



WOTSO

INTERIM FINANCIAL REPORT

HALF-YEAR ENDED
31 DECEMBER 2020

Sunshine Coast, QLD

personal use only

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Chermside, QLD

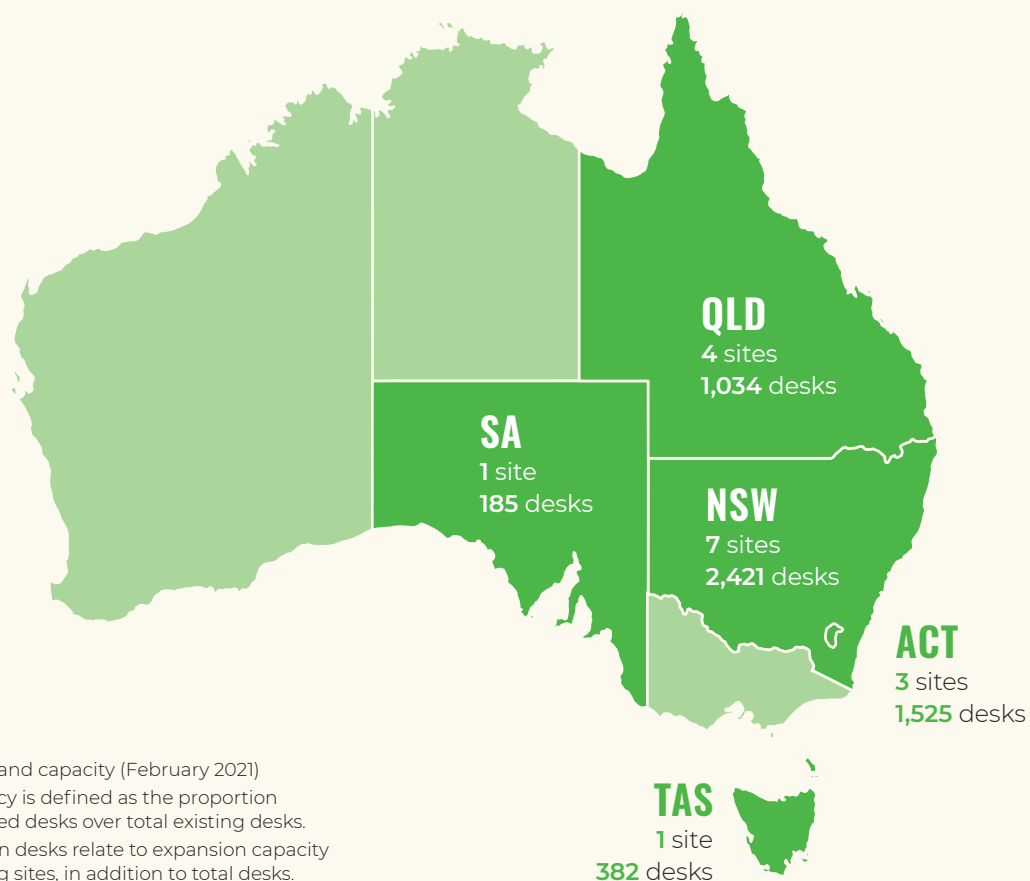
KAHLO

Directors' Report

What We Do

WOTSO Limited (WOTSO or the Group) is a provider of flexible space, that facilitates our members' businesses. WOTSOs are well-designed spaces in prominent locations surrounded by parking, transport and amenities. Our use of eye-catching street art and signage means potential customers know where a

WOTSO is before they have a need for our services. We sell office space on flexible terms, largely monthly or daily, removing the frictions often associated with the provision of commercial office space. This helps us build long-term relationships on short-term contracts.



Locations and capacity (February 2021)

¹ Occupancy is defined as the proportion of occupied desks over total existing desks.

² Expansion desks relate to expansion capacity at existing sites, in addition to total desks.

16 sites
3,946 occupied desks
5,547 total desks
71% occupancy¹
900 expansion desks²

Operational Update

WOTSO has benefitted from a strong recovery since June 2020, driven by the improved containment of COVID-19 (COVID) in Australia and a strong demand for flexible working space in regional and suburban areas. As of February 2021, annualised turnover has increased to \$16.5 million, \$7.6 million above annualised June turnover and \$0.4 million above pre-COVID turnover.

COVID has brought flexible work practices to the front of mind of employees and employers alike. WOTSO is benefiting from this focus. The table below shows the recovery in desk occupancy since COVID hit and we are now above where we were in February 2020. We have also seen flexible day passes becoming a more material revenue line for us. Our day pass purchases were averaging around 200 a month across the portfolio, that number has tripled to over 600 and we expect this to continue.

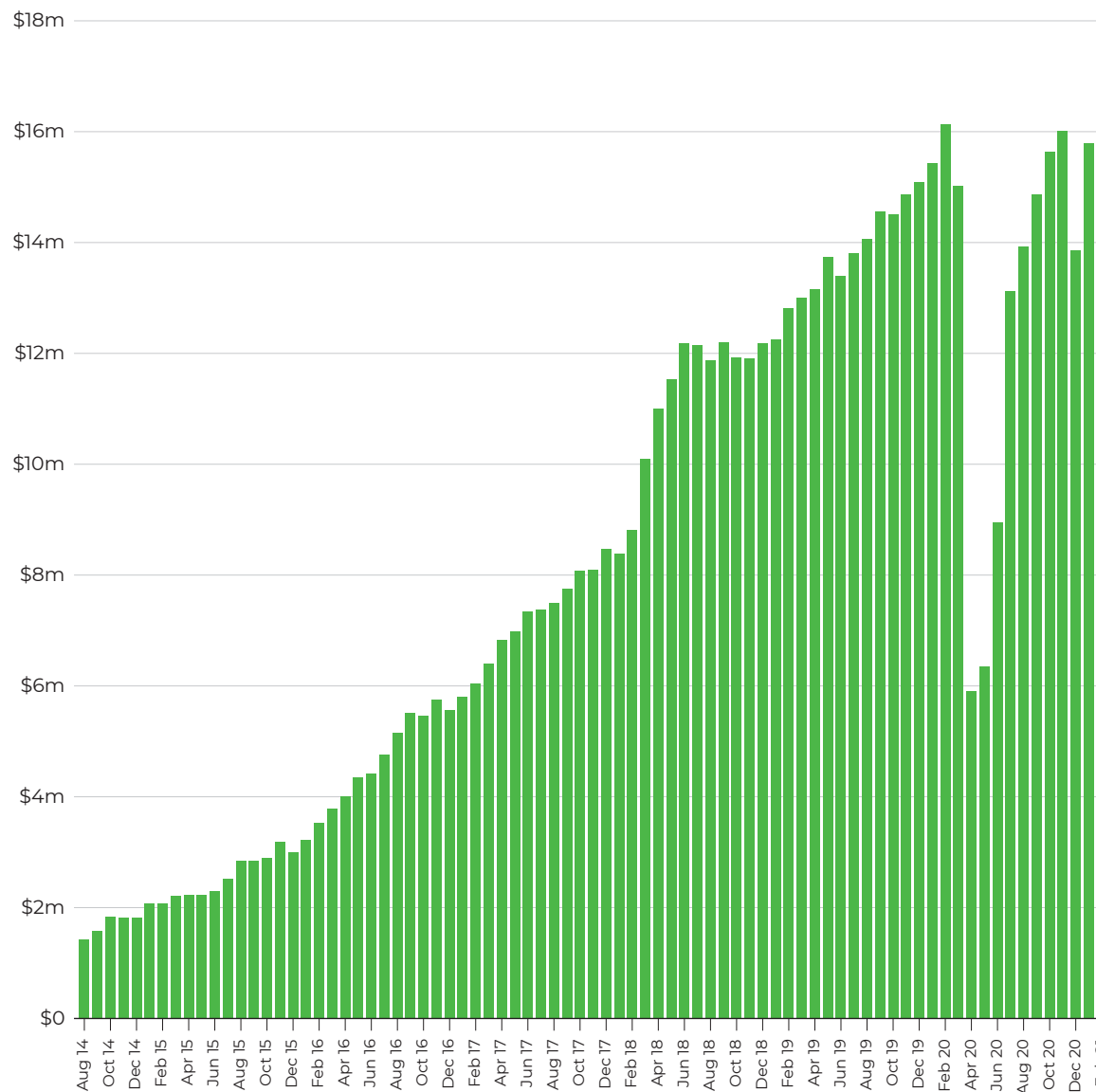
COVID Update

COVID Impact on Occupancy (Australia)	Total
Occupied desks February 2020	3,543 desks
Suspended or cancelled due to COVID	(2,299) desks
Net increase since COVID	2,702 desks
Current Occupied Desks February 2021	3,946 desks

WOTSO has continued to look for new expansion sites but has not executed any deals during the interim period. Instead, we have used this time to focus on improving our existing offering and have completed expansion works at several sites to keep up with demand. We still have capacity to expand by at least 900 desks at existing sites.

The continuous development of our purpose-built flexible space platform, Hamlet, has allowed us to improve our analysis of sales and member retention. 2020 was a year to work on operational efficiencies and filling up our existing space. 2021 is the year to expand.

WOTSO Annualised Turnover



Note 1: December 2020 and January 2021 annualised turnover was impacted by site closures during COVID lockdowns in Adelaide and Manly respectively.

Note 2: February 2021 forecast annualised turnover have been included above.

Financial Overview

WOTSO made a statutory loss of \$2.04 million in the 6 months to 31 December 2020 compared to \$2.97 million in the comparative period. This was largely driven by right of use lease expenses which are significantly higher than actual rent payments.

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Underlying Operating Cash Flow		
Tenant receipts	7,852	3,976
Franchise fees	38	333
Staff costs	(1,629)	(1,119)
Operating expenses	(2,940)	(1,438)
Government assistance	674	-
Bonds paid – Bondi	(28)	(309)
Lease payments	(2,228)	(2,147)
Net Underlying Operating Cashflow	1,739	(704)

WOTSO's Underlying Operating Cash Flow is defined as statutory operating cash flow, adjusted to include lease payments. We see this as a true reflection of our operational cashflow. As shown above, this measure has seen significant improvement in the period and our operations have once again started to generate positive cash flows following a build-up period at our newest sites. Most pleasing is that even after adjusting for government assistance (\$674,000) and COVID rent waivers / deferrals (\$726,000), WOTSO has generated cash inflows of \$339,000 in the period. This has improved throughout the period, generating cash inflows of \$538,000 in December. There are a number of lease incentives running off over the next 12 months, however increases in revenue are expected to offset these additional costs.

WOTSO revenue was \$7.58 million in the 6 months to 31 December 2020, an increase of \$3.51 million over the comparative period to 31 December 2019. This was largely driven by:

- the acquisition of BWR Franchise on 31 December 2019 (\$2.57 million);
- the acquisition of Neutral Bay Franchise on 31 October 2020 (\$0.29 million); and
- government assistance payments of \$0.62 million.

Like for like revenue was comparable across both periods.

WOTSO underlying operating expenses (including lease payments) were \$6.50 million in the 6 months to 31 December 2020, an increase of \$1.73 million over the comparative period to 31 December 2019. This was largely driven by:

- the acquisition of BWR Franchise on 31 December 2019 (\$2.57 million);
- the acquisition of Neutral Bay Franchise on 31 October 2020 (\$0.26 million); and
- opening of Zetland, Woden and Manly (\$0.82 million).

Partially offset by:

- rent-free period at North Strathfield (\$1.28 million);
- a reduction in staff costs (\$0.25 million) as a result of the restructuring in January 2020; and
- COVID rent waivers (\$0.39 million).

Closure of Kuala Lumpur

WOTSO made the decision to close its site in Kuala Lumpur in early January 2021. This was driven by a range of factors, the most significant being the inability of WOTSO management to travel to this site and the severity of the COVID outbreak in Malaysia. This site closed its doors on 31 January 2021. This is not expected to result in a significant cost to the WOTSO business.

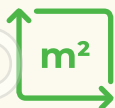
What Makes an Ideal WOTSO?

As we continue our search for the next WOTSO location, we have a few key requirements in mind, some might say our secret sauce. It really is quite simple:



Location location location

WOTSOs are conveniently located in a suburban or regional area, near amenities such as gyms, childcare centres and grocery stores. We also love having ample parking nearby and excellent public transport links.



Size

Ideally our spaces are across a single floor plate and around 1,500 to 2,000 sqm.



Rent

This is our largest expense so if we can find a landlord that is prepared for rent to be a percentage of turnover, this really helps during a site's build-up stage. This often means a lower rent is paid at the start of a lease, but our landlords share in the upside once a site reaches maturity.

Stapling Transaction

This will be WOTSO's final report as a stand-alone entity as the stapling transaction with BlackWall Property Trust (BWR) is expected to be implemented on 17 February 2021. WOTSO obtained shareholder approval for the transaction on 29 January 2021 and court approval was granted on 5 February 2021. The new stapled securities will form a single 'stapled structure' to be known as WOTSO Property. All WOTSO shareholders will receive 1 stapled security in WOTSO Property for approximately every 3.92 WOTSO shares they own. These will be tradeable on the ASX, under the ticker WOT, from 18 February 2021 on a normal settlement basis.

As detailed in the stapling documents we believe this places WOTSO in an optimal position for growth, whilst providing WOTSO shareholders with liquidity in their investment. The newly formed WOTSO Property will be Australia's first listed flexible property security. It will use BWR capital to deploy its strategy of acquiring suburban and regional property that will suit a flexi space, providing expansion opportunities for WOTSO. Third party lease structures are still an option, but they will need to be on the right terms and flexible in nature.

Closing Comments

We thank you for supporting the stapling transaction in the recent shareholder meetings and look forward to your continued engagement with WOTSO Property. The next period brings exciting opportunities for our business in this new stapled structure. As always, we will keep you updated along the way and encourage you to reach out if you have any questions.

Tim Brown and Jessie Glew

Interim Joint Managing Directors

Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue			
Revenue from WOTSO members	2	6,925	3,767
Franchise fees	2	34	303
Government assistance – COVID	2	621	-
Total Revenue		7,580	4,070
Expenses			
Rent waivers – COVID	3	394	-
Staff costs		(1,659)	(1,362)
Interest expense	1	(24)	-
Other operating expenses		(2,316)	(1,264)
Total Expenses		(3,605)	(2,626)
Operating Profit		3,975	1,444
Depreciation – fit-out	5	(1,264)	(421)
Depreciation – right of use lease asset	5	(4,173)	(3,602)
Interest – right of use lease liability		(878)	(972)
Gain on lease modifications	4	340	-
Impairment of goodwill	7	(36)	(162)
Loss Before Income Tax		(2,036)	(3,713)
Income tax benefit		-	745
Loss for the Period		(2,036)	(2,968)
Other comprehensive income		-	-
Total Loss		(2,036)	(2,968)

Balance Sheet

as at 31 December 2020

	Note	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Assets			
Current Assets			
Cash and cash equivalents		171	695
Trade and other receivables		326	410
Lease incentive receivable – Yuhu	4	-	1,419
Provision for lease incentive – Yuhu	4	-	(582)
Total Current Assets		497	1,942
Non-Current Assets			
Lease rental deposits		556	528
Internal software development – Hamlet	6	565	435
Property, plant and equipment	5	13,107	11,233
Right of use lease assets	5	52,356	34,827
Total Non-Current Assets		66,584	47,023
Total Assets		67,081	48,965
Liabilities			
Current Liabilities			
Trade and other payables		1,713	1,628
Rent payable – North Strathfield	4	-	838
Loans payable – related party	1	2,900	2,000
Deferred revenue		346	216
Deferred lease payments – COVID	3	213	82
Provisions for employee benefits		200	173
Tenant deposits		133	109
Right of use lease liabilities		6,336	5,773
Total Current Liabilities		11,841	10,819
Non-Current Liabilities			
Deferred lease payments – COVID	3	652	330
Make good provisions		1,425	1,369
Provisions for employee benefits		8	3
Right of use lease liabilities		50,182	31,435
Total Non-Current Liabilities		52,267	33,137
Total Liabilities		64,108	43,956
Net Assets		2,973	5,009
Equity			
Share capital		11,602	11,602
Retained losses		(8,629)	(6,593)
Total Equity		2,973	5,009

Statement of Cash Flows

for the half-year ended 31 December 2020

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash Flows from Operating Activities			
Members receipts		7,852	3,976
Franchise fees		38	333
Government assistance - COVID		674	-
Operating expenditure		(2,940)	(1,438)
Employee payments		(1,629)	(1,119)
Lease rental deposits paid		(28)	(309)
Net Cash Inflow from Operating Activities		3,967	1,443
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(2,591)	(7,896)
Payments for software development – Hamlet	6	(143)	(131)
Proceeds from sale of property, plant and equipment		-	2,305
Advance to UEM Joint Venture		(1)	(66)
Purchase of subsidiary – WOTSO Neutral Bay Pty Ltd	7	(500)	-
Cash entering group on acquisition of subsidiaries	7	72	17
Net Cash Outflow from Investing Activities		(3,163)	(5,771)
Cash Flows from Financing Activities			
Increase in borrowings		900	600
Lease payments including interest		(2,228)	(2,147)
Issue of shares		-	6,852
Net Cash (Outflow) / Inflow from Financing Activities		(1,328)	5,305
Net (Decrease) / Increase in Cash and Cash Equivalents		(524)	977
Cash and cash equivalents at the beginning of the period		695	50
Cash and Cash Equivalents at End of the Period		171	1,027

All items inclusive of GST where applicable.

Reconciliation of Operating Cash Flows

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Loss Before Tax for the Period	(2,036)	(3,713)
Non-Cash Flows in Loss:		
Depreciation	5,437	4,023
Interest	878	972
Right of use lease modifications	(340)	-
Goodwill Impairment	36	162
Deduct rent waivers (included in financing cash flows)	(332)	-
Changes in Operating Assets and Liabilities:		
Decrease / (increase) in trade and other receivables	83	(13)
Increase / (decrease) in trade and other payables	107	219
Increase / (decrease) in provisions	32	127
Increase / (decrease) in deferred revenue	130	(25)
Decrease / (increase) in rental deposits	(28)	(309)
Net Cash Inflow from Operating Activities	3,967	1,443

Statement of Changes in Equity

	No. of Shares on Issue	Issued Capital \$'000	Retained Earnings / (Losses) \$'000	Attributable to Owners of the Parent \$'000	TOTAL \$'000
Balance at 1 July 2020	81,068,581	11,602	(6,593)	5,009	5,009
Loss for the period	-	-	(2,036)	(2,036)	(2,036)
Balance at 31 December 2020	81,068,581	11,602	(8,629)	2,973	2,973
Balance at 1 July 2019	60,000	60	4,298	4,358	4,358
Loss for the period	-	-	(2,968)	(2,968)	(2,968)
Balance at 31 December 2019	60,000	60	1,330	1,390	1,390

Notes to the Financial Statements

1. Cash Flow Management

As at 31 December 2020, the Consolidated Balance Sheet showed current liabilities exceeding current assets by \$11.3 million. Of this, \$6.3 million relates to lease payments due over the next 12 months and \$2.9 million relates to a secured loan from BWR. Interest on this loan is payable at 2.00% above the prevailing RBA cash rate. The loan is repayable at call and is secured against WOTSO's fit-out. As WOTSO will be forming a new stapled group with BWR within weeks of the reporting date, this is not considered at risk of non-renewal.

The negative working capital position is a result of substantial growth over the past 18 months, with significant upfront outlays to open new sites. In addition, WOTSO was hit hard by COVID, with revenue down by 60%, on average, in the period from April to June 2020. However, the recovery since has been very strong, with occupancy now above pre-COVID levels. As disclosed in the Director's report, WOTSO has generated underlying operating net cash inflows of \$1,738,000. Underlying operating cashflows is defined as statutory operating cashflow adjusted to include lease payments. This is expected to continue to improve as our sites expand and grow.

2. Revenue

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Disaggregation of Revenue from Contracts with Customers:		
Offices	4,942	2,564
Coworking	1,164	675
Other services*	819	528
Total Revenue from WOTSO Members	6,925	3,767

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

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Franchise Fees:		
Franchise fees – BWR	-	229
Franchise fees – BWF	34	74
Total Franchise Fees	34	303

WOTSO qualified for the JobKeeper scheme during the entire reporting period and received \$684,000 as part of COVID Government assistance:

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Government Assistance:		
JobKeeper wage subsidy	684	-
Cash flow boost	(63)	-
Total Government Assistance	621	-

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. The ineligibility is based on a technicality that WOTSO does not agree with and WOTSO is assessing its options to appeal.

3. Rent Waivers and Deferrals

During the COVID crisis, the Federal Government mandated a code of conduct between commercial landlords and their tenants. This mandates that lessors provide rent relief to commercial tenants significantly impacted by the pandemic. Rent relief is required to be at the same proportion of the tenant's reduction in revenue driven by the pandemic. This relief is 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.

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.

From the start of the COVID pandemic in March 2020 to 31 December 2020, a total of \$1,070,000 had been waived and \$865,000 deferred repayments will commence and will continue over the term of the leases.

4. Leases – Additions, Terminations and Modifications

North Strathfield

As reported in the WOTSO FY20 Annual Report, WOTSO has been in negotiations with Yuhu, its landlord at North Strathfield, to consolidate its three leases and reduce its overall footprint. An agreement was reached during the interim period, resulting in merging the leases into one and an overall reduction in area of 5,000 sqm from the original lease agreements. The new lease includes a rent-free period variation and an extension of the lease term to March 2035.

As at 30 June 2020, WOTSO had \$838,000 of outstanding rental payments to Yuhu. An offsetting receivable was also recognised as WOTSO was expecting to offset this against the lease incentive it was due. As expected, these amounts have been cleared as part of the negotiations in the current period.

The modifications and terminations of this lease resulted in an accounting gain of \$324,000. In addition, the extension of the lease term and the variation of the rent-free period have driven a reassessment of the existing lease, resulting in an increase of the right of use lease asset and liability of \$16.3 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. 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 lease asset and liability of \$96,000.

New Leases

Two new leases were executed during the reporting period, 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 7 – Acquisition of Subsidiary.

5. Non-Current Assets – Property, Plant and Equipment

	Fit-out \$'000	Leases \$'000	Total \$'000
As at 31 December 2020			
Carrying Amount at the Beginning of the Period	11,233	34,827	46,060
Right of use lease assets – modifications*	-	11,917	11,917
Remeasurement of right of use lease assets**	-	2,327	2,327
Transfer from WOTSO Neutral Bay	574	1,790	2,364
Additions	2,564	5,939	8,503
Depreciation expense	(1,264)	(4,173)	(5,437)
Disposals	-	(271)	(271)
Carrying Amount at the End of the Period	13,107	52,356	65,463

*Includes the lease modification for Neutral Bay, described in Note 7 – Acquisition of Subsidiary and the modifications of the North Strathfield Lease described in Note 4 – 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 7 – Acquisition of Subsidiary.

6. Internal Software Development

	Dec 2020 \$'000	Jun 2020 \$'000
Carrying amount at the beginning of the period	435	173
Internal software development	130	262
Total	565	435

Internal software development relates to costs incurred to develop WOTSO's internal software, Hamlet, used in the operation of all WOTSO sites. Hamlet's functionality covers billing, meeting room bookings, interaction with members and CRM functionality. Development is ongoing and the majority of work is expected to be completed by the end of FY21.

7. 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 period. Management considered there to be insufficient evidence of future economic benefits from the entity in order 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 lease asset and the right of use lease 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	207
Expenses	(295)
Loss Since November 2020	(88)

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	639
Expenses	(733)
Adjusted Loss if Business Combinations Completed at Start of Reporting Period	(94)

8. Investment in Joint Venture

The Group operated 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	
			Dec 2020	Jun 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 decided to permanently close its site in Malaysia. The total estimated costs to close, including staff redundancy payments are \$30,000.

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.

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Summarised Balance Sheet		
Current assets	48	43
Non-current assets	267	369
Current liabilities	(170)	(100)
Non-current liabilities	(648)	(743)
Net Liabilities	(503)	(431)

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Summarised Profit or Loss		
Revenue	61	73
Operating expenses	(67)	(114)
Depreciation and Interest	(90)	(98)
Loss for the Period	(96)	(139)

9. Non-Current Assets – Deferred Tax Assets

WOTSO has not recognised deferred tax assets during this period. 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. WOTSO estimates that net deferred tax asset is at least \$2 million.

10. Contingencies

The Group had no contingent assets or liabilities as at 31 December 2020 (30 June 2020: \$nil).

11. Subsequent Events

WOTSO shareholders approved the stapling proposal for its stapling transaction to Blackwall Property Trust and Planloc Ltd at a meeting on 29 January 2021. Following this, the transaction was approved by the courts on 5 February 2021 and the scheme is expected to be implemented on 17 February 2021.

As disclosed in Note 8 – Investment in Joint Ventures, WOTSO permanently closed its Malaysia site on 31 January 2021.

Apart from the above matters, to the best of the Directors' knowledge, since the end of the period, 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.

12. Related Party Transactions

Related Parties, Associates, Managed Funds

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 8 – 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.

The Group charges franchise fees and other charges to related parties. Franchise fees were 8% of total franchises revenue. Other charges involve accounting, bookkeeping, marketing and advertising, among others.

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.

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue:		
Management and franchise fees	34	303
Expenses:		
Rent and outgoings paid	1,889	516
	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Outstanding Balances:		
Trade and other receivables – current	35	1
Trade and other payables – current	188	292
Loans payable – current	2,900	2,000

13. Financial Risk Management

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.

WOTSO did not have financial assets measured at fair value as at 31 December 2020.

(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.

(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 period ended 31 December 2020:

	\$'000
At 31 December 2020	
Balance at the beginning of the period	-
Balance at 31 December 2020	-
At 30 June 2020	
Balance at the beginning of the year	802
Consolidation of WOTSO Bondi	(500)
Advance to UEM Sunrise	36
Provision for loan to UEM Sunrise	(338)
Balance at 30 June 2020	-

There were no transfers between Level 1, 2 and 3 financial instruments during the period.

14. 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.

15. Basis of Preparation and Accounting Policies

WOTSO Limited is an unlisted public company, 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 for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the

Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020.

The statutory financial information for the Group has been presented for the half-year ended 31 December 2020 and for the comparative financial period ending 31 December 2019. As at 31 December 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, the BWR Franchise was dissolved and WOTSO took over these operations as well. The previous period statutory financial information does not include consolidated BWR Franchise operations; however the current year does. Similarly, with the acquisition of BWF Franchise Pty Ltd on 31 October 2020, WOTSO has taken control of this entity, and consolidated from this date. This means the current period statutory financial information includes two months of consolidated results from this entity, whereas the comparative period has none.

The principal accounting policies adopted are consistent with those of the previous financial year ended 30 June 2020 and corresponding interim report period, unless otherwise stated.

The financial statements are presented in Australian dollars.

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.

Additionally, short-term funding may be obtained from BWR Property Trust if needed.

WOTSO does have a loss for the period 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. More detail has been provided in Note 1 – Cash Flow Management.

Rounding

WOTSO is a group of the 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.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current period. 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 of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Directors' Report

(Continued from Page 6)

Information on Officeholders

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

Joseph (Seph) Glew (Non-Executive Director and Chairman)

Tim Brown (Executive Director and Interim Joint Managing Director)

Jessie Glew (Executive Director and Interim Joint Managing Director)

Alex Whitelum (Company Secretary)

Auditor and Non-Audit Services

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 continues in office in accordance with Section 327 of the Corporations Act 2001.

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

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 Standard AASB 134 *Interim Financial Reporting*, 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 31 December 2020 and of its performance for the period 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 Interim 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.



Tim Brown
Director
Sydney, 5 February 2021



Jessie Glew
Director
Sydney, 5 February 2021



Tim Brown
Director
Sydney, 5 February 2021



Jessie Glew
Director
Sydney, 5 February 2021

Auditor's Independence Declaration and Review Report

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF WOTSO LIMITED AND ITS CONTROLLED ENTITIES

In accordance with the requirements of section 307C of the Corporations Act, as auditor for the review of WOTSO Limited and its Controlled Entities for the half year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Dated at Sydney the 5th of February 2021



ESV Business advice and accounting



Chris Kirkwood
Partner

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF WOTSO LIMITED AND ITS CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of WOTSO Limited and Controlled Entities ("the Group"), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information on pages 7 to 15, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of WOTSO Limited and its Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF WOTSO LIMITED AND ITS CONTROLLED ENTITIES

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of WOTSO Limited and its Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Dated at Sydney on the 5th of February 2021



ESV Business advice and accounting



Chris Kirkwood
Partner



North Strathfield, NSW



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