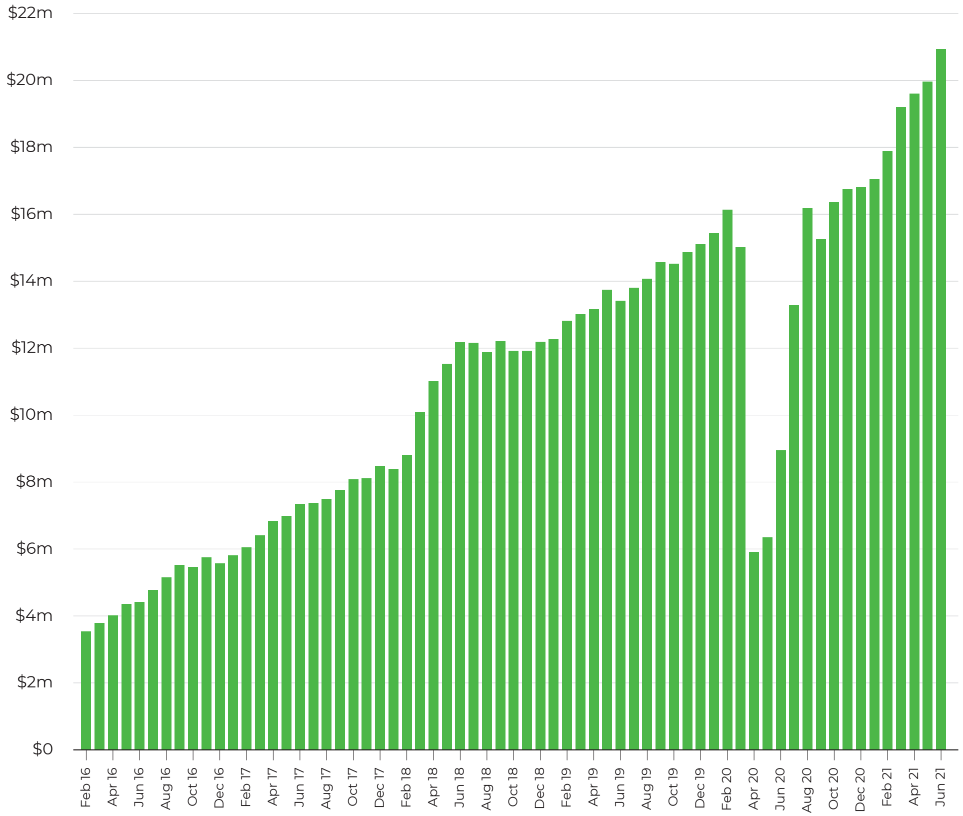
4 **Say Yes**

We will find a way to make our customer's requests work and will think differently to get there.

WOTSO Performance

WOTSO's annualised turnover (its current monthly revenue multiplied by 12) has seen significant growth in the last year. Pre-COVID revenue, in February 2020 was $16.1 million but dipped as low as $6 million in April 2020 due to our suspension policy implemented in response to the national lockdown. However, once restrictions were lifted, turnover quickly recovered to pre-COVID levels by August 2020. Since then, turnover has grown by 31% to $21 million in June 2021. Recent lockdowns will again have a short term effect on revenue but we expect to bounce back again and continue our growth trajectory. WOTSO Property expects to receive government assistance in the form of JobSaver, land tax relief and payroll tax relief as a result of the current lockdown restrictions. This will help to offset some of the expected revenue losses.

WOTSO Annualised Turnover

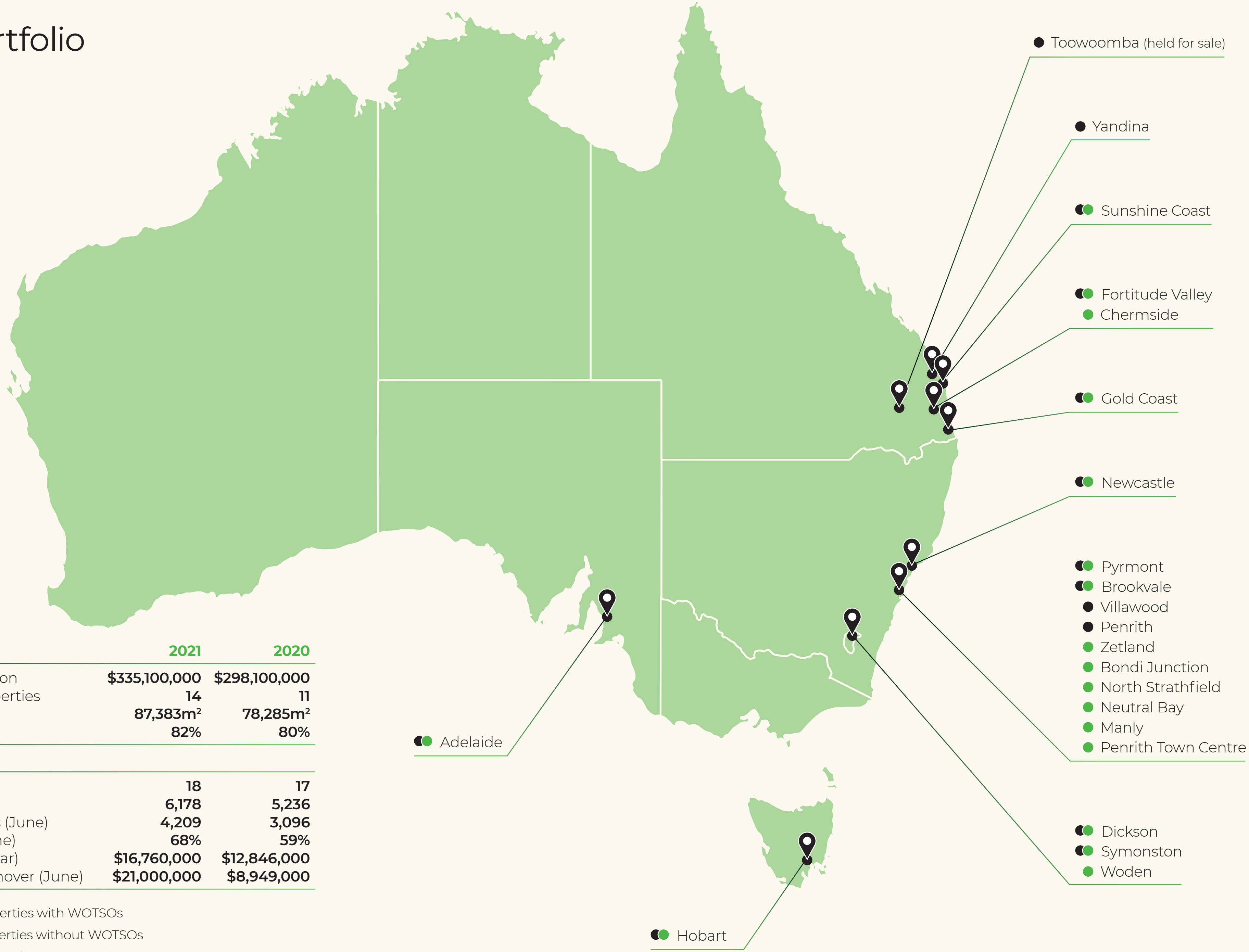


WOTSO joined the Stapled Group in February 2021 and as a result the proceeding 5 months have been included in this Annual Report. To assist with prior year comparisons, the below results show a "normalised" full year FY20 and FY21 result. This "normalised" representation shows the results as if the franchise sites had always been owned and operated by WOTSO.

WOTSO Profit or Loss	5 Months $'000	FY21 (normalised) $'000	FY20 (normalised) $'000
Offices	5,710	11,937	9,155
Coworking	1,248	2,589	2,045
Other services	1,089	2,234	1,646
Operating Revenue	**8,047**	**16,760**	**12,846**
Other revenue	-	-	184
Government assistance	122	807	426
Total Revenue	**8,169**	**17,567**	**13,456**
Rent	(3,125)	(6,509)	(7,587)
Staff costs	(1,146)	(2,731)	(2,314)
Operating expenses	(2,207)	(4,652)	(3,460)
Total Direct Costs	**(6,478)**	**(13,892)**	**(13,361)**
Net Rental Income	**1,691**	**3,657**	**95**
Overhead & administration costs	(748)	(1,545)	(2,523)
Management fees	(150)	(150)	-
EBITDA	**793**	**1,962**	**(2,428)**
Depreciation	(1,378)	(2,944)	(1,644)
Loss on disposal of fixed assets	-	-	(2,904)
Interest	(35)	(65)	-
Underlying Net Loss Before Tax	**(620)**	**(1,047)**	**(6,976)**
Impact of AASB 16 Leases	(811)	(2,963)	(3,758)
Statutory Loss	**(1,431)**	**(4,010)**	**(10,734)**

WOTSO's Statutory Loss has improved by $6.7 million over FY20. This is largely due to EBITDA growth of $4.4 million, driven by significant revenue growth, both at existing and new sites, as well as its strong recovery from the impact of COVID-19. The remaining improvement was driven by one-off costs in FY20 ($3.4 million) and a lesser impact of the leasing accounting standard, AASB 16 ($0.8 million).

Our Portfolio



Properties	2021	2020
Property Valuation	$335,100,000	$298,100,000
Number of Properties	14	11
Area	87,383m²	78,285m²
Occupancy	82%	80%

WOTSO	2021	2020
Sites	18	17
Desks	6,178	5,236
Occupied Desks (June)	4,209	3,096
Occupancy (June)	68%	59%
Turnover (full year)	$16,760,000	$12,846,000
Annualised Turnover (June)	$21,000,000	$8,949,000

- BlackWall Properties with WOTSOs
- BlackWall Properties without WOTSOs
- WOTSO sites at 3rd party properties

Our View of the WOT Numbers

Below are the profit or loss and balance sheet the directors use in their analysis of WOTSO Property. Results have been adjusted for the impact of right of use lease assets and liabilities, the deferred tax liability (outlined in Note 23) and the estimated fair value of the WOTSO business.

Profit or Loss

These results show that the inclusion of WOTSO has contributed to an additional $945,000 in net rental income, with property net rental income staying relatively flat year on year. The statutory profit has decreased from $23.9 million in FY20 to $11.7 million in FY21, however this is largely driven by lower gains on investment properties ($10.8 million) and the addition of WOTSO depreciation.

Profit or Loss	Properties $'000	WOTSO $'000	Eliminations* $'000	Total 2021 $'000	Total 2020 $'000
WOTSO Revenue	-	8,169	-	8,169	-
Property rental income	24,224	-	(2,002)	22,222	24,020
Total Revenue	**24,224**	**8,169**	**(2,002)**	**30,391**	**24,020**
Rent expense	-	(3,125)	1,790	(1,335)	-
Staff costs	-	(1,146)	-	(1,146)	-
Operating expenses	(7,341)	(2,207)	212	(9,336)	(7,294)
Total Operating Expenses	**(7,341)**	**(6,478)**	**2,002**	**(11,817)**	**(7,294)**
Net Rental Income	**16,883**	**1,691**	**-**	**18,574**	**16,726**
Overhead & administration costs	(1,305)	(748)	-	(2,053)	(983)
Management fees	(2,310)	(150)	-	(2,460)	(2,372)
EBITDA	**13,268**	**793**	**-**	**14,061**	**13,371**
Other statutory adjustments	(440)	(2,224)	337	(2,327)	10,489
Statutory Profit Before Tax	**12,828**	**(1,431)**	**337**	**11,734**	**23,860**

*Rent eliminates on consolidation.

Balance Sheet

WOTSO Property has maintained a strong balance sheet, with headline gearing of 30% and net gearing of 25% (2020: 25%, 16%). Adjusted NAV per security is $1.49 (2020: $1.47).

Balance Sheet	Property $'000	WOTSO $'000	Eliminations $'000	Total 2021 $'000	Total 2020 $'000
Cash & equivalents	7,032	441	-	7,473	16,192
Other current assets	4,287	2,215	(25)	6,477	3,060
Loan portfolio	8,753	-	-	8,753	22,383
Total Current Assets	**20,072**	**2,656**	**(25)**	**22,703**	**41,635**
Investment portfolio	331,600	-	-	331,600	298,100
Property, plant & equipment	62	14,111	(14,111)	62	62
Goodwill	-	26,150	(26,150)	-	-
WOTSO business	-	-	42,000	42,000	-
Other non-current assets	12,482	5,270	(12,177)	5,575	6,531
Total Non-Current Assets	**344,144**	**45,531**	**10,438**	**379,237**	**304,693**
Total Assets	**364,216**	**48,187**	**10,463**	**401,940**	**346,328**
Borrowings	-	-	-	-	(47,000)
Other current liabilities	(1,502)	(1,901)	25	(3,378)	(2,107)
Total Current Liabilities	**(1,502)**	**(1,901)**	**25**	**(3,378)**	**(49,107)**
Borrowings	(117,000)	-	-	(117,000)	40,000
Other non-current liabilities	-	(12,396)	12,177	(219)	-
Total Non-Current Liabilities	**(117,000)**	**(12,396)**	**12,177**	**(117,219)**	**(40,000)**
Total Liabilities	**(118,502)**	**(14,297)**	**12,202**	**(120,597)**	**(89,107)**
Adjusted NAV	**245,714**	**33,890**	**1,739**	**281,343**	**257,221**
Attributable to NCI				(38,364)	(48,166)
Adjusted NAV Attributable to WOT Owners				**242,979**	**209,055**
Adjusted NAV / Security				**$1.49**	**$1.47**
Statutory adjustments				(8,813)	-
Statutory Net Assets				**234,166**	**209,255**
Statutory Net Assets / Security				**$1.44**	**$1.47**

Financial Statements

Balance Sheet at 30 June 2021

	Note	2021* $'000	2020† $'000
Assets			
Current Assets			
Cash and equivalents		7,473	16,192
Trade and other receivables	10	899	921
Loan portfolio	11	8,753	22,383
Other assets	12	2,078	2,139
Property held for sale	13	3,500	-
Total Current Assets		**22,703**	**41,635**
Non-Current Assets			
Investment property portfolio	#	331,600	298,100
Property plant and equipment	14	14,173	62
Software development	15	347	-
Investment in operating platform business	15	348	-
Right of use lease assets	16	20,068	-
Goodwill	3	26,150	-
Other receivables	17	305	531
Other assets	12	4,575	6,000
Total Non-Current Assets		**397,566**	**304,693**
Total Assets		**420,269**	**346,328**
Liabilities			
Current Liabilities			
Trade and other payables	18	3,152	2,107
Employee provisions	19	226	-
Borrowings	21	-	47,000
Lease liabilities	22	3,960	-
Total Current Liabilities		**7,338**	**49,107**
Non-Current Liabilities			
Trade and other payables	18	214	-
Employee provisions	19	5	-
Make good provisions	20	1,353	-
Borrowings	21	117,000	40,000
Deferred tax liability	23	2,104	-
Lease liabilities	22	19,725	-
Total Non-Current Liabilities		**140,401**	**40,000**
Total Liabilities		**147,739**	**89,107**
Net Assets		**272,530**	**257,221**

*The 2021 results above include all assets and liabilities of WOTSO Property, including BlackWall Property Trust, WOTSO Limited and Planloc Limited.

†The 2020 results above include only the assets and liabilities of BlackWall Property Trust.

#Refer to following page for a detailed breakdown of the investment property portfolio.

How to Read these Financial Statements

The 2021 Annual Report is comprised of the results of all three stapled entities. BlackWall Property Trust results are included for the entire year, whereas the WOTSO and Planloc results are included from the date of stapling (8 February 2021). The 2020 comparative results relate to BlackWall Property Trust only. As both Planloc and BlackWall Property Trust are property investment vehicles, the results of both entities have been combined to form the "Property" segment. The stand-alone full year financial statements for WOTSO and Planloc can be found in the annexures of this report.

	2021 $'000	2020 $'000
Equity		
Equity holders of BlackWall Property Trust		
Issued capital	245,902	246,576
Accumulated losses	(38,746)	(37,521)
Parent Entity Interest	**207,156**	**209,055**
Equity Holders of WOTSO		
Issued capital	11,617	-
Retained earnings	17,303	-
Equity Holders of WOTSO (NCI)	**28,920**	**-**
Equity Holders of Planloc		
Issued capital	-	-
Retained earnings	(1,910)	-
Equity Holders of Planloc (NCI)	**(1,910)**	**-**
Equity Holders of WOTSO Property	**234,166**	**209,055**
Non-Controlling Interests in BWR	**38,364**	**48,166**
Total Equity	**272,530**	**257,221**
Net assets attributable to equity holders of WOTSO Property	234,166	209,055
Securities on issue (Number)	162,921,662	142,150,000
Statutory net assets per security ($)	$1.44	$1.47

Property Investment Portfolio

		Ownership	Passing Yield	Independent Valuer Yield	30 June 2021 $'000	30 June 2020 $'000
Dickson, ACT	◐●	100%	4.9%	6.6%	31,300	31,100
Symonston, ACT	◐●	100%	5.0%	7.3%	8,400	8,200
Pyrmont, NSW	◐●	46%	5.1%	5.9%	150,100	147,000
Villawood, NSW	●	99%	9.2%	6.5%	22,000	22,300
Penrith, NSW*	●	100%	4.8%	6.7%	21,500	-
Newcastle, NSW†	◐●	100%	n/a	n/a	6,000	-
Brookvale, NSW†	◐●	100%	n/a	n/a	4,200	-
Sunshine Coast, QLD	◐●	100%	7.5%	7.4%	24,200	23,000
Yandina, QLD	●	100%	14.5%	n/a	20,200	20,300
Gold Coast, QLD	◐●	100%	7.6%	7.4%	19,800	19,500
Fortitude Valley, QLD	◐●	100%	2.1%	6.7%	8,600	8,200
Toowoomba, QLD^	●	100%	n/a	7.2%	3,500	3,800
Adelaide, SA	◐●	100%	3.8%	7.5%	7,100	6,700
Hobart, TAS	◐●	100%	7.9%	7.7%	8,200	8,000
Total Property Investment Portfolio					**335,100**	**298,100**

*Penrith joined the Stapled Group as part of the stapling transaction.

†Newcastle and Brookvale were purchased in the second half of 2021 and have not been independently valued.

^Toowoomba has been reclassified as a non-current asset held for sale. See Note 13 for more details.

◐● BlackWall Properties with WOTSOs

● BlackWall Properties without WOTSOs

● WOTSO sites at 3rd party properties

All properties are carried at the fair values determined by the Directors. The values of properties have been adjusted to include any capital expenditure that has occurred since the date of the most recent independent valuation, which were undertaken for 31 December 2020 for all properties (except Brookvale and Newcastle, which were purchased after this date). These adjustments don't assume any value margin but simply add the amount of capital spent.

Sunshine Coast, QLD

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Note	2021* $'000	2020† $'000
Revenue			
Revenue	4	30,391	24,020
Direct Costs	5	(12,387)	(7,294)
Gross Profit		**18,004**	**16,726**
Administration expenses	6	(4,512)	(3,355)
Trading Profit		**13,492**	**13,371**
Net gain on assets	#	8,462	19,313
Operating Profit		**21,954**	**32,684**
Other depreciation	7	(8,321)	(6,857)
Finance costs	8	(2,857)	(2,615)
Finance income	9	450	648
Gain on lease modification		508	-
Profit Before Income Tax		**11,734**	**23,860**
Income tax expense	23	(2,104)	-
Profit for the Year		**9,630**	**23,860**
Other comprehensive income		-	-
Total Comprehensive Income		**9,630**	**23,860**
Total comprehensive income / (loss) attributable to:			
Members of BlackWall Property Trust		8,731	7,397
Members of WOTSO Limited		(1,094)	-
Members of Planloc Limited		(1,910)	-
Attributable to Members of Stapled Group		**5,727**	**7,397**
Non-controlling interest		3,903	16,463
Total Comprehensive Income		**9,630**	**23,860**
Earnings per Security			
Weighted average number of securities		149,299,466	145,935,194
Basic and diluted earnings per security		3.8 cents	5.1 cents

*The 2021 results above include 12 months of BlackWall Property Trust and five months of both WOTSO Limited and Planloc Limited results (covering the period from stapling).

†The 2020 results above include only the results of BlackWall Property Trust.

#The detailed breakdown of net gain on assets can be found in the table adjacent.

Net Gain / (Loss) on Assets

	2021 $'000	2020 $'000
Dickson, ACT	706	143
Symonston, ACT	297	(119)
Pyrmont, NSW	3,633	22,703
Villawood, NSW	(95)	3,114
Penrith, NSW	131	-
Newcastle, NSW	35	-
Brookvale, NSW	(5)	-
Sunshine Coast, QLD	1,738	(3,675)
Yandina, QLD	127	18
Gold Coast, QLD	916	509
Fortitude Valley, QLD	206	(1,130)
Toowoomba, QLD	(102)	(997)
Adelaide, SA	447	(927)
Hobart, TAS	428	(608)
Total Net Gain / (Loss) on Fair Value of Property	**8,462**	**19,031**
Net gain / (loss) on fair value of interest rate hedges	-	282
Total Net Gain / (Loss) on Fair Value of Assets	**8,462**	**19,313**

Statement of Cash Flows

for the year ended 30 June 2021

	2021 $'000	2020 $'000
Cash Flows From Operating Activities		
Receipts from tenants	31,004	24,081
Payments to suppliers and employees	(18,671)	(15,759)
Bond (Paid)/Repaid	1,981	-
Government assistance	122	-
Net Cash Flows From Operating Activities	**14,436**	**8,322**
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(2,579)	(62)
Payments for capital improvements	(3,270)	(5,582)
Payments for software development	(119)	-
Payments for investments	(12,979)	(1,783)
Loans advanced	(15,393)	(5,203)
Loans repaid from borrower	10,330	
Cash acquired on stapling	432	-
Proceeds on disposal of property, plant and equipment	568	2,044
Net Cash Flows (Used in) Investing Activities	**(23,010)**	**(10,586)**
Cash Flows From Financing Activities		
Proceeds from borrowings	20,000	30,000
Repayment of borrowings	(215)	-
Distributions paid by BWR	(9,951)	(10,290)
Distributions and returns of capital paid by Pyrmont Trust to NCI	(6,263)	(732)
Distributions paid by Woods PIPES to NCI	(130)	(140)
Distribution income	35	-
Rental payments	(1,002)	-
Payment of stapling transaction costs	(773)	-
Interest paid	(2,444)	(2,615)
Interest received	485	648
Proceeds from issue of securities	113	-
Payment for buy-back of BWR units	-	(8,134)
Net Cash Flows (Used in) / From Financing Activities	**(145)**	**8,737**
Net Increase / (Decrease) in Cash Held	**(8,719)**	**6,473**
Cash and cash equivalents at the beginning of the year	16,192	9,719
Cash and Cash Equivalents at End of the Year	**7,473**	**16,192**

Reconciliation of Operating Cash Flows

	2021 $'000	2020 $'000
Profit After Tax for the Year	**9,630**	**23,860**
Non-Cash Flows in Profit:		
Depreciation and amortisation	10,031	6,857
Net interest paid	2,407	1,967
Net gain on assets	(8,462)	(19,313)
Straight-line rental income	(1,212)	(1,536)
Gain on lease modification	(508)	-
Add back variable lease payments	194	-
Increase/(decrease) in provisions	231	-
Deferred tax liability	2,104	-
Operating Cash Flows Before Movement in Working Capital	**14,415**	**11,835**
(Increase) / decrease in trade and other receivables	(1,238)	(896)
Increase / (decrease) in trade and other payables	1,259	(2,617)
Net Cash Flows From Operating Activities	**14,436**	**8,322**

Statement of Changes in Equity

for the year ended 30 June 2021

	No. of Securities on Issue	Issued Capital $'000	Retained Earnings / (Accumulated Losses) $'000	Attributable to Owners of Parent $'000	Attributable to Owners of WOTSO $'000	Attributable to Owners of Planloc $'000	Non-Controlling Interests $'000	TOTAL EQUITY $'000
Balance at 1 July 2020	**142,150,000**	**246,576**	**(37,521)**	**209,055**	**-**	**-**	**48,166**	**257,221**
Profit for the year	-	-	8,731	8,731	(1,094)	(1,910)	3,903	9,630
Other comprehensive income	-	-	-	-	-	-	-	-
Total Comprehensive Income for the Year	**-**	**-**	**8,731**	**8,731**	**(1,094)**	**(1,910)**	**3,903**	**9,630**
Transactions with Owners in Their Capacity as Owners:								
Issue of new units to create stapled securities as part of stapling transaction on 8 February 2021, net of transaction costs	20,691,412	(773)	-	(773)	30,000	-	(4,329)	24,898
Issue of securities	80,250	99	-	99	14	-	-	113
Purchase of NCI shares	-	-	(5)	(5)	-	-	(2,981)	(2,986)
Distributions paid	-	-	(9,951)	(9,951)	-	-	(6,395)	(16,346)
Total Transactions with Owners	**20,771,662**	**(674)**	**(9,956)**	**(10,630)**	**30,014**	**-**	**(13,705)**	**5,679**
Balance at 30 June 2021	**162,921,662**	**245,902**	**(38,746)**	**207,156**	**28,920**	**(1,910)**	**38,364**	**272,530**

	No. of Securities on Issue	Issued Capital $'000	Retained Earnings / (Accumulated Losses) $'000	Attributable to Owners of Parent $'000	Attributable to Owners of WOTSO $'000	Attributable to Owners of Planloc $'000	Non-Controlling Interests $'000	TOTAL EQUITY $'000
Balance at 1 July 2019	**148,516,055**	**254,710**	**(35,311)**	**219,399**	**-**	**-**	**35,041**	**254,440**
Profit for the year	-	-	7,397	7,397	-	-	16,463	23,860
Other comprehensive income	-	-	-	-	-	-	-	-
Total Comprehensive Income for the Year	**-**	**-**	**7,397**	**7,397**	**-**	**-**	**16,463**	**23,860**
Transactions with Owners in Their Capacity as Owners:								
Distributions paid	-	-	(10,290)	(10,290)	-	-	(872)	(11,162)
On market buy-back of BWR units	(6,366,055)	(8,010)	-	(8,010)	-	-	-	(8,010)
Transaction costs	-	(124)	-	(124)	-	-	-	(124)
Purchase of additional NCI shares	-	-	683	683	-	-	(2,466)	(1,783)
Total Transactions with Owners	**(6,366,055)**	**(8,134)**	**(9,607)**	**(17,741)**	**-**	**-**	**(3,338)**	**(21,079)**
Balance at 30 July 2020	**142,150,000**	**246,576**	**(37,521)**	**209,055**	**-**	**-**	**48,166**	**257,221**

Notes to the Financial Statements

1. Segment Reporting

Identification of Reportable Operating Segments

WOTSO Property is comprised of two reportable segments based on differences in products and services provided, being:

- Property: the property owning entities;
- WOTSO: flexible workspace operating business.

These operating segments are based on the internal reports that are reviewed and used by the Directors in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The Directors review EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the Directors are consistent with those adopted in the financial statements.

Intersegment Transactions

Intersegment transactions are made at market rates and eliminated on consolidation. This largely relates to rent paid from WOTSO to properties owned by the Stapled Group.

Intersegment Receivables, Payables, Leases and Loans

Intersegment loans are recognised at the consideration received and charged market interest. All intersegment receivables, payables, leases and loans are eliminated on consolidation.

Operating Segment Information

Profit or Loss	Property $'000	WOTSO $'000	Eliminations $'000	Total 2021 $'000	Total 2020 $'000
Offices	-	5,710	-	5,710	-
Coworking	-	1,248	-	1,248	-
Other services	-	1,089	-	1,089	-
Government assistance	-	122	-	122	-
Property rental income	24,224	-	(2,002)	22,222	24,020
Total Revenue	**24,224**	**8,169**	**(2,002)**	**30,391**	**24,020**
Rent expense	-	(3,125)	1,790	(1,335)	-
Staff costs	-	(1,146)	-	(1,146)	-
Operating expenses	(7,341)	(2,207)	212	(9,336)	(7,294)
Total Operating Expenses	**(7,341)**	**(6,478)**	**2,002**	**(11,817)**	**(7,294)**
Net Rental Income	**16,883**	**1,691**	**-**	**18,574**	**16,726**
Overhead & administration costs	(1,305)	(748)	-	(2,053)	(983)
Management fees	(2,310)	(150)	-	(2,460)	(2,372)
EBITDA	**13,268**	**793**	**-**	**14,061**	**13,371**
Gain in asset value	8,462	-	-	8,462	19,313
Depreciation	(6,943)	(1,378)	-	(8,321)	(6,857)
Net finance costs	(1,959)	(35)	-	(1,994)	(1,967)
Impact of AASB 16	-	(811)	337	(474)	-
Profit Before Tax	**12,828**	**(1,431)**	**337**	**11,734**	**23,860**

Balance Sheet	Property $'000	WOTSO $'000	Eliminations $'000	Total 2021 $'000	Total 2020 $'000
Cash & equivalents	7,032	441	-	7,473	16,192
Accounts receivable	709	215	(25)	899	921
Loan portfolio	8,753	-	-	8,753	22,383
Rental deposits	-	2,000	-	2,000	2,000
Property held for sale	3,500	-	-	3,500	-
Other Current Assets	78	-	-	78	139
Total Current Assets	**20,072**	**2,656**	**(25)**	**22,703**	**41,635**
Property investment portfolio	331,600	-	-	331,600	298,100
Property, plant & equipment	62	14,111	-	14,173	62
Software development	-	347	-	347	-
Investment in operating platform business	-	348	-	348	-
Goodwill	-	-	26,150	26,150	-
Rental deposits	-	4,575	-	4,575	6,000
Intercompany loans	12,177	-	(12,177)	-	-
Other non-current assets	305	-	-	305	531
Total Non-Current Assets	**344,144**	**19,381**	**13,973**	**377,498**	**304,693**
Total Assets	**364,216**	**22,037**	**13,948**	**400,201**	**346,328**
Trade and other payables	(1,502)	(1,675)	25	(3,152)	(2,107)
Employee provisions	-	(226)	-	(226)	-
Borrowings	-	-	-	-	(47,000)
Total Current Liabilities	**(1,502)**	**(1,901)**	**25**	**(3,378)**	**(49,107)**
Trade and other payables	-	(214)	-	(214)	-
Employee provisions	-	(5)	-	(5)	-
Intercompany loans	-	(12,177)	12,177	-	-
Borrowings	(117,000)	-	-	(117,000)	(40,000)
Total Non-Current Liabilities	**(117,000)**	**(12,396)**	**12,177**	**(117,219)**	**(40,000)**
Total Liabilities	**(118,502)**	**(14,297)**	**12,202**	**(120,597)**	**(89,107)**
Deferred Tax Liability	(2,104)	-	-	(2,104)	-
Net Impact of AASB16	-	(6,722)	1,752	(4,970)	-
Net Assets	**243,610**	**1,018**	**27,902**	**272,530**	**257,221**

2. Stapling of BlackWall Property Trust, WOTSO Limited and Planloc Limited

During the period, the already ASX listed units in BWR were stapled to the shares of WOTSO and Planloc to form stapled securities such that the individual units and shares BWR, WOTSO and Planloc must be bought or sold together. The stapled securities, collectively known as "WOTSO Property" were admitted to the official list of the Australian Securities Exchange (ASX) on 8 February 2021 with the ASX code WOT. BWR, WOTSO and Planloc remain separate disclosing entities in accordance with the Corporations Act 2001.

These financial statements present both the consolidated financial statements and accompanying notes of BWR and its controlled entities and the financial statements of the other reporting group members, WOTSO and Planloc separately as permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838. BWR is the deemed parent of the Stapled Group in accordance with AASB 3 'Business Combinations' effective from the date of acquisition, being 8 February 2021. The contributed equity and retained earnings of WOTSO and Planloc are shown as non-controlling interests in these consolidated financial statements even though the equity holders of WOTSO and Planloc (the acquirees) are also equity holders in BWR (the acquirer) by virtue of the stapling arrangement.

The table below shows the contribution of each entity to the results since stapling and the impact to the reported WOTSO Property results if the stapling had occurred on 1 July 2021.

	WOTSO		Planloc	
	Since Stapling $'000	Full Year $'000	Since Stapling $'000	Full Year $'000
Revenue	8,169	17,169	949	2,383
Expenses	(9,263)	(20,561)	(2,859)	(4,026)
Profit / (Loss)	**(1,094)**	**(3,392)**	**(1,910)**	**(1,643)**

3. Goodwill

As determined in the scheme booklet, at the date of the stapling transaction, WOTSO was valued at $30 million, and BWR at $1.45 / unit or $206 million. To implement the stapling, each BWR unitholder was given an equal number of WOT stapled securities. In addition, all WOTSO shareholders were given one stapled security for approximately every 3.92 WOTSO shares held. Planloc had nil value and so its shareholders were not given any stapled securities.

The acquisition of WOTSO and Planloc was accounted for using the full goodwill method, as follows:

	WOTSO $'000	Planloc $'000	Total $'000
Value at Stapling	30,000	-	30,000
Net Assets at Stapling	3,850	-	3,850
Goodwill	26,150	-	26,150

All goodwill has been allocated to the WOTSO cash-generating unit.

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 5 year projection period and terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for WOTSO:

- the discount rate of 10.8% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital for WOTSO;
- although WOTSO has consistently opened 3 new sites per year in the last few years, only current operations (including soon-to-open sites at Brookvale and Newcastle) have been included in the valuation. The uncertainty over the timing and extent of growth through new sites was considered to be too significant to value accurately;
- all currently operational sites are forecast to continue growing to reach maturity between December 2021 and June 2023. Brookvale and Newcastle are expected to open in the near future and are expected to take approximately 3 years to reach maturity. Maturity is defined as achieving 85% of the target revenue of a site; where the target revenue is calculated as the target desk price multiplied by the total number of desks;
- monthly target desk prices range from $250 (for a desk in Hobart) to $800 (for an office desk in Bondi or Manly) and are considered competitive rates within each site's operating environment;
- the current lockdown impacting NSW is assumed to last until the end of September 2021, with all impacted sites improving to the June 2021 turnover by the end of the calendar year; and
- the economy will continue to recover over the next 2 years allowing for WOTSO sites to continue growing revenue. Another COVID lockdown that affects our sites would likely have a material impact on this valuation.

There were no other key assumptions.

Sensitivity

As disclosed above, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- the date at which sites meet maturity would need to be delayed by over two years for goodwill to be impaired, with all other assumptions remaining constant;
- the discount rate would be required to increase by over 2% for the WOTSO goodwill to be impaired, with all other assumptions remaining constant; and
- WOTSO maturity revenue would need to decrease by more than 6.5% for goodwill to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of WOTSO's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

4. Revenue

Revenue is earned through property rental, under traditional lease arrangements or month-to-month under the WOTSO brand. WOTSO pays rent to other entities within the Stapled Group, which is eliminated on consolidation.

	2021 $'000	2020 $'000
Revenue from Contracts with Customers		
WOTSO sales	8,047	-
Other Revenue		
Property income	22,222	24,020
JobKeeper	122	-
Total Other Revenue	**22,344**	**24,020**
Total Revenue	**30,391**	**24,020**

5. Direct Costs

	2021 $'000	2020 $'000
Property outgoings	6,918	7,194
WOTSO operating costs	3,336	-
Right of use lease asset depreciation	1,709	-
Loss / (Gain) on sale of assets	55	(4)
Bad debt expense	369	104
Total Direct Costs	**12,387**	**7,294**

6. Administration Expenses

Administration expenses are comprised of management fees payable to the responsible entity of BWR, BlackWall Fund Services Limited (BFSL) (which is a wholly owned subsidiary of BlackWall Limited (ASX:BWF)). Prior to the stapling transaction, BWR and Planloc paid a fee of 0.65% of Gross Assets p.a. Following the stapling transaction, this fee was increased to 0.75% of Gross Assets p.a., a performance fee in relation to BWR was removed and a new fee was introduced for the management of WOTSO. This is based on 2% of Gross Revenue on all sales up to $20 million p.a. and 5% on sales above $20 million p.a.

	2021 $'000	2020 $'000
BlackWall Property Trust	2,310	2,372
WOTSO Limited	151	-
Planloc Limited	69	-
Total Management Fees	**2,530**	**2,372**
Compliance fees	1,237	983
WOTSO Overheads	745	-
Total Administration Expenses	**4,512**	**3,355**

7. Other Depreciation

Other depreciation is comprised of depreciation of fit-out and property improvements.

	2021 $'000	2020 $'000
WOTSO fit-out depreciation	1,378	-
Property improvement depreciation	6,943	6,857
Total Other Depreciation	**8,321**	**6,857**

8. Finance Costs

	2021 $'000	2020 $'000
Interest on borrowings	2,444	2,615
Interest on right of use lease liabilities	413	-
Total Finance Costs	**2,857**	**2,615**

9. Finance Income

Finance income is comprised entirely of interest received on loans as detailed in Note 11 – Loan Portfolio.

	2021 $'000	2020 $'000
Interest on loans	450	648
Total Finance Income	**450**	**648**

10. Trade and Other Receivables

	2021 $'000	2020 $'000
Trade receivables	1,264	627
Related parties	4	294
Expected credit loss allowance	(369)	-
Total Current Trade and Other Receivables	**899**	**921**

11. Loan Portfolio

Name	2021 $'000	2020 $'000	Current Security	Margin Above RBA Cash Rate (basis points)	Details
Alerik	-	7,900	n/a	n/a	Repaid
Planloc	-	10,000	n/a	n/a	Now consolidated
Mosman	6,250	-	12,750	200	Commercial property in Mosman
SAO	170	2,500	13,952	300	Investments in Pyrmont
Gymea	2,250	1,800	2,800	200	Two residential townhouses
Flipout	83	183	250	n/a	Fit-out
Total	**8,753**	**22,383**	**39,752**		

12. Other Assets

	2021 $'000	2020 $'000
Financial asset	2,000	2,000
Borrowing costs	78	42
Prepayments	-	97
Total Current Other Assets	**2,078**	**2,139**
Financial asset	4,000	6,000
Rental deposits	575	-
Total Non-Current Other Assets	**4,575**	**6,000**
Total Other Assets	**6,653**	**8,139**

13. Property Held for Sale

A contract has been issued in respect of the sale of the Toowoomba property for $3.5 million. The sale is conditional upon buyer's due diligence and financing, which must be completed by 9 August 2021. If the buyer is satisfied, settlement will be on 9 September 2021.

14. Property, Plant and Equipment

	2021 $'000	2020 $'000
Opening Balance	62	-
Additions	22,432	62
Depreciation	(8,321)	-
Disposals	-	-
Total Property, Plant and Equipment	**14,173**	**62**

15. Investment in Operating Platform Business

Over the last few years, WOTSO has undertaken a project to develop in-house software, Hamlet, to help manage its operations and customer invoicing. Hamlet has been developed in conjunction with external developers and is expected to be commercialised in the near future. WOTSO has so far contributed $695,000 to fund this development, of which $348,000 is an equity investment in the Hamlet business and the remainder has been recognised as a software development asset.

WOTSO will own 22.5% of the Hamlet business and has a perpetual licence for use within the WOTSO business.

16. Right of Use Lease Assets

Right of use lease assets relate to third party leases held by WOTSO. WOTSO leases premises to house its flexible workspace product under agreements of 5 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. For impairment testing, the right-of-use assets have been allocated to the WOTSO cash-generating unit. Refer to Note 3 – Goodwill for further information on the impairment testing key assumptions and sensitivity analysis.

Modifications largly relate to changes in WOTSO's North Strathfield lease agreement. This includes a reduction in the lease term and a reduction in the area leased.

	2021 $'000	2020 $'000
Opening balance	-	-
Additions	41,759	-
Depreciation	(1,709)	-
Disposals	(19,982)	-
Total Right of Use Lease Assets	**20,068**	**-**

	2021 $'000	2020 $'000
Right of use lease asset	28,591	-
Less: Accumulated depreciation	(8,523)	-
Written Down Value of Right of Use Lease Assets	**20,068**	**-**

17. Other Receivables

	2021 $'000	2020 $'000
COVID deferred rent receivable	305	555
Less: expected credit loss allowance	-	(24)
Total Other Receivables	**305**	**531**

18. Trade and Other Payables

	2021 $'000	2020 $'000
Trade payables	1,781	913
Related parties	195	245
Tenant incentives	19	290
Deferred revenue	318	351
Tenant deposits	758	308
COVID deferred rent	81	-
Total Current Trade and Other Payables	**3,152**	**2,107**
COVID deferred rent	214	-
Total Non-Current Trade and Other Payables	**214**	**-**

19. Employee Provisions

Employee benefit provisions relate to annual leave and long service leave payable to employees. The number of employees for the Group as at 30 June 2021 was 64 (2020: 46).

	2021 $'000	2020 $'000
Current employee provisions	226	-
Non-current employee provisions	5	-
Total Employee Provisions	**231**	**-**

20. Make Good Provisions

Make good provisions relate to estimated costs required to return leased property in the state required by the lease. These have been discounted at the same rate as the underlying lease liability.

	2021 $'000	2020 $'000
Make good provisions	1,353	-
Total Make Good Provisions	**1,353**	**-**

21. Borrowings

All facilities are priced off BBSY. The facilities have no undrawn balance. The loan to value ratio (LVR) shown below is calculated against the carrying value in these financial statements with the facility LVR covenant shown in parenthesis.

Security	LVR (Covenant)	Borrowings	Security Value	Expiry	Margin	Lender
Various	33% (65%)	40,000	76,100	01/24	1.90%	NAB
Villawood	32% (65%)	7,000	22,000	01/24	2.00%	NAB
Pyrmont	40% (50%)	60,000	150,100	01/24	1.90%	NAB
Penrith	47% (55%)	10,000	21,500	01/23	1.90%	CBA
Unencumbered assets		-	124,419			N/A
Total June 2021 (Non-Current)	**30%**	**117,000**	**394,119***			

*Security value excludes any goodwill.

Security	LVR (Covenant)	Borrowings	Security Value	Expiry	Margin	Lender
Various	53% (65%)	40,000	74,800	02/21	2.10%	NAB
Villawood	31% (65%)	7,000	22,300	02/21	1.65%	NAB
Current Borrowings		**47,000**	**97,100**			
Pyrmont	27% (50%)	40,000	147,000	09/22	2.1%	NAB
Non-Current Borrowings		**40,000**	**147,000**			
Unencumbered Assets		-	102,228			N/A
Total June 2020	**25%**	**87,000**	**346,328**			

The borrowings are currently unhedged.

22. Lease Liabilities

	2021 $'000	2020 $'000
Opening balance	-	-
Additions	38,828	-
Interest charged	413	-
Repayments	(1,141)	-
Modification	(14,415)	-
Total Lease Liabilities	**23,685**	**-**

23. Income Tax Expense and Deferred Tax

WOTSO Property is comprised of three separate taxable entities – BlackWall Property Trust, Planloc Limited and WOTSO. Each of these entities completes a separate tax return.

WOTSO Property has recognised a deferred tax liability of $2.1 million in relation to Planloc's unrealised gains on its investments. Prior to the stapling, Planloc was part of the Pelorus Private Equity (PPE) consolidated tax group. PPE has already recognised this deferred tax liability and will pay tax on all gains prior to stapling. However, as Planloc has not yet joined a new consolidated tax group, it has not benefitted from a reset cost base. This means that if the gains were to be realised under the current structure, Planloc would be liable to pay tax on the gains. WOTSO Property is currently seeking tax advice and it is anticipated that the cost base will be reset such that the deferred tax liability will be reversed and with no liability ever being realised.

The below table shows a breakdown of WOTSO Property's other net deferred tax balances not recognised. WOTSO Property has not recognised these as at 30 June 2021, due to the uncertainty around the ability of the Group to recoup these in the short to medium term. The recoupment and realisation of the deferred tax assets will be determined by reference to each respective taxpayer of the WOTSO Property stapled group. As such, the tax losses (and other deferred tax assets) incurred by WOTSO Limited will be available to offset against the future taxable income of WOTSO Limited and not the other members of the stapled group (subject to WOTSO Limited meeting the relevant loss recoupment tests).

	2021 $'000	2020 $'000
Right of use leases	1,680	-
Accruals and provisions	252	-
Prepayments	(35)	-
Blackhole expenses	2	-
Fixed asset depreciation	(1,433)	-
Carried forward tax losses	2,925	3,050
Total Deferred Tax Assets	**3,391**	**3,050**

24. Distributions

A distribution of 3.0 cents per security has been declared to be paid on 31 August 2021.

Prior Distributions Paid	2021	2021 $'000	2020	2020 $'000
Final distribution	3.5 cpu	4,976	3.5 cpu	5,198
Interim distribution	3.5 cpu	4,976	3.5 cpu	5,092

25. Lease Commitments Receivable

Future minimum rent receivable under non-cancellable operating leases as at 30 June are as follows:

	2021	2020
Receivable within 1 year	24,629	22,088
Receivable within 2-5 years	56,342	55,061
Receivable in over 5 years	21,312	20,452
Total	**102,283**	**97,601**

26. Financial Risk Management

(a) Financial Risk Management

The main risks the Stapled Group is exposed to through its financial instruments are market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Stapled Group's principal financial instruments are property investment structures and borrowings (including interest rate hedges). Additionally, the Stapled Group has various other financial instruments such as cash, trade debtors and trade creditors, which arise directly from its operations.

This note presents information about the Stapled Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors of the Stapled Group has overall responsibility for the establishment and overseeing of the risk management framework. The Board monitors the Stapled Group's risk exposure by regularly reviewing finance and property markets. Major financial instruments held by the Stapled Group which are subject to financial risk analysis are as follows:

	2021 $'000	2020 $'000
Financial Assets		
Loan portfolio	8,753	22,383
Investment in associate	348	-
Other financial asset	6,000	8,000
Financial Liabilities		
Borrowings	117,000	87,000

(b) Sensitivity Analysis

The Stapled Group is exposed to interest rate and credit risk. The loan portfolio has been made to related parties with property as security and thus management consider this to be a low credit risk.

In relation to interest rate risk, if interest rates on borrowings were to increase/(decrease) by 1% profit after tax would be reduced by $1,170,000/increased by $1,170,000.

(c) Capital Management

The Stapled Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for securityholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Stapled Group may adjust the amount of distributions paid to securityholders, issue new securities, buy-back securities, purchase or sell assets.

(d) Liquidity Risk

The major liquidity risk faced by the Stapled Group is its ability to realise assets. The Stapled Group has borrowings of $177 million and total gross assets of $420 million, of which $335 million are income producing real estate assets for which there is a deep and active market. At the end of the reporting period, the Stapled Group held the following financial arrangements:

	Maturing Within 1 Year $'000	Maturing 2 – 5 Years $'000	Maturing Over 5 Years $'000	Total $'000
At 30 June 2021				
Financial Liabilities				
Trade and other payables	3,152	214	-	3,366
Lease liabilities	3,960	14,696	5,029	23,685
Borrowings	-	117,000	-	117,000
Total	**7,112**	**131,910**	**5,029**	**144,051**
At 30 June 2020				
Financial Liabilities				
Trade and other payables	1,799	308	-	2,107
Borrowings	47,000	40,000	-	87,000
Total	**48,799**	**40,308**	**-**	**89,107**

(e) Fair Value Measurements

(i) Fair Value Hierarchy

The Stapled Group classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making measurements. The fair value hierarchy has the following levels:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- **Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Stapled Group currently does not have any assets or liabilities that are traded in an active market.

The fair value of financial assets and financial liabilities that are not traded in an active market is determined using valuation techniques. For investments in related party unlisted unit trusts, fair values are determined by reference to published unit prices of these investments which are based on the net tangible assets (NTA) of the investments.

The following table presents the Stapled Group's assets and liabilities measured at fair value. Refer to the Critical Accounting Estimates and Judgment note for further details of assumptions used and how fair values are measured.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2021				
Property investment portfolio	-	-	335,100	335,100
Loan portfolio	-	-	8,753	8,753
Investment in associate	-	-	348	348
Financial assets	-	-	6,000	6,000
At 30 June 2020				
Property investment portfolio	-	-	298,100	298,100
Loan portfolio	-	-	22,383	22,383
Financial assets	-	-	8,000	8,000

(ii) Valuation Techniques Used to Derive Level 3 Fair Values

The carrying amounts of the loan portfolio and the financial assets approximates the fair values as they are short term receivables.

There were no transfers between Level 1, 2 and 3 financial instruments during the year. For all other financial assets and financial liabilities, carrying value is an approximation of fair value.

Significant unobservable inputs associated with the valuation of investment properties are as follows:

Significant Unobservable Inputs Used to Measure Fair Value	Change to Inputs	Impact of Increase in Input on Fair Value $'000	Impact of Decrease in Input on Fair Value $'000
Capitalisation rate	0.25%	(13,945)	15,460
Net market rent	5%	16,070	(16,070)

(iii) Fair Value Measurements Using Significant Observable Inputs (Level 3)

The following table is a reconciliation of the movements in financial assets classified as Level 3 for the year ended 30 June:

	$'000
At 30 June 2021	
Balance at the beginning of the year	30,383
Investment in associate	348
Loans advanced	15,393
Loans eliminated on stapling	(18,693)
Loans repaid	(10,330)
Other financial asset repaid	(2,000)
Balance at 30 June 2021	**14,753**
At 30 June 2020	
Balance at the beginning of the year	25,180
Loans advanced	6,353
Loans repaid	(1,150)
Balance at 30 June 2020	**30,383**

27. Parent Entity Disclosures

	2021 $'000	2020 $'000
Profit / (Loss) for the year	5,438	(1,581)
Total Comprehensive Income (Loss) for the Year	**5,438**	**(1,581)**
Financial Position:		
Current assets	7,240	24,682
Non-current assets	251,679	239,401
Total Assets	**258,919**	**264,083**
Current liabilities	(373)	(51,094)
Non-current liabilities	(50,742)	-
Total Liabilities	**(51,115)**	**51,094**
Net Assets	**207,804**	**212,989**

Contingent Liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital Commitments – Property, Plant and Equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020

Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 34.

28. Controlled Entities

Name	Percentage Owned 2021	2020
Parent Entity:		
BlackWall Property Trust	100%	100%
Controlled Entity of Parent Entity:		
Yandina Sub-Trust	100%	100%
BlackWall Telstra House Trust	100%	100%
BlackWall Hobart Unit Trust	100%	100%
Flinders Street Unit Trust	100%	100%
84 Brunswick Street Unit Trust	100%	100%
Bakehouse Quarter Trust	100%	100%
Pyrmont Bridge Property*	46%	46%
Pyrmont Bridge Trust	73%	69%
WRV Unit Trust†	49%	46%
Woods PIPES Fund	74%	65%
WOTSO Limited	100%	-
WOTSO Services Pty Ltd	100%	-
WOTSO Employment Services Pty Limited	100%	-
WOTSO Penrith Pty Ltd	100%	-
WOTSO Chermside Pty Ltd	100%	-
BWR Franchise Unit Trust	100%	-
BWR Franchise Pty Ltd	100%	-
WOTSO Neutral Bay Pty Ltd	100%	-
WOTSO Bondi Junction Pty Ltd	100%	-
WOTSO at RFW Manly Pty Ltd	100%	-
WOTSO Sunshine Coast Pty Ltd	100%	-
WOTSO Hobart Pty Ltd	100%	-
WOTSO Pyrmont Pty Ltd	100%	-
WOTSO North Strathfield Pty Ltd	100%	-
WOTSO Adelaide Pty Ltd	100%	-
WOTSO Canberra South Pty Ltd	100%	-
WOTSO Canberra North Pty Ltd	100%	-
WOTSO Gold Coast Pty Ltd	100%	-
WOTSO Woden Pty Ltd	100%	-
WOTSO Zetland Pty Ltd	100%	-
WOTSO Spare Pty Ltd	100%	-
WOTSO S.E.A. Pty Ltd	100%	-
WOTSO Coffee Pty Ltd	100%	-
Kirela Development Unit Trust	100%	-
Planloc Limited	100%	-

*Consolidated because BlackWall Property Trust is the most significant shareholder and exercises management control

†Planloc owns an additional 49% of WRV Unit Trust, bringing ownership across the Group to 99%

29. Related Party Transactions

(a) Related Parties

In these financial statements, related parties are parties as defined by AASB 124 Related Party Disclosures rather than the definition of related parties under the Corporations Act 2001 and ASX Listing Rules.

(b) Interests in Related Parties

As at year end the Stapled Group held no interests in related parties.

(c) Loans to Related Parties

The Stapled Group has the following outstanding loans to related parties:

	2021	2020
Planloc Limited (joined the Group in FY21)	-	10,000,000
SAO Investments Pty Ltd	170,000	2,500,000
Gymea Bay Pty Ltd as trustee for Gymea Bay Unit Trust	2,250,000	1,800,000
Mosman Branch Pty Ltd as trustee for Mosman Branch Unit Trust	6,250,000	-
Alerik Pty Ltd as trustee for Alerik Unit Trust	-	7,900,000
Total	**8,670,000**	**22,200,000**

Further detail can be found in Note 11.

(d) Related Party Transactions

In accordance with the constitution of BlackWall Property Trust and a management agreement with WOTSO Limited and Planloc Limited, BlackWall Fund Services Limited is entitled to receive management fees and recover other associated administrative costs in its management of these entities. Prior to the stapling transaction, BWR and Planloc paid a fee of 0.65% of Gross Assets p.a. Following the stapling transaction, this fee was increased to 0.75% of Gross Assets p.a., a performance fee in relation to BWR was removed and a new fee was introduced for the management of WOTSO Limited. This is based on 2% of Gross Revenue on all sales up to $20 million p.a. and 5% on sales above $20 million p.a.

All transactions with related parties were made on arm's length commercial terms and conditions, at market rates and were approved by the Board. Related party transactions that occurred during the year are as follows:

	2021	2020
Income		
WOTSO rent, outgoing and utilities	2,420,733	5,768,231
Interest income	446,600	468,631
Sundry Recoveries	52,510	-
Total Income	**2,919,843**	**6,236,862**
Expenses		
WOTSO rent expenses	395,692	-
Remuneration paid to BFSL	2,526,297	2,478,751
Property management, leasing fees and accounting fees	2,081,486	907,862
Transaction fees	189,000	27,500
Capital raising fee	150,000	-
Total Expenses	**5,342,475**	**3,414,113**
Outstanding Balances		
Trade and other receivables (current)	3,726	293,515
Trade and other payables (current)	195,292	244,566

30. Earnings per Security

	2021 $'000	2020 $'000
Profit after income tax	9,630	23,860
Non-controlling interest	(3,903)	(16,463)
Profit After Income Tax Attributable to Owners of WOT Securities	**5,727**	**7,397**
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per security	149,299,466	145,935,194
	Cents	**Cents**
Basic and diluted earnings per security	3.8	5.1

31. Auditor's Remuneration

	2021	2020
Audit and assurance services	113,300	60,000
Tax services	19,150	12,000
Total Auditor's Remuneration	**132,450**	**72,000**

32. Subsequent Events

The impact of COVID is ongoing and it is not practicable to estimate and quantify the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. WOTSO expects to continue to provide suspensions to its members during this period. Similarly, BlackWall Property Trust has started to provide rent relief to certain tenants; however this is expected to be recuperated in full through land tax relief.

To the best of the Directors' knowledge, since the end of FY2021 there have been no other matters or circumstances that have materially affected the Stapled Group's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

33. Critical Accounting Estimates and Judgments

The Directors of the Stapled Group evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends in economic data, obtained both externally and within the Stapled Group.

Key Estimates – Fair Values of Investment Properties

The Stapled Group carries its investment properties at fair value with changes in the fair values recognised in profit or loss. At the end of each reporting period, the Directors of the Stapled Group update their assessment of the fair value of each property, taking into account the most recent independent valuations. The key assumptions used in this determination are set out in the Property Investment Portfolio table. Independent Valuer Yield represents the market rent divided by the property value and the market yield the independent valuer has applied to arrive to the valuation. If there are any material changes in the key assumptions due to changes in economic conditions, the fair value of the investment properties may differ and may need to be re-estimated. For this report all properties are held at independent valuations carried out in the last six months.

Goodwill and Other Indefinite Life Intangible Assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 34. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

COVID Pandemic

Judgement has been exercised in considering the impacts that the COVID pandemic has had, or may have, on the Stapled 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 consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID pandemic.

Lease Term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

34. Statement of Significant Accounting Policies

These financial statements present both the consolidated financial statements and accompanying notes of BWR and its controlled entities and the financial statements of the other reporting group members WOTSO and Planloc separately as permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838. BWR is the deemed parent of the Stapled Group in accordance with AASB 3 ‘Business Combinations’ effective from the date of acquisition being 8 February 2021. The contributed equity and retained earnings of WOTSO and Planloc are shown as non-controlling interests in these consolidated financial statements even though the equity holders of WOTSO and Planloc (the acquirees) are also equity holders in BWR (the acquirer) by virtue of the stapling arrangement. The address of BWR’s registered office is Level 1, 50 Yeo Street, Neutral Bay NSW 2089.

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

The financial statements for the Stapled Group were authorised for issue in accordance with a resolution of the Directors of the Stapled Group on the date they were issued.

Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit oriented entities.

The financial statements of the Stapled Group also comply with IFRS as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The Stapled Group is a group of the kind referred to in ASIC Class Order 2016/191 and, in accordance with that Class Order, amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following is a summary of the material accounting policies adopted by the Stapled Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Going Concern

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

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Stapled Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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

Presentation Currency

Both the functional and presentation currency of the Stapled Group is Australian dollars.

Principles of Consolidation

Controlled Entities

The consolidated financial statements comprise the financial statements of the Stapled Group (refer to the Controlled Entities note). The controlled entity has a June financial year end and uses consistent accounting policies. Investments in the controlled entity held by the parent entity are accounted for at cost less any impairment charges (refer to the Parent Entity Disclosures note).

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Inter-entity Balances

All inter-entity balances and transactions between entities in the Stapled Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of the controlled entity have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Impairment of Assets

At each reporting date, the Stapled Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, or the income of the asset is capitalised at its relevant capitalisation rate.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Financial Instruments

Interest Rate Hedges

The Stapled Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their net fair value is positive and as liabilities when their net fair value is negative.

The fair values of interest rate swap and collar are determined by reference to market values for similar instruments. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year.

Non-Derivative Financial Instruments

Non-derivative financial instruments comprise financial assets (including property investment structures), loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non- derivative financial instruments are measured as described below.

Recognition

A financial instrument is recognised if the Stapled Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised if the Stapled Group's contractual rights to the cash flow from the financial assets expire or if the Stapled Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Stapled Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Stapled Group's obligations specified in the contract expire or are discharged or cancelled.

Loans and Receivables

Loans and receivables include loans to related entities. They are subsequently measured at amortised cost, less any allowance for expected credit losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment

At each reporting date, the Stapled Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Individually significant financial instruments are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and unrealised movements.

Financial Assets (Property Investment Portfolio)

The property investment portfolio contains a portion of financial assets being property investment structures at fair value through profit or loss. All gains and losses in relation to financial assets are recognised in profit or loss. The Stapled Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value and those to be measured at amortised cost. The classification depends on the Stapled Group's business model for managing the financial assets and the contractual terms of the cash flows.

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss.

Measurement

At initial recognition, the Stapled Group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Stapled Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable.

Held for Sale Properties

Properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather through continuing use and a sale is considered highly probable. They are measured at their carrying amount. Any subsequent increases or decreases in carrying amount is recognised in the profit and loss.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise. Included in the value measurement are adjustments for straight-lining of lease income.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when there is objective evidence that the Stapled Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectable.

Trade and Other Payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Stapled Group at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest Bearing Borrowings

Interest bearing borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost.

Revenue

Rent

Rent comprises rental and recovery of outgoings from property tenants. Rental income from investment properties is accounted for on a straight-line basis over the lease term.

Lease Incentives

Rent free incentives granted are recognised as an integral part of total rental income.

Cash incentives paid or payable to tenants are capitalised as part of investment properties.

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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Property, Plant and Equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

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 equipment	2 – 10 years
Fit-out	Lesser of 10 years and expected remaining lease term

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 consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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 consolidated entity 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 consolidated entity 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.

Lease Liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Intangible Assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Impairment of Non-Financial Assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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.

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.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Investment Income

Interest income is recognised as interest accrues using the effective interest method. Property investment structure income is recognised when the right to receive distribution has been established.

For tax deferred distributions (returns of capital) earned from any trusts that have significant carried forward tax losses, such distributions are brought on to the balance sheet by an adjustment in the carrying value of the relevant investment and then reflected in the profit and loss as an unrealised gain.

GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis for the operating cash flows only.

Earnings per Security (EPS)

The Stapled Group presents basic and diluted EPS. Basic EPS is calculated by dividing the profit or loss attributable to ordinary stapled security holders of the Stapled Group by the weighted average number of stapled securities outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary stapled security holders and the weighted average number of stapled securities outstanding for the effects of all dilutive potential stapled securities.

New Accounting Standards and Interpretations

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

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year. Several amendments apply for the first time in the current year. However, they do not impact the annual consolidated financial statements of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Based on our preliminary assessment, we do not expect them to have a material impact on the Group.

Directors' Report

(Continued from Page 9)

Subsequent Events

To the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances except for the comments regarding the ongoing COVID pandemic, as disclosed in Note 32, that have materially affected the Stapled Group's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

Directory of Properties

Property	Property Address
Queensland:	
Fortitude Valley	76 & 84 Brunswick St, Fortitude Valley QLD 4006
Gold Coast	194 Varsity Pde, Varsity Lakes QLD 4227
Sunshine Coast	30 Chancellor Village Blvd, Sippy Downs QLD 4556
Yandina	54 Pioneer Rd, Yandina QLD 4561
Toowoomba	50 Industrial Ave, Toowoomba QLD 4350
New South Wales:	
Pyrmont	55 Pyrmont Bridge Rd, Pyrmont NSW 2009
Villawood	824 Woodville Rd, Villawood NSW 2163
Newcastle	1 Tudor St & 809-815 Hunter St, Newcastle NSW 2302
Brookvale	2 Ada Ave, Brookvale NSW 2100
Penrith	120 Mulgoa Rd, Penrith NSW 2750
Australian Capital Territory:	
Dickson	490 Northbourne Ave, Dickson ACT 2602
Symonston	10-14 Wormald St, Symonston ACT 2609
South Australia:	
Adelaide	217 & 223 Flinders St, Adelaide SA 5000
Tasmania:	
Hobart	162 Macquarie St, Hobart TAS 7000

ASX Additional Information

Additional information required by the ASX and not shown elsewhere in this report is as follows. The securityholder information set out below was current as at 22 July 2021.

1. Securityholders

The Stapled Group's top 20 largest securityholders were:

	Investor	Securities (No.)	Securities (%)
1	Jagar Holdings Pty Ltd	19,275,000	11.83
2	SAO Investments Pty Ltd	15,650,000	9.61
3	Pelorus Private Equity Limited	15,149,680	9.30
4	BlackWall Fund Services Limited	14,891,969	9.14
5	Hollia Pty Limited	13,814,865	8.48
6	Vintage Capital Pty Limited	11,575,140	7.10
7	Seno Management Pty Ltd <Taipa Trust>	5,575,000	3.42
8	Mr Archibald Geoffrey Loudon	3,959,803	2.43
9	Mr Richard Hill & Mrs Evelyn Hill	3,603,720	2.21
10	Tampopo Pty Ltd	3,057,315	1.88
11	Alerik Pty Limited	3,050,000	1.87
12	PRSC Pty Ltd	3,050,000	1.87
13	Castle Bay Pty Limited	2,755,258	1.69
14	Ms Gia Ravazzotti	2,700,000	1.66
15	Lymkeesh Pty Ltd	2,558,632	1.57
16	Mr Peter John Gray	1,737,604	1.07
17	Seno Management Pty Ltd <Seno Super Fund>	1,600,000	0.98
18	Methuselah Capital Management Pty Ltd	1,266,488	0.78
19	Koonta Pty Ltd	1,254,597	0.77
20	Frogstorm Pty Ltd	1,138,501	0.70

2. Distribution of Securityholders

The distribution of securityholders by size of holding was:

Category (Securities Held)	No. of Holders
1 – 1,000	910
1,001 – 5,000	811
5,001 – 10,000	239
10,001 – 100,000	343
100,001 and over	90
Total Number of Securityholders	**2,393**

The Stapled Group has 162,921,662 securities on issue. All securities carry one vote per security without restrictions. All securities are quoted on the Australian Securities Exchange (ASX:WOT).

3. Substantial Securityholders

The Stapled Group's substantial securityholders are set out below:

Investor	Securities (No.)	Securities (%)
Seph Glew	63,551,580	39.01
Paul Tresidder	53,731,204	32.98
BlackWall Limited	15,460,253	9.49
Pelorus Private Equity Limited	15,149,680	9.30
Robin Tedder	14,224,650	8.73

4. Key Management Personnel's Relevant Interests

The current relevant interests in the Stapled Group held by Key Management Personnel of the Stapled Group are shown below. Note the holdings at 14 August 2020 relate to BWR units only, whereas holdings at 22 July 2021 relate to WOT securities.

Name (Position)	14 August 2020	Net Change	22 July 2021
Seph Glew (Non-Executive Director)	56,752,811	6,798,769	63,551,580
Timothy Brown (Joint MD and CFO)	499,756	381,761	881,517
Jessie Glew (Joint MD and COO)	314,874	161,824	476,698
Richard Hill (Non-Executive Director)	6,168,618	502,627	6,671,245
Robin Tedder (Non-Executive Director)	12,143,876	2,080,774	14,224,650
Total	**75,879,935**	**9,925,755**	**85,805,690**

Information on Officeholders of the Stapled Group

BlackWall Fund Services Limited, as responsible entity of the BlackWall Property Trust, WOTSO Limited and Planloc Limited have identical Boards of Directors. The term Board hereafter should be read as a reference to all three of these Boards.

The names of the Officeholders during or since the end of the year are set out below. Unless otherwise stated, Officeholders have been in office since the beginning of the financial year.

Joseph (Seph) Glew

Non-Executive Director and Chairman

Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 40 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.

While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia.

Timothy Brown

Joint Managing Director and CFO

Tim is Joint Managing Director and Chief Financial Officer for the BlackWall Group and its funds. Tim joined the Group in 2008 as Financial Controller and became Chief Financial Officer in 2009. He took on the Managing Director role along with Jessie in late 2019. He has a Bachelor of Commerce from the University of New South Wales and is a member of the of Chartered Accountants of Australia and New Zealand. With over 20 years' experience in the financial services and property industries, he started his career with Deloitte and joined Lend Lease Corporation in 2002. Tim is also on the board of Eastern Suburbs Cricket Club and Coogee Boy's Preparatory School.

Jessica Glew

Joint Managing Director and COO

Jessie is Joint Managing Director and Chief Operating Officer (COO) for the BlackWall Group and its funds. Jessie has been with BlackWall since early 2011. She was made COO in early 2018 and took on the Managing Director role along with Tim in late 2019. Jessie has a Bachelor of International Communication from Macquarie University and finalising a Bachelor of Property Economics at the University of Technology Sydney.

Richard Hill

Non-Executive Director

(appointed as a director of Planloc Limited on 30 October 2020 and WOTSO Limited on 8 February 2021)

Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in BlackWall's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. Richard has served as a director (Chairman) of the Westmead Institute for Medical Research and director (Chairman) of Sirtex Medical Limited (Sirtex), formerly listed on ASX.

Robin Tedder

Non-Executive Director

(appointed as a director of Planloc Limited on 30 October 2020 and WOTSO Limited on 8 February 2021)

Robin began his career on the dealing desk of a merchant bank in 1976. In 1981 he founded Hatmax Capital Markets which grew rapidly through organic development and merger with Australian Gilt Securities in 1988, such that by the time he departed after 14 years as CEO in 1995, over 80 people were employed across debt capital markets, both the Sydney Futures Exchange and ASX, in asset management and corporate finance. In 1995 Robin established Vintage Capital which became an active investor in funds management, commercial property, retailing, healthcare and logistics. He has been an investor in BlackWall projects since 1997, is a former member of ASX, and has served on various boards of both listed and private companies since 1984. He is the Chairman of BlackWall's Audit Committee.

Alexander Whitelum

Company Secretary

Alex joined BlackWall in April 2020 and executes all aspects of BlackWall's corporate and fund transactions, is responsible for BlackWall's corporate governance functions and oversees investor relations. Previously, Alex was a lawyer at Clayton Utz in their Corporate, M&A and Capital Markets team. Alex holds a Bachelor of Laws (Hons) and a Bachelor of Commerce (Economics) from Macquarie University. He is admitted as a solicitor to the Supreme Court of New South Wales and the High Court of Australia.

Meeting Attendances

Director	No. of Board Meetings Held	Board Meeting Attendance
Seph Glew	12	12
Timothy Brown	12	12
Jessie Glew	12	12
Richard Hill	12	12
Robin Tedder	12	12

Options

There were no options granted during the year ended 30 June 2021. There are no options on issue as at the date of this report.

Responsible Entity, Manager and Custodian Remuneration

BFSL's remuneration details can be found under the Related Party Transactions note of the financial statements.

The Custodian of BlackWall Property Trust is Perpetual Limited. The custody fee is calculated at the greater of $15,000 p.a. or 0.025% p.a. of the gross asset value up to $100 million then 0.015% for gross assets value between $100-$500 million of BWR, plus GST. In addition, the Custodian is entitled to be paid any out-of-pocket expenses incurred in the performance of its duties.

Interests in the Stapled Group

At the date of this report, the Stapled Group has 162,921,662 stapled securities on issue (June 2020: 142,150,000 BWR units on issue). BFSL and its associates held 15.5 million stapled securities in the Stapled Group.

Value of the Stapled Group's Assets

At 30 June 2021, the Stapled Group's assets value is set out in the Stapled Group's Consolidated Balance Sheet. Refer to the Property Investment Portfolio table for valuation details.

Environmental Regulation

The Stapled Group and its controlled entity's operations are not regulated by any significant environmental law or regulation under either Commonwealth or State legislation. However, the Stapled Group and its controlled entities have adequate systems in place for the management of its environmental requirements and is not aware of any instances of non-compliance of those environmental requirements as they apply to the Stapled Group.

Indemnities of Officers

During the financial year the Stapled Group has paid premiums to insure each of the Directors named in this report along with Officers of the Stapled Group against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Stapled Group, other than conduct involving a wilful breach of duty. The insurance policy prohibits disclosure of the nature of the liability, the amount of the premium and the limit of liability.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the Stapled Group.

Corporate Governance Statement

A description of the Stapled Group's current corporate governance practices is set out in the Stapled Group's corporate governance statement which is released via the ASX announcement platform and can be accessed at blackwall.com.au

Auditor and Non-Audit Services

$113,300 and $19,150 was paid to the auditor for audit and non-audit services respectively during the year (2020: $60,000 and $12,000). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements.

ESV Business Advice and Accounting continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of Amounts

The the entities comprising the Stapled Group are of a kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with that legislative instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Board of Directors of the Stapled Group.

Tim Brown
Director
Sydney, 4 August 2021

Jessie Glew
Director
Sydney, 4 August 2021

Directors' Declaration

In the opinion of the Directors of WOTSO Limited, Planloc Limited and BlackWall Fund Services Limited, the Responsible Entity of BlackWall Property Trust, (collectively referred to as the Directors:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Stapled Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that each of WOTSO Limited, Planloc Limited and BlackWall Property Trust will be able to pay their debts as and when they become due and payable.

Statement of Significant Accounting Policies confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Joint Managing Directors and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors of the Responsible Entity.

Tim Brown
Director
Sydney, 4 August 2021

Jessie Glew
Director
Sydney, 4 August 2021

Fortitude Valley, QLD

Auditor's Independence Declaration and Audit Report

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As auditor for the audit of Blackwall Property Trust, the deemed parent for stapled security WOTSO Property, for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney on the 2nd day of August 2021

ESV

ESV Business Advice and Accounting

David Robinson
Partner

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INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF BLACKWALL PROPERTY TRUST

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Blackwall Property Trust as the deemed parent presenting the stapled security arrangement of WOTSO Property ('the Group'), which comprises the consolidated statement of financial position as at 30 June 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 year then ended on pages 10 to 14, notes including a summary of significant accounting policies on pages 15 to 32, and the directors' declaration of the Group.

The WOTSO Property consists of BlackWall Property Trust and its controlled entities at the year end, WOTSO Limited and its controlled entities at the year end and Planloc Limited. Units in BlackWall Property Trust and shares in WOTSO Limited and Planloc Limited are jointly traded as a Stapled Security on the Australian Securities Exchange under the name of WOTSO Property.

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

- giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- 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 Group 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 Blackwall Fund Services Limited, the Responsible Entity of the Group, would be in the same terms if given to the directors 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.

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.

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Liability limited by a scheme approved under Professional Standards Legislation.

Business advice and accounting

Valuation of Property Investment Portfolio	
Key Audit Matter	**How the scope of our audit responded to the risk**
As of 30 June 2021, the total property investment portfolio of the group is valued at $335.1 million (June 2020: $298.1 million) which is significant to the balance sheet. The property investment portfolio is recorded at fair value. The valuation recorded as at year end is based on Director's valuation which is based on the independent valuation obtained as of 31 December 2020 and adjusted for capital expenditure incurred since that date till yearend. The external valuations make a number of property specific key estimates and assumptions; assumptions in relation to market comparable yields and estimates in relation to future rental income increases or decreases and discount rates and other inputs. The Covid 19 pandemic has resulted in economic uncertainty and a reduction in market transaction evidence. Management has addressed the higher risk by using external valuation experts to value investment properties. The audit approach considered how Covid 19 is likely to effect property values and inputs into valuation models and included assessing lease expiry, rent waivers, growth rates and let up timeframes. The valuation of the property investment portfolio held is the key driver of the net assets value and total return. Incorrect valuation could have significant impact on the investment valuation and, therefore, the return generated for unitholders.	Our procedures included, but were not limited to: > Obtain a schedule of property investment portfolio and agree it to the consolidation workbook and trial balance > Obtained copies of independent valuers' valuation report for all properties and compared the values to recorded valuation in general ledger and calculated the difference between the two values and make inquiries regarding changes in tenancy levels and level of capital expenditure incurred and assess the reasonableness of impact it has on the valuation of the property. > On sample basis we – Assessed reasonableness of key judgements, assumptions and inputs used, such as lease incentives, rental growth rates, let up periods, allowances for rent waivers and deferrals. – Compared the yield rates used in the calculation to other market participants – We agreed key inputs to underlying tenancy schedules – Review of the expert's competence and objectivity as independent valuer. – Obtain the tenancy schedules and considered if there are any significant movements that could result in a change in value > Assessing the disclosures in the financial report including using our understanding obtained from the testing against the requirements of the accounting standard. There are increased economic and financial uncertainties as a result of COVID-19. This will require management to increase the frequency of valuation and provide clear and full disclosure of valuations. Based on our work performed, we conclude the valuation of the property investment portfolio is not materially misstated as at yearend.

Business advice and accounting

Revenue	
Key Audit Matter	**How the scope of our audit responded to the risk**
The Group generates its revenue from two distinct revenue streams – rental income from long-term tenancy ($22.2 million) and rental income form short-term tenancy ($8.2 million). Rental income from long-term tenancy is earned from leasing of the commercial investment properties owned by the Group – owned in BlackWall Property Trust and Planloc Limited. Majority of rental income earned is as a result of tenancy agreement with 3rd party tenants and a small portion is earned from leasing to related party – WOTSO Limited which is eliminated on consolidation. Rental income from short-term tenancies is earned from leasing of desks, office space, meeting rooms and related services (co-working business) to short term tenants – operated by WOTSO Limited. Majority of premises used for operating of WOTSO co-working business is leased from related entity – BlackWall Property Trust and some are leased from 3rd party landlords. Given the number of tenancies across the two operations – long-term (for owned commercial investment properties) and short-term (for co-working business), there is a risk that revenue is incorrectly recorded.	Our procedures included, but were not limited to: > For long-term rental income on sample basis, we obtained the underlying tenancy agreements and agreed the key details to the tenancy schedule. We verified the monthly rental invoicing to details as per tenancy schedule to check for accuracy. Based on monthly rental as per tenancy schedule we created an annual rental income expectation adjusted for rental waivers etc. and checked the actual total year to date rental income for accuracy and completeness. We compared the total rental income per property with prior period rental income and investigated material/unusual variances. > For short-term rental income relating to co-working business, on sample basis of tenancies across different site locations we verified the monthly billing for desks, office space hired to the agreed terms as per information in the tenancy management database and the price list per location. We also performed comparison of monthly revenue per location with monthly revenue from prior period and investigated any unusual or significant movement. Based on our work performed, we conclude the revenue for the Group is free from material misstatement.

Goodwill	
Key Audit Matter	**How the scope of our audit responded to the risk**
The Stapling of WOTSO Limited to the Stapled Group resulted in recognition of goodwill of $26.1 million in the Group financials. At the date of the stapling transaction, WOTSO Limited was valued at $30 million and the acquisition of WOTSO by the Stapled Group was accounted for using the full goodwill method resulting in a goodwill of $26.1 million. The goodwill has been allocated to the WOTSO cash-generating unit. At the time of stapling, management prepared a valuation of the WOTSO business and obtained an independent expert to evaluate the valuation for reasonability. At year end management performed impairment testing to assess if the recorded goodwill amount is recoverable from future operations and not impaired. Based on the assessment performed by management there are no indicators of impairment of recorded goodwill.	Our procedures included, but were not limited to: > Obtaining and verifying the discounted cash flow model for arithmetical accuracy. > Discussion with management in relation to underlying assumptions and the achievability. > Reviewing the impairment assessment paper prepared by management. > Reviewing the independent evaluation report prepared by RSM. > Verifying the disclosure included in the financial statement in relation to Goodwill. Based on our work performed, we conclude that there are no indicators of impairment and the goodwill balance is free from material misstatement.

Business advice
and accounting

Other Information

Other information is financial and non-financial information in the Group's annual report which is provided in addition to the Financial Report and the Auditor's Report for the year ended 30 June 2021. The directors of the Responsible Entity ('the directors') are responsible for the other information. The other information comprises the information included in the Directors' report (pages 3-9 and 33-36) which we obtained prior to the date of this auditor's report but does not include the financial report and our 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.

Directors' Responsibilities for the Financial Report

The directors of the responsible entity 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 Group 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 Group or to cease operations, or has 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 the 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: http://www.auasb.gov.au/ auditors_responsibilities/ar2.pdf This description forms part of our auditor's report.

Dated at Sydney on the 4th day of August 2021.

ESV

ESV Business Advice and Accounting

David Robinson
Partner

Dickson, ACT

ANNEXURES

WOTSO Limited

FINANCIAL STATEMENTS **JUNE 2021**

Information on Officeholders

The names of the Officeholders during or since the end of the year are set out below. Unless otherwise stated, Officeholders have been in office since the beginning of the financial year to the date of these financial statements.

Joseph (Seph) Glew
Non-Executive Director and Chairman
Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 40 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.

While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia.

Timothy Brown
Executive Director and Joint Managing Director
Tim is Joint Managing Director and Chief Financial Officer for WOTSO and BlackWall. Tim joined the BlackWall Group in 2008 as Financial Controller and became Chief Financial Officer in 2009. He has a Bachelor of Commerce from the University of New South Wales and is a member of the Chartered Accountants Australia and New Zealand. With over 20 years' experience in the financial services and property industries, he started his career with Deloitte and joined Lend Lease Corporation in 2002. Tim is also on the board of Eastern Suburbs Cricket Club and Coogee Boy's Preparatory School.

Jessica Glew
Executive Director and Joint Managing Director
Jessie is Joint Managing Director and Chief Operating Officer of WOTSO and BlackWall, having joined BlackWall in 2011. Prior to her appointment as Joint Managing Director, Jessie was General Manager of Property at BlackWall. She has a Bachelor of International Communication from Macquarie University and finalising a Bachelor of Property Economics at the University of Technology Sydney.

Richard Hill – appointed on 8 February 2021
Non-Executive Director
Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in BlackWall's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. Richard has served as a director (Chairman) of the Westmead Institute for Medical Research and director (Chairman) of Sirtex Medical Limited (Sirtex), formerly listed on ASX.

Robin Tedder – appointed on 8 February 2021
Non-Executive Director
Robin began his career on the dealing desk of a merchant bank in 1976. In 1981 he founded Hatmax Capital Markets which grew rapidly through organic development and merger with Australian Gilt Securities in 1988, such that by the time he departed after 14 years as CEO in 1995, over 80 people were employed across debt capital markets, both the Sydney Futures Exchange and ASX, in asset management and corporate finance. In 1995 Robin established Vintage Capital which became an active investor in funds management, commercial property, retailing, healthcare, and logistics. He has been an investor in BlackWall projects since 1997, is a former member of ASX, and has served on various boards of both listed and private companies since 1984. He is the Chairman of Blackwall's Audit Committee.

Alex Whitelum
Company Secretary
Alex joined WOTSO and BlackWall in 2020 and is responsible for WOTSO's corporate governance functions and oversees investor relations. In his previous position, Alex was a lawyer at Clayton Utz in their Corporate, M&A and Capital Markets team. Alex holds a Bachelor of Laws (Hons) and a Bachelor of Commerce (Economics) from Macquarie University. He is admitted as a solicitor to the Supreme Court of New South Wales and the High Court of Australia.

Meeting Attendances

Director	No. of Board Meetings Held	Board Meeting Attendance
Seph Glew	7	7
Timothy Brown	7	7
Jessica Glew	7	7
Richard Hill	5	5
Robin Tedder	5	5

Registered office
Level 1 50 Yeo Street Neutral Bay, Sydney, NSW
Phone: +61 2 9033 8699 or 1800 4 WOTSO

Principal place of business
Level 1 50 Yeo Street, Neutral Bay, Sydney, NSW

Auditor
ESV Business Advice and Accounting
Level 13, 68 York Street, Sydney NSW 2000

Director's Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' and 'the Group') consisting of WOTSO Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of flexible workspace, offering everything from a single desk to larger spaces for corporates and established teams.

Environmental Regulation
The Group's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory other than those that pertain to the ownership and development of real estate.

Indemnities of Officers
During the financial year, the Group has paid premiums to insure each of the Directors named in this report along with Officers of the Group against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Group, other than conduct involving a wilful breach of duty.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the Group.

Auditor and Non-audit Services
$58,000 and $19,162 were paid to the auditor for audit and non-audit services respectively during the financial year (2020: $31,000 and $2,350) as detailed in Note 16 - Auditor's Remuneration. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements.

ESV Business Advice and Accounting continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of Amounts
The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with that legislative instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Subsequent Events and Significant Changes in Affairs
To the best of the Directors' knowledge, since the end of the financial year there have been no other matters or circumstances, except for those disclosed in Note 18 – Subsequent events, that have materially affected the Group's operations or may materially affect its operations, state of affairs or the results of operations in the current or future financial years.
Signed in accordance with a resolution of the Board of Directors.

Tim Brown
Director
Sydney, 4 August 2021

Jessica Glew
Director
Sydney, 4 August 2021

WOTSO Limited - Financial Statements

Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Revenue			
Revenue from WOTSO members	3	16,327	8,854
Franchise fees	3	35	351
Government assistance	3	807	408
Capital works incentive – North Strathfield		-	183
Total Revenue		**17,169**	**9,796**
Expenses			
Rent waivers - COVID	4	490	671
Variable lease payments		(322)	-
Staff costs		(3,407)	(2,961)
Other operating expenses		(5,518)	(3,468)
Total Expenses		**(8,757)**	**(5,758)**
Operating Profit		**8,412**	**4,038**
Depreciation – fit-out	7	(2,905)	(1,502)
Depreciation – right of use asset	5,7	(8,572)	(8,551)
Interest – right of use lease liability	5	(1,691)	(2,133)
Gain on lease modifications	5	851	661
Write-off of North Strathfield fit-out		-	(2,904)
Interest expenses		(65)	-
Impairment of goodwill	10	(36)	(162)
Impairment of loan - UEM Joint Venture		-	(338)
Loss before income tax		**(4,006)**	**(10,891)**
Income tax expense		-	-
Loss for the year		**(4,006)**	**(10,891)**
Other comprehensive income		-	-
Total Loss		**(4,006)**	**(10,891)**

Balance Sheet at 30 June 2021

	Note	2021 $'000	2020 $'000
Assets			
Current assets			
Cash and cash equivalents		441	695
Trade and other receivables	6	215	410
Financial asset		2,000	-
Lease incentive receivable – Yuhu		-	1,419
Provision for lease incentive - Yuhu		-	(582)
Total current assets		**2,656**	**1,942**
Non-current assets			
Financial asset		4,000	-
Lease rental deposits		575	528
Investment in Hamlet	9	347	-
Internal software development	8	348	435
Property, plant and equipment	7	14,111	11,233
Right of use asset	7	34,080	34,827
Total non-current assets		**53,461**	**47,023**
Total Assets		**56,117**	**48,965**
Liabilities			
Current liabilities			
Trade and other payables	12	1,251	1,628
Rent payable – North Strathfield		-	838
Loans payable – related party		-	2,000
Deferred revenue		210	216
Deferred lease payments – COVID	4	81	82
Employee provisions	13	226	173
Tenant deposits		133	109
Right of use lease liabilities	14	8,994	5,773
Total current liabilities		**10,895**	**10,819**
Non-current liabilities			
Loans payable – related party		12,177	-
Deferred lease payments – COVID	4	214	330
Make good provisions	13	1,447	1,369
Employee provisions	13	5	3
Right of use lease liabilities	14	30,361	31,435
Total non-current liabilities		**44,204**	**33,137**
Total Liabilities		**55,099**	**43,956**
Net Assets		**1,018**	**5,009**
Share capital		11,617	11,602
Retained earnings		(10,599)	(6,593)
Total Equity		**1,018**	**5,009**

WOTSO Limited - Financial Statements

Statement of Cash Flows for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Members receipts		18,353	9,508
Franchise fees		38	386
Government assistance - COVID		984	231
Operating expenditure		(7,804)	(3,443)
Employee payments		(3,502)	(2,812)
Lease rental deposits paid		(47)	(309)
Net cash inflow from operating activities		**8,022**	**3,561**
Cash flows from investing activities			
Payments for property, plant and equipment	7	(5,361)	(11,839)
Payments for software development - Hamlet	8	(286)	(287)
Proceeds from sale of property, plant and equipment		-	2,305
Advance to - UEM Joint Venture	11	(35)	(36)
Purchase of subsidiary – WOTSO Neutral Bay Pty Ltd	10	(500)	(50)
Cash entering group on acquisition of subsidiaries	10	72	338
Net cash outflow from investing activities		**(6,110)**	**(9,569)**
Cash flows from financing activities			
Increase in borrowings		4,177	7,159
Repayment of borrowings		-	(2,100)
Interest expenses		(56)	-
Lease payments		(6,302)	(4,949)
Issue of shares		15	6,543
Net cash outflow from financing activities		**(2,166)**	**6,653**
Net increase/(decrease) in cash and cash equivalents		**(254)**	**645**
Cash and cash equivalents at the beginning of the year		695	50
Cash and cash equivalents at end of the year		**441**	**695**

All items inclusive of GST where applicable.

Reconciliation of Operating Cash Flows

	Note	2021 $'000	2020 $'000
Loss for the year		**(4,006)**	**(10,891)**
Noncash Flows in Profit:			
Depreciation	7	11,477	10,053
Interest		1,690	2,133
Right of use lease modifications	5	(851)	(661)
Write-off of North Strathfield fit-out		-	2,904
Goodwill impairment	10	36	162
Impairment of UEM loan		-	338
Deduct rent waivers (included in financing cash flows)		(168)	(671)
Changes in Operating Assets and Liabilities:			
Decrease / (increase) in trade and other receivables	6	195	(286)
Increase / (decrease) in trade and other payables	12	(354)	852
Increase / (decrease) in provisions	13	56	93
Increase / (decrease) in deferred revenue		(6)	(156)
Decrease / (increase) in rental deposits		(47)	(309)
Net Cash Inflow from Operating Activities		**8,022**	**3,561**

WOTSO Limited - Financial Statements

Statement of Changes in Equity for the year ended 30 June 2021

	No. of Shares On issue	Issued Capital $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2020	**81,068,581**	**11,602**	**(6,593)**	**5,009**
Loss for the year	-	-	(4,006)	(4,006)
Issue of new units – stapling transaction 7 February 2021	81,772,831	-	-	-
Issue of units – post-stapling transaction	80,250	15	-	15
Balance at 30 June 2021	**162,921,662**	**11,617**	**(10,599)**	**1,018**
Balance at 1 July 2019	**60,000**	**60**	**4,298**	**4,358**
Loss for the year	-	-	(10,891)	(10,891)
Issue of new shares – capital restructure	73,600,686	8,024	-	8,024
Issue of shares- private placements post-demerger	7,407,895	3,518	-	3,518
Balance at 30 June 2020	**81,068,581**	**11,602**	**(6,593)**	**5,009**

Notes to the Financial Statements

1. Cash Flow Management

As at 30 June 2021, the Consolidated Balance Sheet showed current liabilities exceeded current assets by $8.2m. This is mainly driven by lease payments due over the next 12 months totalling $9m.

This negative working capital position is a result of substantial growth over the past two years, with significant upfront outlays to open new sites. In saying that, the group closely monitors liquidity, and its current position is expected to improve during FY2022. Furthermore, WOTSO also has an available line of credit in the form of it's loan agreement with BlackWall Property Trust. Furthermore, it may cease capex spending to manage cash flows if required.

Although, WOTSO was significantly impacted by COVID, with revenue down by 60%, on average, in the period from April to June 2020 it was able to recover relatively quickly and had net operating cash inflows during the financial year. Since then, WOTSO revenue has experienced significant growth and this growth is expected to continue despite the anticipated short-term impact due to the current lockdown in NSW.

2. Segment Reporting

Identification of reportable operating segments
WOTSO reports as one segment of the WOTSO Property Group. This is based on 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. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation, and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

3. Revenue

Disaggregation of Revenue from Contracts with Customers	**2021**	**2020**
	$'000	**$'000**
Offices	11,629	6,257
Coworking	2,511	1,433
Other Services*	2,187	1,164
Total Revenue from WOTSO Members	**16,327**	**8,854**

*Other Services includes meeting room hire, parking, virtual office, and other member services.

Franchise Fees:	**2021 $'000**	**2020 $'000**
Franchise fees – BWR	-	228
Franchise fees – BWF	35	123
Total Franchise Fees	**35**	**351**

WOTSO received government assistance as part of the Australian Treasury's COVID economic stimulus, as follows:

Government Assistance:	**2021 $'000**	**2020 $'000**
JobKeeper wage subsidy	864	345
Cash flow boost	(63)	63
National disability services	6	-
Total	807	**408**

WOTSO had accrued $62,500 for the Cash Flow Boost at 30 June 2020, as at this time there were ongoing discussions with the ATO, that indicated it was likely to receive the Government assistance. However, on 8 December 2020, WOTSO was notified of its ineligibility and has therefore reversed this accrual.

4. Rent Waivers and Deferrals

During the COVID crisis, the Federal Government mandated a code of conduct between commercial landlords and their tenants. This mandated that lessors provide rent relief to any commercial tenant significantly impacted by the pandemic. Rent relief was required to be at the same proportion of the tenant's reduction in revenue driven by the pandemic. This relief was to be provided via a waiver for at least 50% of the relief, with the remaining proportion provided as a rent deferral to be repaid over the greater of the remaining life of the lease or two years.

The rent waivers received by WOTSO in the reporting period have been treated as variable lease payments per AASB 16 and as such they have been recognised within the operating profit of the Group. From the start of the COVID pandemic in March 2020, a total of $1,167,000 was waived.

In contrast, the rent deferrals received by WOTSO in the reporting period were also treated as a variable lease payment per AASB 16, but the difference has been recognised as a deferred rent liability. As at 30 June 2021, WOTSO had rent deferral liabilities totalling $295,000, for which deferred repayments will continue over the term of the leases.

5. Leases – Additions, Terminations and Modifications

North Strathfield

As previously reported, WOTSO has been in negotiations with Yuhu, its landlord at North Strathfield, regarding its three leases at its North Strathfield site. A final agreement has not yet been reached but two leases have now been terminated and the remaining lease, which covers an area of 4,600 sqm, remains unchanged. It is likely WOTSO will expand the area covered by this lease in the near future. The lease asset and liability have been reassessed to reflect a net increase in area of 400 sqm from the lease agreement in place at 30 June 2020 and the resulting shorter rent-free period. The rent-free period was based on a dollar amount and so the increased area has resulted in this being fully utilised sooner than previously assessed.

Notes to the Financial Statements

The modifications and terminations of this lease resulted in an accounting gain of $823,000. In addition, the increase in area and the termination of the rent-free period have driven a reassessment of the existing lease, resulting in an increase of the right of use asset and liability of $2.8 million.

Penrith

WOTSO resolved a longstanding dispute with its Penrith landlord during the interim period. This dispute related to the mechanics of the market rent review agreed to within the lease. To resolve this issue, WOTSO has agreed to pay a higher rate going forward, in return for a lease incentive of $131,000 that was paid in December 2020. This will effectively offset the higher rent payable until February 2023; after this period WOTSO will continue to pay the higher rate until the lease ends in July 2024. Consequently, this lease was remeasured as per AASB16, resulting in an increase on the right of use asset and liability of $96,000.

New Leases

Two new leases were executed during the year, for additional leased areas in Fortitude Valley and Symonston. An additional four leases have been acquired, as part of the business combination with WOTSO Neutral Bay Pty Ltd, detailed in Note 10 - Acquisition of Subsidiary.

6. Current Assets – Trade and Other Receivables

	2021 $'000	2020 $'000
Trade receivables:		
WOTSO members	69	72
Expected credit loss allowance	(11)	(20)
GST receivable	14	114
JobKeeper wage subsidy	-	114
Cash flow boost	-	63
Related parties	16	1
Other	127	66
Total	**215**	**410**

Further information relating to JobKeeper wage subsidy and cash flow boost have been disclosed under Government Assistance in Note 3 - Revenue.

7. Non-current Assets – Property, Plant and Equipment

2021	Fit-Out $'000	Leases $'000	Total $'000
Carrying amount at the beginning of year	11,233	34,827	46,060
Right of use assets – modifications *	-	(1,974)	(1,974)
Remeasurement of right of use assets **	-	2,340	2,340
Transfer from WOTSO Neutral Bay	574	1,790	2,364
Additions	5,209	5,940	11,149
Depreciation expense	(2,905)	(8,572)	(11,477)
Disposals	-	(271)	(271)
Carrying amount at the end of year	**14,111**	**34,080**	**48,191**

2020	Fit-Out $'000	Leases $'000	Total $'000
Carrying amount at the beginning of year	5,232	-	5,232
Right of use assets – Initial recognition	-	52,452	52,452
Adjusted opening balance	5,232	52,452	57,684
Remeasurement of right of use assets	-	(1,086)	(1,086)
Transfer from Kirela	985	-	985
Additions	11,727	11,904	23,631
Depreciation expense	(1,502)	(8,551)	(10,053)
Disposals	(2,305)	(19,892)	(22,197)
Assets write-off	(2,904)	-	(2,904)
Carrying amount at the end of year	**11,233**	**34,827**	**46,060**

*Includes the lease modification for Neutral Bay, described in Note 10 – Acquisition of Subsidiary and the modifications of the North Strathfield Lease described in Note 5 – Leases – Additions, Terminations and Modifications.

**Remeasurements to reflect revised contractual payments within existing lease liabilities, including lease incentives or changes in an index or rate used to determine the amounts payable. This includes the execution of a lease in Neutral Bay, as per Note 10 – Acquisition of Subsidiary.

8. Internal Software Development

	2021 $'000	2020 $'000
Carrying amount at the beginning of year	435	173
Internal Software Development	260	262
Reclassification – Investment in associate*	(347)	-
Total	**348**	**435**

*Additional information provided in Note 9 – Investment Accounted Using the Equity Method.

Notes to the Financial Statements

During this financial year, WOTSO continued with its project to develop Hamlet, an in-house software, used in the operation and customer invoicing of all WOTSO sites. Hamlet's functionality covers billing, meeting room bookings, interaction with members and CRM functionality. The sum of $695,000 has been invested in this development, from which 50% has been recognised as software development asset and the remainder constitutes an equity investment in Hamlet business, described in Note 9 – Investment in Associate.

9. Investments in Associate

Hamlet has been developed in conjunction with external developers and is expected to be commercialised in the future. As disclosed in Note 8 – Internal Software Development, $347,000 has been recognised as equity investment in Hamlet. Besides having a perpetual licence to run Hamlet, WOTSO will own 22.5% of the Hamlet business.

	2021	2020
	$'000	$'000
Investment in associate	348	-

Refer to Note 25- Statement of Significant Accounting Policies for further information on interest in associates.

10. Acquisition of Subsidiary

Acquisition of BWF Franchise Pty Ltd

On 31 October 2020, WOTSO acquired 100% of BWF Franchise Pty Ltd (now WOTSO Neutral Bay Pty Ltd), from BlackWall Limited, for cash consideration of $500,000. This entity was previously operated under a franchise agreement.
This acquisition was treated as a Business Combination under AASB 3 and 100% of WOTSO Neutral Bay has been consolidated from the acquisition date.

Assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value at Acquisition $'000
Net cash and cash equivalents	79
Fit-out at WOTSO Neutral Bay	574
Right of use lease assets	1,790
Right of use lease liabilities	(1,808)
Trade payables	(171)
Net Assets Acquired	**464**
Cash consideration paid	500
Net assets acquired	(464)
Goodwill	**36**

The goodwill acquired as part of this combination was written off due to its loss-making position in the current year. Management considered there to be insufficient evidence of future economic benefits from the entity to continue to recognise this goodwill.
After the acquisition date, WOTSO exercised the option to renew a lease at Neutral Bay, resulting in an increase in both the right of use asset and the right of use liability of $1.5 million.

As WOTSO Neutral Bay was acquired on 31 October 2020, it contributed to the consolidated earnings of the Group in the current reporting period. The table below shows the loss made by WOTSO Neutral Bay since it has joined the WOTSO Group:

	$'000
Revenue	907
Expenses	(1,000)
Loss since November 2020	(93)

The table below shows the loss WOTSO would have made in the reporting period, had the acquisition date for the above business combination been 1 July 2020:

	$'000
Revenue	1,338
Expenses	(1,438)
Adjusted loss if business combination completed at start of the year	(100)

11. Investment in Joint Venture

The Group operates a joint venture with UEM Sunrise WOTSO Malaysia Sdn Bhd. Details are:

Name of JV	Principal place of business	Principal activity	Proportion of ownership interests held by the group June 2021	June 2020
UEM Sunrise WOTSO Malaysia Sdn Bhd	Malaysia	Co-workspace operations	50%	50%

The investment in UEM Sunrise WOTSO Malaysia Sdn Bhd is accounted for using the equity method in accordance with AASB 128 *Investments in Associates and Joint Ventures*. This investment was reduced to nil during FY19.

On 12 January 2021, the Joint Venture closed its site in Malaysia, permanently. The total estimated costs to deregister this entity, including audit and tax advice are $5,000.

Notes to the Financial Statements

In the prior year, WOTSO provided for the full amount of its loan to the UEM Joint Venture. WOTSO's assessment of its recoverability remains unchanged, and it is not expected to recuperate any of this loan. The summarised information adjacent reflects the amounts in the financial statements of UEM and not the WOTSO share of those amounts.

Summarised balance sheet	**2021 $'000**	**2020 $'000**
Current assets	30	43
Non-current assets	256	369
Current liabilities	(158)	(100)
Non-current liabilities	(675)	(743)
Net assets (liabilities)	(547)	(431)
WOTSO Limited share in %	50%	50%

Summarised profit or loss	**2021 $'000**	**2020 $'000**
Revenue	63	122
Operating expenses	(98)	(189)
Depreciation and Interest	(107)	(187)
Loss for the year	(142)	(254)

12. Current Liabilities – Trade and Other Payables

	2021 $'000	**2020 $'000**
Trade payables:		
Related parties	40	292
Other parties	318	951
	358	**1,243**
Accrued expenses	761	357
Sundry payables	132	28
Total	**1,251**	**1,628**

Further information relating to trade payables from related parties is set out in Note 20 - Related Party Transactions.

13. Current and Non-current Liabilities – Provisions

	2021 $'000	**2020 $'000**
Current – employee benefits	226	173
Non-current – employee benefits	5	3
Non-current – make good provision	1,447	1,369
Total provisions	**1,678**	**1,545**
Balance at the beginning of year	1,545	83
Net provisions increase	133	1,462
Balance at the end of year	**1,678**	**1,545**

Employee benefit provisions relate to annual leave and long service leave payable to employees. The number of employees for the Group as at 30 June 2021 was 64 (2020: 46).

Make good provisions relate to estimated costs required to return leased property in the state required by the lease. These have been discounted at the same rate as the underlying lease liability, per AASB 16 *Leases*.

14. Current and Non-current Liabilities - Leases

	2021 $'000	**2020 $'000**
Opening Balance	37,208	-
Additions	7,747	62,987
Disposals	(291)	(20,553)
Interest charged	1,691	2,133
Repayments	(6,459)	(6,273)
Modifications and remeasurements	(541)	(1,086)
Total Lease Liabilities	**39,355**	**37,208**
Current lease liabilities	8,994	5,773
Non-current lease liabilities	30,361	31,435
Total Lease Liabilities	**39,355**	**37,208**

Notes to the Financial Statements

15. Non-current Assets – Deferred Tax Assets

WOTSO has not recognised deferred tax assets during this financial year. This is due to the uncertainty around the ability of the Group to recoup these in the short to medium term. The net deferred tax assets predominately relate to tax losses and therefore are available to offset against any deferred tax liabilities subject to meeting the relevant loss recoupment tests. This does not affect their ability to be utilised in the future. WOTSO estimates that net deferred tax asset is $3.4 million.

	2021	2020
	$'000	$'000
Right of use leases	1,680	654
Accruals, provisions, and prepayments	217	730
Fixed asset depreciation	(1,433)	(282)
Carried forward tax losses	2,927	1,569
Total deferred tax	**3,391**	**2,671**

16. Auditor's Remuneration

	2021	2020
Remuneration of ESV for:		
Audit and assurance services	58,000	31,000
Taxation services	19,162	2,350
Total	**77,162**	**33,350**

17. Contingencies

The Group had no contingent assets or liabilities at 30 June 2021 (2020: $nil).

18. Subsequent Events

The impact of the Coronavirus (COVID) pandemic is ongoing, and it is not practicable to estimate and quantify the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by Federal and State Governments, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. As a result of current lockdowns in some states in Australia, WOTSO has seen a reduction in its revenue.

Apart from the above matter to the best of the Directors' knowledge, since the end of FY2021, there have been no other matters or circumstances that have materially affected the Group's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

19. Controlled Entities

	Country of incorporation	2021 %	2020 %
Parent entity:			
WOTSO Limited	Australia	n/a	n/a
Subsidiaries of parent entity:			
WOTSO Services Pty Ltd	Australia	100	100
WOTSO Employment Services Pty Limited	Australia	100	100
WOTSO Penrith Pty Ltd	Australia	100	100
WOTSO Chermside Pty Ltd	Australia	100	100
BWR Franchise Unit Trust	Australia	100	100
WOTSO BWR Pty Ltd	Australia	100	100
WOTSO Bondi Junction Pty Ltd	Australia	100	100
WOTSO at RFW Manly Pty Ltd	Australia	100	100
WOTSO Sunshine Coast Pty Ltd	Australia	100	100
WOTSO Hobart Pty Ltd	Australia	100	100
WOTSO Pyrmont Pty Ltd	Australia	100	100
WOTSO North Strathfield Pty Ltd	Australia	100	100
WOTSO Adelaide Pty Ltd	Australia	100	100
WOTSO Canberra South Pty Ltd	Australia	100	100
WOTSO Canberra North Pty Ltd	Australia	100	100
WOTSO Gold Coast Pty Ltd	Australia	100	100
WOTSO Woden Pty Ltd	Australia	100	100
WOTSO Zetland Pty Ltd	Australia	100	100
WOTSO Coffee Pty Ltd	Australia	100	100
Kirela Development Unit Trust	Australia	100	100
WOTSO Neutral Bay Pty Ltd	Australia	100	-

Notes to the Financial Statements

20. Related Party Transactions

Related Parties, Associates
In these financial statements, related parties are parties as defined by AASB 124 *Related Party Disclosures* rather than the definition of related parties under the Corporations Act 2001 and ASX Listing Rules.

Associates
Interests held in associates by the Group are set out in Note 10 – Investment in Associate and Note 11 – Investment in Joint Venture.

Transactions with related entities
The Group pays rent for leased properties owned by related parties. The rent paid is determined with reference to arm's length commercial rates. Additionally, WOTSO pays for management fees, interests, fit-out costs needed for new and existing sites, and other expenses such as car parking.

The Group charged franchise fees to related parties. Franchise fees were 8% of total franchises revenue.

All transactions with related parties were made on normal commercial terms and conditions and at market rates and were approved by the Board where applicable. The following transactions occurred during the financial year and the balances were outstanding at the year-end between the Group and its related entities.

	2021	2020
Revenue:		
Franchise fees	34,540	351,336
Other revenue	132,504	-
Total Revenue	167,044	351,336
Expenses:		
Rent and outgoings paid	4,586,286	2,224,946
Fit-out	760,620	-
Management fees	149,955	-
Staff costs	173,560	-
Interest expenses	69,745	9,091
Other expenses	615,627	-
Total Expenses	6,355,793	2,234,037
Outstanding balances:		
Trade and other receivables – current	15,994	1,326
Trade and other payables – current	39,626	291,901
Deferred lease payments – COVID – current	23,229	-
Deferred lease payments – COVID – non-current	83,237	-
Loans payable – non-current	12,177,492	2,000,000

Key management personnel compensation

The Group paid $280,000 as remuneration to key management personnel during FY2021 (FY2020: $237,000).

21. Parent Entity Information

Results:	**2021 $'000**	**2020 $'000**
Profit (loss) after tax	(428)	(72)
Total comprehensive income after tax	**(428)**	**(72)**
Financial position:		
Current assets	23,419	11,782
Non-current assets	560	60
Total assets	**23,979**	**11,842**
Current liabilities	(37)	(72)
Non-current liabilities	(12,885)	(300)
Total liabilities	**(12,922)**	**(372)**
Net assets	**11,057**	**11,470**
Share capital	11,557	11,542
Accumulated losses	(500)	(72)
Total equity	**11,057**	**11,470**

The parent entity had no contingencies or capital commitments at 30 June 2021 (2020: Nil).

22. Financial Risk Management

a) Financial risk management

The main risks the Group is exposed to through its financial instruments are market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's principal financial instruments are cash, financial assets and borrowings. Additionally, the Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies, and processes for measuring and managing risk, and the management of capital. The Board has overall responsibility for the establishment and overseeing of the risk management framework. It monitors the Group's risk exposure by regularly reviewing finance and property markets.

Notes to the Financial Statements

The Group holds the following major financial instruments:

	2021 $'000	2020 $'000
Cash and cash equivalents	441	695
Financial asset	6,000	-
Borrowings	12,177	2,000
Lease liabilities	39,355	37,208

(b) Sensitivity analysis

The Group is not exposed to any material credit, interest or liquidity risks. There are no subsidiaries in the group subject to foreign exchange risk.

(c) Capital management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, buy-back shares, purchase or sell assets.

(d) Liquidity risk

At 30 June 2021	**Maturing Within 1 year**	**Maturing 2 – 5 years**	**Maturing over 5 years**	**Total**
Financial liabilities	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	1,251	-	-	1,251
Borrowings	-	12,177	-	12,177
Lease Liabilities	9,075	27,493	2,787	39,355
	10,326	**39,670**	**2,787**	**52,783**
At 30 June 2020				
Financial liabilities				
Trade and other payables	2,466	-	-	2,466
Borrowings	2,000	-	-	2,000
Lease Liabilities	5,773	26,455	4,980	37,208
	10,239	**26,455**	**4,980**	**41,674**

(e) Fair value measurement

i) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial assets traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Group is the current bid price.

The following table presents the Group's assets measured at fair value. Refer to the Critical Accounting Estimates and Judgment note for further details of assumptions used and how fair values are measured.

$'000	**Level 1**	**Level 2**	**Level 3**	**Total**
At 30 June 2021				
Financial assets	-	-	6,000	6,000
At 30 June 2020				
Financial assets	-	-	-	-

(ii) Valuation techniques used to derive Level 3 fair values

The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. All these instruments are included in Level 3.

The carrying amounts of the financial assets approximates the fair values as they are short term receivables.

(iii) Fair value measurements using significant observable inputs (Level 3)

The following table is a reconciliation of the movements in financial assets classified as Level 3 for the year ended 30 June 2021:

At 30 June 2021	**$'000**
Balance at the beginning of the year	-
Transfer of financial asset	6,000
Balance at 30 June 2021	6,000

Notes to the Financial Statements

23. Critical Accounting Estimates and Judgments

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 25 – Statement of Significant Accounting Policies.

The COVID pandemic

Judgement has been exercised in considering the impacts that the COVID pandemic has had, or may have, on the consolidated entity 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 consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID pandemic.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

24. Basis of preparation and accounting policies

WOTSO Limited is part of the listed WOT stapled group, incorporated and domiciled in Australia. The financial statements for the Group were authorised for issue in accordance with a resolution of the Directors on the date they were issued.

These general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial statements of the Company also comply with IFRS as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The statutory financial information for the Group has been presented for the year ended 30 June 2021 and for the comparative year ended 30 June 2020. The comparative year financials do not include the results of all WOTSO sites. On 1 July 2019, control of several sites (the BWR Franchise and BWF Franchise sites) was maintained within the BlackWall Group; whilst all other sites formed the new WOTSO Limited Group. However, at the demerger date, 8 January 2020, the BWR Franchise was dissolved and WOTSO took over these operations as well. Consequently, the comparative year statutory financial information only includes six months of consolidated WOTSO BWR operations. Similarly, with the acquisition of BWF Franchise Pty Ltd (now WOTSO Neutral Bay) on 31 October 2020, WOTSO has taken control of this entity, and consolidated from this date. This means the current year statutory financial information includes eight months of consolidated results from this entity, whereas the comparative year has none.

25. Statement of Significant Accounting Policies

The Group is a group of the kind referred to in ASIC Class Order 2016/191 and, in accordance with that Class Order, amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Going concern

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

Notes to the Financial Statements

WOTSO does have an operating loss for the year and is in a net current liability position. However, many of the WOTSO sites are in build-up phase and profitability is expected to improve. The business projects it will have sufficient cash balances to pay debts as they fall due and forecasts for the next 12 months display enough liquidity for it to be appropriate for WOTSO to continue as a going concern.
Even though, the COVID pandemic remains uncertain and has significantly impacted WOTSO, the Directors are confident that the group will be able to continue as a going concern. WOTSO believes in its eligibility to obtain financial relief from Statal and Federal Governments.

Additionally, short-term funding may be obtained from related parties if needed.

Presentation of Financial Statements

Both the functional and presentation currency of WOTSO Limited and its Australian subsidiaries is Australian dollars. Functional currency Malaysian Ringgit results are translated to presentation currency.

Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. A list of controlled entities is contained in Note 19 - Controlled Entities. All controlled entities have a June financial year end and use consistent accounting policies. Investments in subsidiaries held by the Group are accounted for at cost, less any impairment charges (refer to Note 21 - Parent Entity Information).

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Inter-company balances

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Joint Ventures

Interests in joint ventures are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group’s share of the post-acquisition profits or losses of the investee in profit or loss. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group’s share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. The carrying amount of equity accounted investments is tested for impairment in accordance with these policies.

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.

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The estimated useful lives used for each class of depreciable assets are:

Furniture, Fixtures and Fittings	over 2 to 10 years
Office Equipment	over 4 to 10 years
Leasehold Improvements	lesser of 10 years and expected remaining lease term
Right of use assets	remaining lease terms, including any options where they are reasonably certain to be exercised

At each balance sheet date, assets' residual values and useful lives are reviewed, particularly with reference to the remaining expected lease term of each site, and adjusted if appropriate.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

Notes to the Financial Statements

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, or the income of the asset is capitalised at its relevant capitalisation rate.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the profit and loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

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 consolidated entity 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 consolidated entity 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.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Recognition

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flow from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets

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 not measured at amortised cost are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

(i) Equity investments

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables including loans to related entities are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Notes to the Financial Statements

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

An impairment loss in respect of a financial instrument measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial instruments are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognised in profit and loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control over those policies.

Under the equity method of accounting, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectable.

Trade and Other Payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Group at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest Bearing Borrowings

Interest bearing borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost.

Employee Benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to defined contribution plans are recognised as a personnel expense in profit and loss when they are due.

Other long term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. These employee benefits have not been discounted to the present value of the estimated future cash outflows to be made for those benefits.

Short term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees’ services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Notes to the Financial Statements

Revenue

WOTSO income comprises rental and recovery of outgoings from property tenants. Rental income is accounted for on a straight-line basis over the lease term, if applicable.

Business Combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Income Tax

Current income tax expense

The charge for current income tax expense is based on the profit year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Accounting for deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax calculation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Benefit brought to account

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

WOTSO Limited has elected to form a tax consolidated group with its wholly-owned entities for income tax purposes under the tax consolidation regime with effect from 8 January 2020. As a consequence, all members of the tax consolidated group are taxed as a single entity from that date. The head entity within the tax consolidated group is WOTSO Limited.

In addition to its own current and deferred tax amounts, WOTSO Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group in conjunction with any tax funding arrangement amounts.

The Group recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Equity

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.

Notes to the Financial Statements

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

New Accounting Standards and Interpretations

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Based on our preliminary assessment, we do not expect them to have material impact on the Group.

Director's Declaration

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The Statement of Significant Accounting Policies confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

Tim Brown
Director
Sydney, 4 August 2021

Jessica Glew
Director
Sydney, 4 August 2021

Auditor's Independence Declaration and Audit Report

Business advice and accounting

ESV

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As auditor for the audit of WOTSO Limited and its controlled entities for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney on the 2nd day of August 2021

ESV

ESV Business Advice and Accounting

David Robinson
Partner

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WOTSO LIMITED AND ITS CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of WOTSO Limited ('the Company') and its controlled entities ('the Group'), which comprises the consolidated statement of financial position as at 30 June 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 year then ended, notes including a summary of significant accounting policies, and the directors' declaration.

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

- giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- 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 Group 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 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.

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.

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Auditor's Independence Declaration and Audit Report

Valuation of Property Investment Portfolio	
Key Audit Matter	**How the scope of our audit responded to the risk**
The Group generates its revenue from rental income form short-term tenancy $16.3 million (June 2020: $8.8 million). Rental income from short-term tenancies is earned from leasing of desks, office space, meeting rooms and related services (co-working business) to short term tenants.. Given the number of tenancies across multiple locations there is a risk that revenue is incorrectly recorded.	Our procedures included, but were not limited to: › For the short-term rental income relating to co-working business, on sample basis of tenancies across different site locations we verified the monthly billing for desks, office space hired to the agreed terms as per information in the tenancy management database and the price list per location. We also performed comparison of monthly revenue per location with monthly revenue from prior period and investigated any unusual or significant movement. Based on our work performed, we conclude the revenue for the Group is free from material misstatement.

Other Information

Other information is financial and non-financial information in the Company's annual report which is provided in addition to the Financial Report and the Auditor's Report for the year ended 30 June 2021. The directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' report which we obtained prior to the date of this auditor's report but does not include the financial report and our 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.

Directors' Responsibilities 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 Company 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 Company or to cease operations, or has no realistic alternative but to do so.

Business advice and accounting

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 the 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: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf This description forms part of our auditor's report.

Dated at Sydney on the 4th day of August 2021.

ESV

ESV Business Advice and Accounting

David Robinson
Partner

Planloc Limited

FINANCIAL STATEMENTS JUNE 2021

Directors' Report

Planloc Ltd is a property investment company. The company was stapled to two other entities (BlackWall Property Trust and WOTSO Limited) to form the listed WOTSO Property (ASX: WOT) on 8 February 2021. Prior to this, Planloc was part of the Pelorus Private Equity (PPE) group. Planloc has an investment in a retail mixed use property located in Penrith, NSW and an entertainment precinct in Villawood, NSW. Dividends of $529,000 were paid to PPE for the year ended 30 June 2021 (2020: $4,767,000).

Investment Portfolio

120 Mulgoa Road, Penrith

Penrith is a mixed use property located at 120 Mulgoa Road, Penrith, in Western Sydney. Its tenants include Barbeques Galore, Boating Camping Fishing, Rashay's Restaurant, Tru Ninja, Factory Plus and a Bliss Early Learning Centre. There is a small 230sqm vacancy. It has been independently valued at $21.5 million (2020: $21.5 million).

WRV - 850 Woodville Rd, Villawood (The Woods)

Planloc owns approximately 49.9% of the WRV Unit Trust, which owns The Woods. The property is an entertainment precinct in Sydney's west, approximately 28 kilometres from Sydney CBD. The property has great exposure to Woodville Road and is home to 8 different tenants including Zone Bowling, Chipmunks Playland, Sydney Indoor Climbing Gym, Jump Swim School, Flip Out and Cross Fit Bawn. It was independently valued in November 2020 at $22.0 million.

COVID and its impact

COVID has directly impacted the rent received from tenants and indirectly impacted the property valuations.

Planloc rental receipts for the reporting period were impacted by rent waivers and deferrals provided to property tenants, totalling $117,000 . This was largely due to the mandatory code issued by the federal government that regulated the conduct between commercial landlords and their tenants. Fortunately, the relief provided has prevented any tenant vacancies despite many having been significantly impacted by the COVID pandemic.

Property values have stayed relatively flat, although Villawood saw a small decrease in value from $22.3m in June 2020 to $22m in June 2021. The properties will be revalued next year and it will be interesting to see how and if valuations recover.

Planloc Limited – Financial Statements

Statement of Financial Position for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	2	51	134
Trade and other receivables	3	25	59
Loans		-	454
Total current assets		76	647
Non-current assets			
Deferred rent receivables		83	46
Financial assets	4	4,329	3,989
Investment properties	5	21,500	21,500
Total non-current assets		25,912	25,535
TOTAL ASSETS		**25,988**	**26,182**
LIABILITIES			
Current liabilities			
Trade and other payables	6	262	271
Borrowings	7	-	14,500
Provision for Performance Fee	8	-	1,285
Total current liabilities		262	16,056
Non-current liabilities			
Borrowings	9	25,668	10,000
Deferred tax liabilities	13	2,104	-
Total non-current liabilities		27,772	10,000
TOTAL LIABILITIES		**28,034**	**26,056**
NET ASSETS		**(2,046)**	**126**
EQUITY			
Share capital	10	-	-
Retained earnings		(2,046)	126
TOTAL EQUITY		**(2,046)**	**126**

Statement of Profit or Loss for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
REVENUE			
Property rental income		1,836	1,478
Unrealised gains	11	547	1,864
Total Revenue		**2,383**	**3,342**
EXPENSES			
Property outgoings		(448)	(538)
Business operating expenses	12	(138)	(153)
Depreciation expense		(365)	(308)
Interest paid to BWR		(286)	(303)
Other finance costs		(552)	(505)
Other expenses		(133)	-
Total Expenses		**(1,922)**	**(1,807)**
Profit Before Tax		**461**	**1,535**
Income tax expense	13	(2,104)	(70)
Profit After Tax		(1,643)	**1,465**
Other comprehensive income		-	-
Total Comprehensive Income		**(1,643)**	**1,465**

Planloc Limited – Financial Statements

Statement of Cash Flows for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash Flows from Operating Activities			
Receipt from property customers		1,993	1,964
Payments to suppliers		(1,022)	(873)
Performance fees paid		(1,318)	(433)
Interest paid		(700)	(807)
Net Cash Flows Used in Operating Activities	16	**(1,047)**	**(149)**
Cash Flows from Investing Activities			
Purchase WRV investments		(44)	(2,824)
Payments of capital expenditure		(85)	(636)
Net Cash Flows Used in Investing Activities		**(129)**	**(3,460)**
Cash Flows from Financing Activities			
Loan from BWR		5,668	(1,150)
Loan from CBA		-	10,000
Repayment of loan to Penrith Fund No.3		(4,500)	-
Repayment of loan from Pelorus		454	(362)
Dividend paid to Pelorus		(529)	(4,746)
Net Cash Flows Used in Financing Activities		**1,093**	**3,742**
Net (Decrease)/ Increase in Cash Held		**(83)**	**133**
Cash and cash equivalents at the beginning of the year		134	1
Cash and Cash Equivalents at End of the Year	2	**51**	**134**

Statement of Changes in Equity for the year ended 30 June 2021

	No. of Shares On issue	Ordinary Shares $'000	Retained Earnings $'000	Reserves $'000	Total $'000
Balance at 1 July 2020	4	-	126	-	126
Profit for the year	-	-	(1,643)	-	(1,643)
Other comprehensive income	-	-	-	-	-
Dividend paid	-	-	(529)	-	(529)
New shares issued for stapling	162,921,658				
Balance at 30 June 2021	**162,921,662**	**-**	**(2,046)**	**-**	**(2,046)**
Balance at 1 July 2019	**4**	**-**	**3,428**	**-**	**3,428**
Profit for the year	-	-	1,465	-	1,465
Other comprehensive income	-	-	-	-	-
Dividend paid	-	-	(4,767)	-	(4,767)
Balance at 30 June 2020	**4**	**-**	**126**	**-**	**126**

Notes to the Financial Statements

1. COVID Impact

COVID has directly impacted the rent received from tenants and indirectly impacted the property valuations.

Planloc rental receipts for the reporting period were impacted by rent waivers and deferrals provided to property tenants, totalling $117,000. This was largely due to the mandatory code issued by the federal government that regulated the conduct between commercial landlords and their tenants. Fortunately, the relief provided has prevented any tenant vacancies despite many having been significantly impacted by the COVID pandemic.

Property values have stayed relatively flat, although Villawood saw a small decrease in value from $22.3m in June 2020 to $22m in June 2021.

2. Current Assets - Cash and Cash Equivalents

	2021 $'000	2020 $'000
Cash at bank	51	134
Total	**51**	**134**

Cash at bank earns interest at floating rates based on daily bank deposit rates.

3. Current Assets - Trade and Other Receivables

	2021 $'000	2020 $'000
Trade receivables:		
- Related parties	-	-
- Other parties	25	59
Total	**25**	**59**

Further information relating to trade receivables to related parties is set out in the Related Party Transactions note. None of the receivables were impaired as at 30 June 2021 (2020: $nil).

4. Current Assets – Financial Assets

The Company has investments in various listed and unlisted investments which are held for trading from time to time and as a result are classified as current assets. The details are as follows:

Financial Assets	2021 $'000	2020 $'000
Unlisted – WRV:		
Balance at the beginning of year	3,989	-
Purchase	44	2,824
Revaluations	296	1,165
Total	**4,329**	**3,989**

The investment reflects a 49% holding of WRV Unit Trust, which owns The Woods. The property is an entertainment precinct in Sydney's west, approximately 28 kilometres from Sydney CBD. The property has great exposure to Woodville Road and is home to 8 different tenants including Zone Bowling, Chipmunks Playland, Sydney Indoor Climbing Gym, Jump Swim School, Flip Out and Cross Fit Bawn.

5. Non-current Assets – Financial Assets

The company has a property investment located in Penrith, Sydney. The Penrith property is a big box retail complex located at 120 Mulgoa Road, Penrith. The property has been valued in June 2020 at $21.5 million reflecting market yield of 6.75%. with gross income of around $1.8 million p.a. Tenants include Boating Camping Fishing, Barbeques Galore, Little Learning Child Care, Tru Ninja, and Rashay's Pizza Pasta Grill. The amount of vacant space is minimal.

A reconciliation of the property values are as follows:

	Penrith $'000
30 June 2021	
Balance at the beginning of year	21,500
Capital improvements	85
Revaluations	280
Depreciation	(365)
Balance at the end of year	**21,500**
30 June 2020	
Balance at the beginning of year	21,000
Capital improvements	636
Revaluations	172
Depreciation	(308)
Balance at the end of year	**21,500**

Notes to the Financial Statements

6. Current Liabilities - Trade and Other Payables

	2021 $'000	2020 $'000
Trade payables:		
- Related parties	141	178
- Other parties	37	20
	178	198
Tenant deposits	31	31
Rental income in advance	53	42
Total	**262**	**271**

Further information relating to payables from related parties is set out in the Related Party Transactions note.

7. Current Liabilities - Borrowings

	2021 $'000	2020 $'000
Borrowing - BWR	-	10,000
Borrowing - BlackWall Penrith Fund No.3	-	4,500
Total	**-**	**14,500**

BlackWall Penrith Fund No. 3 ("Fund") was terminated in December 2020 and the loan was repaid.

8. Current Liabilities – Provision for Performance Fee

	2021 $000	2020 $'000
Provision for Performance Fee – BlackWall Penrith PIPES No3	-	687
Provision for Performance Fee – BlackWall Fund Services	-	598
Total	**-**	**1,285**

BlackWall Penrith Fund No. 3 was entitled to 20% of any property value uplift over its initial cost of $16.5 million, plus any capital expenditure on the maturity of the fund in December 2020. The Penrith property was valued in June 2020 at $21.5 million, which was down from $22.8 million in 2019. The investors' capital was returned together with a bonus equating to 20% of capital growth at the maturity date in December 2020.

The fund's manager, BlackWall Limited was entitled to a performance fee of 30% of value uplift over $16.5 million plus any capex expenditure. An amount of $433,000 accrued in FY2018 was paid in June 2020. The remainder of $598,000 was paid out when the fund terminated in December 2020.

9. Non-current Liability - Borrowings

	2021 $'000	2020 $'000
Borrowing – BlackWall Property Trust (BWR)	15,668	-
Borrowing - CBA	10,000	10,000
	25,668	**10,000**

The borrowings from BWR are subject to interest at a margin of 2.0% over the RBA cash rate and is subject to a loan term of 5 years from June 2021. BWR is stapled to Planloc and therefore has the same investors.

The loan from CBA was taken out in January 2020 for a loan term of 3 years and is subject to interest at a margin of 1.9% over BBSY. This loan is secured against the Penrith property.

10. Share Capital

(a) Summary Table

	2021 $'000	2020 $'000
162,921,662 Ordinary shares (2020: 4 Ordinary shares)	-	-
Total	-	-

(b) Movement in shares on issue

	2021 No.	2020 No.
At the beginning of the year	4	4
Issue new shares	162,921,658	-
At the end of the year	**162,921,662**	**4**

As part of the stapling transaction on 8 February 2021, Planloc issued 162,920,658 shares to create stapled securities.

11. Unrealised Gains

	2021 $'000	2020 $'000
Unrealised gains – investment in Penrith property	252	699
Unrealised gains – investment in WRV	295	1,165
	547	1,864

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Notes to the Financial Statements

12. Business Operating Expenses

	2021 $'000	2020 $'000
Consultants fees	9	14
Fund management fee	120	130
Administration expenses	9	9
	138	153

13. Income Tax Expense and Deferred Tax Liabilities

	2021 $'000	2020 $'000
(a) Income tax expense / (benefit)		
Current tax	2,104	70
Deferred tax expense / (benefit)	-	-
Total Income tax expense / (benefit)	**2,104**	**70**
Reconciliation of prima facie tax payable to income tax		
Profit before income tax	461	1,535
Expected tax expense at 30%	138	460
Recognition of deferred tax balances	1,966	(390)
Total Income tax (benefit) / expense	**2,104**	**70**
(b) Deferred tax liabilities		
Financial assets	438	-
Investment properties	1,696	-
Provision for performance fee	-	-
Tax losses	(30)	-
Planloc deferred tax	-	-
Total Deferred tax liabilities	**2,104**	**-**
Movements:		
Balance at the beginning of the year	-	-
Charged / (credit) to the profit and loss	2,104	-
Total	**2,104**	**-**

Planloc has recognised a deferred tax liability of $2.1 million in relation to its unrealised gains on its investments. Prior to the stapling, Planloc was part of the Pelorus Private Equity (PPE) consolidated tax group. PPE has already recognised this deferred tax liability and will pay tax on all gains prior to stapling. However, as Planloc has not yet joined a new consolidated tax group, it has not benefitted from a reset cost base. This means that if the gains were to be realised under the current structure, Planloc would be liable to pay tax on the gains. Planloc is currently seeking tax advice and it is anticipated that the cost base will be reset such that the deferred tax liability will be reversed and with no liability ever being realised.

14. Auditor's Remuneration

Remuneration of the auditor of the Company for:	2021 $'000	2020 $'000
-Audit and other audit related services	9,000	5,800
-Tax compliance services	1,200	1,350
Total	**10,200**	**7,150**

15. Commitments and Contingencies

The Company leases out its investment properties held under operating leases. The future minimum lease payments receivables are disclosed as follows:

	2021 $'000	2020 $'000
Receivable within 1 year	1,865	1,850
Receivable within 2-5 years	3,405	4,689
Receivable over 5 years	2,701	3,283
Total	**7,971**	**9,822**

There are no other commitments and contingencies as at 30 June 2021 (2020: Nil).

Notes to the Financial Statements

16. Reconciliation of Loss After Income Tax to Operating Cash Flows

	2021 $'000	2020 $'000
Profit for the year	(1,643)	1,465
Non-cash flows included in profit:		
Straight-line rental income	(28)	-
Unrealised gain on revaluation of Planloc	(252)	(699)
Unrealised gain on revaluation of WRV	(295)	(1,165)
Depreciation	364	308
Taxation	-	71
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(3)	(76)
Increase/(decrease) in trade payables and accruals	(1,294)	(53)
Increase/(decrease) in deferred tax liabilities	2,104	-
Net cash flows used in operating activities	**(1,047)**	**(149)**

17. Subsequent Events

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

To the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the year that have materially affected or may materially affect the Company's operations in future financial years, the results of those operations or the Company's state of affairs in future financial years.

18. Related Party Transactions

(a) Related Entities

In these financial statements, related parties are parties as defined by *AASB 124 Related Party Disclosures*.

Fees and Transactions

Management fees are charged to entities predominately for property management services and the fees charged are determined with reference to arm's length commercial rates.

These services principally relate to the provision of property management services, property portfolio advisory services, maintenance and insurances, strategic advice and management supervision services, administration, marketing and risk management services.

The Company paid performance fee and interest to related parties. The interest incurred on mortgage related loan. All transactions with related parties were made on normal commercial terms and conditions and at market rates and were approved by the Board where applicable.

The following represents the transactions that occurred during the financial year and the balances outstanding at year end between the Company and its related entities.

	2021 $	2020 $
Expenses:		
- Interest paid	488,763	707,754
- Performance fee paid	1,317,988	432,857
- Consulting and management fees paid	405,468	242,482
- Dividends paid	529,000	4,767,000
Outstanding balances:		
- Loan receivables – current	-	1,994,643
- Trade payables – current	3,749	178,404
- Borrowings – current	15,668,250	4,500,000
- Borrowings – non-current	-	10,000,000
- Provision for performance fee – current	-	1,285,218

(b) Interests in Related Parties

As at year end the Company owned units in the following related entities.

Entity	Holdings (No.'000)		Returns of Capital / Dividend Received ($'000)	
	2021	2020	2021	2020
WRV Unit Trust	1,995	1,975	-	-
			-	-

(c) Key Management Personnel (KMP)

KMP include Directors only. The Directors did not receive any remuneration from the Company as at 30 June 2021 (2020: $nil).

Notes to the Financial Statements

19. Financial Risk Management

(a) Financial risk management

The main risks the Company is exposed to through its financial instruments are market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's principal financial instruments are financial assets and borrowings.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies, and processes for measuring and managing risk, and the management of capital.

The Board has overall responsibility for the establishment and overseeing of the risk management framework. They monitor the Company's risk exposure by regularly reviewing finance and property markets.

The Company holds the following major financial instruments:

	2021 $'000	2020 $'000
Financial Assets		
Financial assets	4,329	3,989
Loans	-	454
Financial liabilities		
Borrowings	25,668	24,500
Other financial liabilities	-	1,285

(b) Market risk

(i) Interest rate risk

The company has exposure to market risk for changes in interest rates on borrowings. The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the interest rates on borrowings is as follows:

	June 2021		June 2020	
	Interest rate %	Balance $'000	Interest rate %	Balance $'000
Borrowings - BWR	2.10	15,668	2.25	10,000
Borrowings - CBA	2.05	10,000	2.05	10,000
Borrowings – Penrith No.3	-	-	9.00	4,500

Sensitivity analysis

At 30 June 2021, if interest rates on borrowings had moved (after hedging effects), as illustrated in the table below, with all other variables held constant, profit would have been affected as follows:

Consolidated Movement in interest rates	Net profit Higher / (Lower) 2021 $'000	 2020 $'000
+ 1.0%	(257)	(245)
- 1.0%	257	245

(ii) Price risk

The major exposure is the Company's investments in financial assets. In relation to the investment in WRV units, a 10% decrease in the price (from the price at 30 June 2021, i.e. $2.17 per unit) would result in an unrealised loss of $433,000. (2020: $399,000)

(c) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Company has credit risk exposures to related parties investments in related and unrelated property structures under financial instruments and contractual arrangements entered into by the Company. The Company limits its exposure to credit risk by obtaining equitable mortgages over real property for related/ unrelated party loan receivables and investments in related and unrelated property structures.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

	Maturing within 1 year $'000	Maturing 2 – 5 years $'000	Maturing over 5 years $'000	Total $'000
At 30 June 2021				
Financial liabilities				
Trade and other payables	262	-	-	262
Other financial liabilities	-	-	-	-
Borrowings	-	25,668	-	25,668
	262	**25,668**	**-**	**25,930**

Notes to the Financial Statements

	Maturing within 1 year $'000	Maturing 2 – 5 years $'000	Maturing over 5 years $'000	Total $'000
At 30 June 2020				
Financial liabilities				
Trade and other payables	271	-	-	271
Other financial liabilities	1,285	-	-	1,285
Borrowings	14,500	10,000	-	24,500
	16,056	**10,000**	**-**	**26,056**

(e) Fair value measurements

(i) Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial assets traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Company is the current bid price and the quoted market price for financial liabilities is the current asking price.

The following table presents the Company's financial assets (excluding loan receivables) measured at fair value as at 30 June. Refer to the Critical Accounting Estimates and Judgments note for further details of assumptions used and how fair values are measured.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 30 June 2021				
Property investment	-	-	21,500	21,500
Financial assets	-	-	4,329	4,329
At 30 June 2020				
Property investment	-	-	21,500	21,500
Financial assets	-	-	3,989	3,989

(ii) Valuation techniques used to derive Level 3 fair values

The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities.

(iii) Reconciliation of movements (Level 3)

The following table is a reconciliation of the movements in financial assets classified as Level 3 for the year ended 30 June:

	$'000
At 30 June 2021	
Balance at the beginning of year – Investment in WRV	3,989
Purchase	44
Sale	-
Fair value movement	296
Balance at the end of year – Investment in WRV	**4,329**
At 30 June 2020	
Balance at the beginning of year – Investment in WRV	-
Purchase	2,824
Sale	-
Fair value movement	1,165
Balance at the end of year – Investment in WRV	**3,989**

20. Dividend

Dividends of $529,000 was paid to Pelorus for the year ended 30 June 2021 (2020: $4,767,057).

21. Company Details

The principal place of business of the Company is:
50 Yeo Street
Neutral Bay, NSW, 2089

22. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates – impairment
The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Refer to the Financial Assets note.

Notes to the Financial Statements

Key estimates – financial assets

Investments in listed and unlisted securities have been classified as financial assets and movements in fair value is recognised directly in the reserves. The fair value of the unlisted securities is determined by reference to the net assets of the underlying entities. The fair value of the listed securities is based on the closing price from the ASX as at the reporting date.

Key estimates - fair values of investment properties

The Company carries its investment properties at fair value with changes in the fair values. At the end of each reporting period, the Directors review and update their assessment of the fair value of each property, taking into account the most recent independent valuations.

23. Statement of Significant Accounting Policies

Planloc Ltd is a public company, and part of the stapled WOTSO Property, which is incorporated and domiciled in Australia. The financial statements for the Company were authorised for issue in accordance with a resolution of the Directors on the date they were issued.

Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements of the Company also comply with IFRS as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

As Planloc was part of Pelorus group in FY 2020, it formed part of Pelorus group audit report, there was no separate audit report issued for Planloc Limited for FY 2020.

Going Concern

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

Planloc is currently in a net liability position and made a loss of $1.6 million in FY2021. This was driven by a deferred tax liability, which as detailed in Note 14, is not expected to eventuate. However, in addition to this, Planloc has a history of profitability and it is expected to return to profitability in future years. It has sufficient cash inflows from its property investments to pay debts as and when they fall due. As such, management has assessed that Planloc continues to be a going concern.

Presentation currency

Both the functional and presentation currency of Planloc Ltd is Australian dollars.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the reserves in the year in which they arise.

Impairment of assets

At each reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the income of the asset is capitalised at its relevant capitalisation rate.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

Notes to the Financial Statements

Borrowing Costs

Borrowing costs directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Recognition

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flow from the financial assets expire or if the Company transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Loans and receivables

Loans and receivables including loans to related entities and to key management personnel are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial Assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Unrealised gains and losses arising from changes in the fair value of these assets are included in the reserves in the period in which they arise, unless they relate to reversal of previous unrealised loss, which were then recognised in profit or loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments in related party unlisted unit trusts, fair values are determined by reference to published unit prices of these investments, which are based on the net tangible assets of each of the investments.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. A financial instrument is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. In the case of available for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

An impairment loss in respect of a financial instrument measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its fair value.

Individually significant financial instruments are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial instruments measured at amortised cost, the reversal is recognised in profit and loss.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any change of presentation has been made in order to make the financial statements more relevant and useful to the user.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when there is objective evidence that the Company will not be able to collect the receivable.

Notes to the Financial Statements

Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectible.

Trade and Other Payables

Liabilities for trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Company at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

Interest Bearing Borrowings

Interest bearing borrowings are initially recognised at fair value less any related transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost.

Revenue
Rent

Rent comprises rental and recovery of outgoings from property tenants. Rental income from investment properties is accounted for on a straight-line basis over the lease term

Rent is recognised monthly in arrears.

Investment 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.

Dividend revenue is recognised when the right to receive a dividend has been established, which in the case of quoted securities is the ex-dividend date.

In-specie distributions and returns of capital are brought on to the balance sheet by an adjustment in the carrying value of the relevant investment and then reflected in the comprehensive income as an unrealised gain.

Income Tax

Current income tax expense

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Accounting for deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax calculation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Benefit brought to account

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which is disclosed as operating cash flows.

Notes to the Financial Statements

New Accounting Standards and Interpretations

Planloc has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year. Several amendments apply for the first time in the current year. However, they do not impact the annual consolidated financial statements of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Based on our preliminary assessment, we do not expect them to have material impact on the Group.

Directors' Report - Continued

Information on Officeholders

The names of the Officeholders in office at any time during or since the end of the year are set out below. Unless otherwise stated, Officeholders have been in office since the beginning of the financial year to the date of these financial statements.

The names of the Officeholders during or since the end of the year are set out below.

Joseph (Seph) Glew
Non-Executive Director and Chairman
Seph has worked in the commercial property industry in New Zealand, the USA and Australia and has driven large scale property development and financial structuring for real estate for over 40 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.

While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive Director with a number of other listed companies in New Zealand and Australia.

Timothy Brown
Joint Managing Director and CFO
Tim is Joint Managing Director and Chief Financial Officer for the BlackWall Group and its funds. Tim joined the Group in 2008 as Financial Controller and became Chief Financial Officer in 2009. He has a Bachelor of Commerce from the University of New South Wales and is a member of Chartered Accountants Australia & New Zealand. With over 20 years' experience in the financial services and property industries, he started his career with Deloitte and joined Lend Lease Corporation in 2002. Tim is also on the board of Eastern Suburbs Cricket Club and Coogee Boy's Preparatory School.

Jessie Glew
Joint Managing Director and COO
Jessie is Joint Managing Director and Chief Operating Officer for the BlackWall Group and its funds. Jessie has been with the Group since early 2011. Prior to her appointment as Joint Managing Director, Jessie was the Group's General Manager of Property. She has a Bachelor of International Communication from Macquarie University and is finalising a Bachelor of Property Economics at the University of Technology Sydney.

Richard Hill
Non-Executive Director
Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in the Group's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. Richard has served as a director (Chairman) of the Westmead Institute for Medical Research and director (Chairman) of Sirtex Medical Limited (Sirtex), formerly listed on ASX.

Robin Tedder
Non-Executive Director
Robin began his career on the dealing desk of a merchant bank in 1976. In 1981 he founded Hatmax Capital Markets which grew rapidly through organic development and merger with Australian Gilt Securities in 1988, such that by the time he departed after 14 years as CEO in 1995, over 80 people were employed across debt capital markets, both the Sydney Futures Exchange and ASX, in asset management and corporate finance. In 1995 Robin established Vintage Capital which became an active investor in funds management, commercial property, retailing, healthcare and logistics. He has been an investor in the Group's projects since 1997, is a former member of ASX, and has served on various boards of both listed and private companies since 1984. He is the Chairman of the Group's Board Audit Committee.

Alex Whitelum
Company Secretary
Alex joined the BlackWall Group in 2020 and executes all aspects of the Group's corporate and fund transactions, is responsible for corporate governance functions and oversees investor relations. Previously, Alex was a lawyer at Clayton Utz in their Corporate, M&A and Capital Markets team. Alex holds a Bachelor of Laws (Hons) and a Bachelor of Commerce (Economics) from Macquarie University. He is admitted as a solicitor to the Supreme Court of New South Wales and the High Court of Australia.

Meeting Attendances

	Number of Board Meetings Held	Board Meetings Attendance
Seph Glew	7	7
Timothy Brown	7	7
Jessie Glew	7	7
Richard Hill	7	7
Robin Tedder	5	5

Environmental Regulation

The Company's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory other than those that pertain to the ownership and development of real estate.

Indemnities of Officers

During the financial period the Company has paid premiums to insure each of the Directors named in this report along with officers of that Company against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a willful breach of duty.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the Company.

Auditor and Non-audit Services

Amounts paid to the auditor for non-audit services during the year are detailed at the Auditor's Remuneration note of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements.

ESV Business Advice and Accounting continues in office in accordance with section 327 of the Corporations Act 2001.

Rounding of Amounts

The Company is a company of the kind referred to in ASIC Instrument 2016/191, and in accordance with that Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated

Events Subsequent to Reporting Date and Likely Developments

To the best knowledge of the Directors, there have been no other matters or circumstances that have arisen since the end of the period that have materially affected or may materially affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years.

Signed in accordance with a resolution of the Board of Directors.

Timothy Brown
Director
Sydney, 4 August 2021

Jessie Glew
Director
Sydney, 4 August 2021

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Timothy Brown
Director
Sydney, 4 August 2021

Jessie Glew
Director
Sydney, 4 August 2021

Auditor's Independence Declaration and Audit Report

Business advice and accounting

ESV

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As auditor for the audit of Planloc Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney on the 2nd day of August 2021

ESV

ESV Business Advice and Accounting

David Robinson
Partner

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Business advice and accounting

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLANLOC LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Planloc Limited ('the Company'), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes including a summary of significant accounting policies, and the directors' declaration.

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

- giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- 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 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* (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 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.

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.

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Auditor's Independence Declaration and Audit Report

Business advice
and accounting

Valuation of Property Investment Portfolio	
Key Audit Matter	**How the scope of our audit responded to the risk**
As of 30 June 2021, the investment property is valued at $21.5 million (June 2020: $21.5 million) which is significant to the balance sheet. The investment property is recorded at fair value. The valuation recorded as at year end is based on Director's valuation which is based on the independent valuation obtained as of 31 December 2020. The external valuations make a number of property specific key estimates and assumptions; assumptions in relation to market comparable yields and estimates in relation to future rental income increases or decreases and discount rates and other inputs. The Covid 19 pandemic has resulted in economic uncertainty and a reduction in market transaction evidence. Management has addressed the higher risk by using external valuation experts to value investment properties. The audit approach considered how Covid 19 is likely to effect property values and inputs into valuation models and included assessing lease expiry, rent waivers, growth rates and let up timeframes. The valuation of the investment property held is the key driver of the net assets value and total return. Incorrect valuation could have significant impact on the investment valuation and, therefore, the return generated for shareholders.	Our procedures included, but were not limited to: › Obtain a schedule of investment property and agree it to the consolidation workbook and trial balance › Obtained copy of independent valuers' valuation report for the property and compared the value to recorded valuation in general ledger and calculated the difference between the two values and make inquiries regarding changes in tenancy levels and level of capital expenditure incurred and assess the reasonableness of impact it has on the valuation of the property. › We performed following procedures: – Assessed reasonableness of key judgements, assumptions and inputs used, such as lease incentives, rental growth rates, let up periods, allowances for rent waivers and deferrals. – Compared the yield rates used in the calculation to other market participants – We agreed key inputs to underlying tenancy schedules – Review of the expert's competence and objectivity as independent valuer. – Obtain the tenancy schedule and considered if there are any significant movements that could result in a change in value › Assessing the disclosures in the financial report including using our understanding obtained from the testing against the requirements of the accounting standard. There are increased economic and financial uncertainties as a result of COVID-19. This will require management to increase the frequency of valuation and provide clear and full disclosure of valuations. Based on our work performed, we conclude the valuation of the investment property is not materially misstated as at yearend.

Business advice
and accounting

Other Information

Other information is financial and non-financial information in the Company's annual report which is provided in addition to the Financial Report and the Auditor's Report for the year ended 30 June 2021. The directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' report which we obtained prior to the date of this auditor's report but does not include the financial report and our 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.

Directors' Responsibilities 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 Company 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 Company or to cease operations, or has 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 the 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: http://www.auasb.gov.au/ auditors_responsibilities/ar2.pdf This description forms part of our auditor's report.

Dated at Sydney on the 4th day of August 2021.

ESV

ESV Business Advice and Accounting

David Robinson
Partner

Notes

Neutral Bay, NSW

WOTSO Property (ASX:WOT)
A stapled security comprising:

- WOTSO Limited (ACN 636 701 267)
- BlackWall Fund Services Limited (ACN 079 608 825) as responsible entity for BlackWall Property Trust (ARSN 109 684 773)
- Planloc Limited (ACN 062 367 560)

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