Alloggio Group Limited

ABN 64 645 582 225

Annual Financial Report - 30 June 2021

Alloggio Group Limited
Corporate directory
30 June 2021

Directors	John Murphy – Non-Executive Chairman Will Creedon - Managing Director and Chief Executive Officer Karen Howard - Non-Executive Director Christopher Sneddon - Non-Executive Director Matthew Keen - Non-Executive Director
Company secretary	Michael Potts
Principal place of business and registered office	840 Hunter Street Newcastle NSW 2300
Auditor	PKF 755 Hunter Street Newcastle West NSW 2302
Solicitors	Travis Partners 1 Honeysuckle Drive Newcastle NSW 2300
Bankers	Commonwealth Bank of Australia 136 Parry Street Newcastle West 2302
Website	www.alloggio.com.au

Alloggio Group Limited
Directors' report
30 June 2021

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

Alloggio Group Limited (AGL) was incorporated on 2 November 2020. AGL was a shell company incorporated to complete a Merger Transaction and to be the new holding company for the merged group.

On 2 November 2020, AGL acquired the shares of Esplanade Holdings Pty Ltd (EHPL) which is the holding company for the entities listed below, through the issue of shares in AGL:
- Esplanade Unit Trust Pty Ltd and its wholly-owned subsidiary Alloggio Pty Ltd.
- Esplanade Projects Unit Trust and its wholly-owned subsidiaries: Alloggio Hotels Unit Trust, Alloggio Management Unit Trust, Trova Unit Trust and Agile Maintenance Pty Ltd. These entities represent all the operating businesses within the ‘group’.

To facilitate the merger transaction, the following restructure occurred prior to the merger:
- Esplanade Unit Trust Pty Ltd (EUTPL) acquired Alloggio Pty Ltd on 27 October 2020 from Alloggio Holdings Pty Ltd (AHPL). Both EUPTL and AHPL were under the common control of entities associated with William Creedon.
- EHPL was incorporated on 30 October 2020 and acquired Esplanade Projects Unit Trust (EPUT) on the same date. EPUT is the beneficial owner of all the units in the 3 trusts: Alloggio Hotels Unit Trust, Alloggio Management Unit Trust and Trova Unit Trust.
- The shares in EUTPL were sold to EHPL on 31 October 2020. Both EUPTL and EHPL were under the common control of William Creedon.

AGL and EHPL were shell companies incorporated to complete the Merger Transaction and AGL was the new holding company for the combined group. The Merger Transaction included the combination of a number of entities that had common ownership and therefore excluded from AASB 3 *Business Combinations*. Esplanade Projects Unit Trust has been identified as the acquirer for the business combinations resulting from the Merger Transaction. The Merger Transaction was undertaken so as to facilitate the proposed listing of AGL on the Australian Securities Exchange.

The “top-hatting” of the existing group with newly incorporated holding companies (AGL and EHPL) and the consolidation of the common controlled entities are a restructure of the existing business operations and therefore it was considered that the predecessor (continuation) method of accounting (book value) was most appropriate.

Esplanade Projects Unit Trust (EPUT) was the parent entity for the short-term accommodation business and has been identified as the ‘acquirer’ for accounting purposes. Accordingly, the consolidated financial statements have been prepared as a continuation of the consolidated financials of EPUT and its controlled entities plus Alloggio Pty Ltd. The comparative financial information from 1 July 2019 to 30 June 2020 presented in the consolidated financial statements is that of EPUT (accounting acquirer) and its controlled entities: Alloggio Hotels Unit Trust, Alloggio Management Unit Trust and Trova Unit Trust, and Alloggio Pty Ltd. Refer to note 1 and note 28 of the financial statements for further details of the business combination.

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

John Murphy (appointed 6 August 2021)
Will Creedon (appointed 2 November 2020)
Karen Howard (appointed 10 February 2021)
Christopher Sneddon (appointed 10 February 2021)
Matthew Keen (appointed 2 August 2021)
David Fairfull (appointed 2 November 2020 and resigned 13 August 2021)

Principal activities
The principal activities of the consolidated entity during the year consisted of the management of short-term accommodation through hotels, motels and rent rolls.

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2021 $	Consolidated 2020 $
Dividends paid to the shareholders of Alloggio Pty Ltd	680,000	-

The above dividend payments occurred prior to the Merger Transaction.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $110,472 (30 June 2020: $940,725).

Reconciliation of profit before income tax to EBITDA and Adjusted EBITDA (unaudited):

	Consolidated 2021 $	Consolidated 2020 $
Profit/(loss) before income tax	220,633	(877,111)
Depreciation and amortisation	3,351,910	2,402,839
Interest revenue	(387)	(20)
Finance costs	1,659,235	1,218,379
EBITDA	5,231,391	2,744,087
Rent concession income	(798,475)	-
Adjusted EBITDA	4,432,916	2,744,087

Reconciliation of Adjusted EBITDA to Proforma EBITDA (unaudited):

	Consolidated 2021 $	Consolidated 2020 $
Adjusted EBITDA	4,432,916	2,744,087
Rental expense reinstatement	(2,209,913)	(2,198,596)
Proforma EBITDA	2,223,003	545,491

EBITDA, adjusted EBITDA and proforma EBITDA are non-IFRS earnings measures which do not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. These measures, which are unaudited, are important to management as an additional way to evaluate the consolidated entity's performance.

Adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings because of isolated or non-recurring events.

Proforma EBITDA is adjusted for the reinstatement of the rental expense to achieve an EBITDA that removes the impact of the adoption of AASB 16 *Leases*.

The operations of the consolidated entity comprised the management of short term holiday accommodation through hotels, motels and rent rolls. The consolidated entity continued to invest in making strategic EBITDA accretive acquisitions to strengthen and grow the business.

The management of the acquired rent rolls contributed revenues of $0.82M and EBITDA of $0.34M to the consolidated entity from the dates of their respective acquisitions to 30 June 2021.

The consolidated entity's operations were directly impacted by the continued effects of the global pandemic COVID-19. The impacts arose due to the domestic and global government health responses in relation to the movement of people away from their homes to holiday destinations. During the course of the year, as restrictions started to be relaxed the consolidated entity experienced a rapid upturn to holiday bookings.

Given the nature of the operations of the consolidated entity, there is a risk that further outbreaks in the domestic geography will again lead to a rapid downturn in revenues from holiday bookings, however with a high uptake of vaccinations within the Australian population, a similar and rapid upturn to holiday bookings would be expected upon the relaxation of people movement restrictions across the country.

Significant changes in the state of affairs
For more information on significant changes in the state of affairs of the consolidated entity during the financial year refer to the introduction paragraph at the commencement of the Directors' Report.

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

Matters subsequent to the end of the financial year
On 1 July 2021, the consolidated entity entered into a purchase agreement to acquire a rent roll management agreement asset in the Mollymook geography in NSW. The total consideration paid was $613,000.

On 27 July 2021 the consolidated entity entered into a purchase agreement to acquire a commercial lease agreement to operate a hotel and serviced apartments in Brisbane QLD. The current lease term expires on 31 March 2039. The total consideration paid was $500,000.

On 24 August 2021 the consolidated entity entered into a purchase agreement for the acquisition of a rent roll management agreement asset in the Mornington Peninsula geography in Victoria. The total consideration was $930,000.

During August 2021 the consolidated entity issued convertible notes for $2,235,000. The net cash received from the issue of the convertible notes will be utilised for strategic acquisitions, including the rent roll management agreement asset in the Mornington Peninsula geography acquired on 24 August 2021 as well as for working capital and costs associated with the company's proposed Initial Public Offering ("IPO").

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Likely developments in the operations of the consolidated entity that were not finalised at the date of this report included a proposed IPO of Alloggio Group Limited on the Australian Securities Exchange (ASX). The company is expected to finalise its prospectus in the second half of the calendar year 2021 in order to facilitate a listing on the ASX.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	William Creedon (appointed 2 November 2020)
Title:	Managing Director and Chief Executive Officer
Qualifications:	None
Experience and expertise:	More than 30 years experience in the hospitality industry globally.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Managing Director
Interests in equity units:	46,929,510
Interests in options:	Nil

Name:	John Murphy (appointed 6 August 2021)
Title:	Non-Executive Chairman
Qualifications:	BCom, MCom, FCPA, CA
Experience and expertise:	Mr Murphy was appointed a director and Chairman on 6 August 2021. He was a partner in international accounting firm Arthur Andersen where he specialised in merger and acquisition and insolvency and reconstruction. He held management positions in that firm at the Australian, Regional and Global levels. He has also spent 20 years as founder and managing director of various private equity funds including Investec Wentworth Private Equity and Adexum Capital Limited. He was director of Investec Bank Australia Limited from 2004 to 2012. Mr Murphy has extensive public company experience having been a director previously of Southcorp Limited, Specialty Fashion Group Limited,Vocus Communications Limited, Gale Pacific Limited, Redflex Limited, and Australian Pharmaceutical Industries Limited. He is currently a director on Ariadne Australia Limited.
Other current directorships:	Ariadne Australia Limited (since 6 December 2006)
Former directorships (last 3 years):	None
Special responsibilities:	Chairman
Interests in equity units:	3,571,429
Interests in options:	Nil

Name:	Karen Howard (appointed 10 February 2021)
Title:	Non-Executive Director
Qualifications:	FAICD
Experience and expertise:	More than 20 years' experience as a Non-Executive Director on not-for-profit, Charity, State & Federal Government boards, and more than 21 years' business experience.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in equity units:	10,928,790
Interests in options:	Nil

Name:	Christopher Sneddon (appointed 10 February 2021)
Title:	Non-Executive Director
Qualifications:	BCom, FCA, FAICD
Experience and expertise:	Corporate advice to small and medium businesses since 1984. Mr Sneddon is a Director with Maxim Advisors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in equity units:	6,428,700
Interests in options:	Nil

Name:	Matthew Keen (appointed 2 August 2021)
Title:	Non-Executive Director
Qualifications:	BEng(Elec)
Experience and expertise:	Corporate and mergers and acquisitions experience.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in equity units:	Nil
Interests in options:	Nil

Name:	David Fairfull (appointed 2 November 2020 and resigned 13 August 2021)
Title:	Non-Executive Director
Qualifications:	BCom, ACIS, CPA, FFin, MAICD
Experience and expertise:	Mr David Fairfull is the Chairman of Hall Chadwick Chartered Accountants. He has had over 50 years' experience in the investment and merchant banking industry and has previously held the positions of Managing Director of Kleinwort Benson Australia Ltd and Pitt Capital Partners Limited as well as CEO of the Glebe Board. Mr Fairfull is a former Chairman of Heritage Brands Ltd and non-executive Director of Kleinwort Benson Plc (UK), Stockland Trust Group, Australian Pharmaceutical Industries Limited, Clover Corporation Limited, New Hope Corporation Limited, TPG Telecom Limited and Washington H Soul Pattinson & Co Limited.
Other current directorships:	None
Former directorships (last 3 years):	Heritage Brands Limited (resigned 28 November 2019)
Special responsibilities:	None
Interests in equity units:	3,571,429*
Interests in options:	Nil*

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

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

* Interests in the shares and options of the company as at the date of resignation as a director.

Company secretary
Michael Potts was appointed Company Secretary on 14 April 2021. Michael is the Chief Finance Officer (CFO) of Alloggio Group Limited and has more than 30 years of experience in major firms including Deloitte, Nexia Australia, MasterPack Systems and JUA Underwriting Agency. Michael's expertise has seen him in roles and responsibilities ranging from consultancy to CFO. Michael holds a Bachelor's Degree in Economics from Macquarie University and is a member of the Chartered Accountants Australia and New Zealand.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
William Creedon	8	8
David Fairfull	8	8
Drew Townsend	8	8
Karen Howard*	6	6
Christopher Sneddon*	6	6

Held: represents the number of meetings held during the time the director held office. Alloggio Group Limited was incorporated on 2 November 2020, and the above table includes meetings of Alloggio Group Limited only from the date of its incorporation.

* Karen Howard and Christopher Sneddon were appointed Directors on 10 February 2021

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in equity unit price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role.

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

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

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

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

Use of remuneration consultants
The consolidated entity did not engage remuneration consultants during the year ended 30 June 2021.

Details of remuneration
Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Alloggio Group Limited:
- William Creedon
- Karen Howard
- Christopher Sneddon
- David Fairfull

And the following person:
- Michael Potts - Chief Financial Officer (appointed 25 March 2021)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2021	Cash salary and fees $	Annual leave $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
K Howard*	12,650	-	-	-	-	-	12,650
C Sneddon*	11,870	-	-	1,128	-	-	12,998
D Fairfull	-	-	-	-	-	-	-
Executive Directors:							
W Creedon*	149,999	11,538	-	14,250	-	-	175,787
Other Key Management Personnel:							
M Potts	46,414	3,865	-	4,405	-	-	54,684
	220,933	15,403	-	19,783	-	-	256,119

* The remuneration disclosed includes amounts paid prior to the incorporation of Alloggio Group Ltd on 2 November 2020.

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

Name:	Will Creedon
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	Not applicable
Term of agreement:	Not applicable
Details:	Will is the founder, major shareholder and Managing Director of Alloggio Group Limited. There was no employment agreement for Will for the year ended 30 June 2021. Remuneration paid to Will during the period was approved by the Board. Will entered into an employment agreement with Alloggio Group Limited on 6 September 2021. Under the terms of his executive contract, Will will be entitled to a base salary of $295,000 plus superannuation and other non-monetary benefits. Will is also entitled to 3,000,000 share options. The term of the contract is open-ended and requires Will to provide 6 months' notice in the event of resignation, and for the company to provide 6 months' notice in the event of termination.

Name:	Michael Potts
Title:	Chief Financial Officer
Agreement commenced:	23 March 2021
Term of agreement:	On going
Details:	Michael is paid a based salary of $182,650 plus superannuation and is subject to annual review. Under the terms of his agreement, Michael is required to provide 12 weeks' notice of his resignation, with the company also required to provide 12 weeks' notice in the event of termination.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of equity units
There were no equity units issued to directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Options
There were no options over ordinary equity units issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2021.

There were no options over ordinary equity units granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Additional disclosures relating to key management personnel
Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Shares issued*	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
William Creedon	46,929,510	-	-	-	46,929,510
Karen Howard	10,928,790	-	-	-	10,928,790
Christopher Sneddon	6,428,700	-	-	-	6,428,700
David Fairfull	-	-	3,571,429	-	3,571,429
	64,287,000	-	3,571,429	-	67,858,429

* Shares issued to acquire Esplanade Holdings Pty Ltd

Other transactions with key management personnel and their related parties
Related party transactions - William Creedon:
Interest paid to an entity associated with William Creedon amounts to $nil (2020: $6,531) and is included in *Finance costs* in the statement of profit or loss.

Related party transactions - Christopher Sneddon:
Christopher Sneddon is a Director in the Australian firm Maxim Advisors. Maxim Advisors provides tax, regulatory compliance, and business advisory services to the consolidated entity and the fees are based on normal commercial terms and conditions. The total value of the services provided by Maxim Advisors from the date of appointment of Christopher Sneddon as a Director (10 February 2021) was $22,523 and is included in *Consulting and professional fees* in the statement of profit or loss.

Loans to/from key management personnel
Details of loans provided by or made to directors of Alloggio Group Limited and other key management personnel of the consolidated entity, including their close family members and entities related to them, are set out below.

Related party entity	KMP related to	Balance at beginning of year $	Loans advanced $	Loans repaid $	Interest charged $	Balance at end of year $
Related party loan liabilities						
Secured:						
Willger Pty Ltd	William Creedon	68,364	4,126	(72,490)	-	-
Unsecured:						
Willger Pty Ltd	William Creedon	54,450	-	(54,450)	-	-
Christopher Sneddon Family Trust	Christopher Sneddon	4,399	-	(4,399)	-	-
		127,213	4,126	(131,339)	-	-
Related party loan receivables						
Unsecured:						
Willger Pty Ltd	William Creedon	10,000	-	(10,000)	-	-

The secured loans were interest-bearing and had fixed repayment terms. The unsecured loans were non-interest bearing and repayable on demand.

This concludes the remuneration report, which has been audited.

Shares under option
There were no unissued ordinary shares of Alloggio Group Limited under option outstanding at the date of this report.

Share issued on the exercise of options
There were no ordinary share of Alloggio Group Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

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

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

Non-audit services
There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of PKF
There are no officers of the company who are former partners of PKF.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
PKF continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Will Creedon
____
William B Creedon
Director

Sep 16 2021 2021
Newcastle

Alloggio Group Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Alloggio Group 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 of 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.

PKF

PKF

M Matthews

MARTIN MATTHEWS
PARTNER

16 SEPTEMBER 2021
NEWCASTLE, NSW

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved under Professional Standards Legislation

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Alloggio Group Limited
Contents
30 June 2021

General information

The financial statements cover Alloggio Group Limited as a consolidated entity consisting of Alloggio Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Alloggio Group Limited's functional and presentation currency.

Alloggio Group Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

840 Hunter Street
Newcastle
NSW 2300

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 September 2021. The directors have the power to amend and reissue the financial statements.

Alloggio Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Revenue	4	11,293,072	7,456,114
Other income	5	1,351,567	641,528
Interest revenue		387	20
Expenses			
Advertising and marketing		(233,111)	(184,946)
Booking fees		(267,410)	(197,121)
Cleaning		(377,562)	(274,638)
Consulting and professional fees		(376,752)	(201,054)
Depreciation and amortisation expense	6	(3,351,910)	(2,402,839)
Employee benefits expense		(2,590,604)	(1,989,545)
Information technology		(329,427)	(235,096)
Insurance		(143,938)	(122,961)
Linen		(259,665)	(240,172)
Management fees		(135,079)	(107,833)
Merchant and bartercard fees		(210,222)	(135,655)
Outgoings		(846,766)	(650,027)
Rent - short term leases		(35,535)	(28,825)
Repairs and maintenance		(154,544)	(172,931)
Other expenses		(1,452,633)	(812,751)
Finance costs	6	(1,659,235)	(1,218,379)
Total expenses		(12,424,393)	(8,974,773)
Profit/(loss) before income tax expense		220,633	(877,111)
Income tax expense	7	(331,105)	(63,614)
Loss after income tax expense for the year	21	(110,472)	(940,725)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(110,472)	(940,725)

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

Alloggio Group Limited
Statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Assets			
Current assets			
Cash and cash equivalents	8	361,771	645,178
Trade and other receivables	9	670,614	169,465
Contract assets	10	234,530	36,984
Other assets	11	283,273	152,930
Total current assets		1,550,188	1,004,557
Non-current assets			
Other financial assets		50	50
Property, plant and equipment	12	475,868	210,416
Right-of-use assets	13	29,872,515	15,042,815
Intangibles	14	9,511,074	4,945,176
Other assets	11	66,026	69,312
Total non-current assets		39,925,533	20,267,769
Total assets		41,475,721	21,272,326
Liabilities			
Current liabilities			
Trade and other payables	15	1,248,245	1,265,975
Borrowings	16	1,184,205	494,587
Lease liabilities	17	2,571,567	1,464,350
Income tax	7	373,930	62,417
Provisions	18	187,636	88,661
Total current liabilities		5,565,583	3,375,990
Non-current liabilities			
Borrowings	16	5,005,000	4,233,023
Lease liabilities	17	29,854,326	14,773,187
Provisions	18	253,680	102,310
Total non-current liabilities		35,113,006	19,108,520
Total liabilities		40,678,589	22,484,510
Net assets/(liabilities)		797,132	(1,212,184)
Equity			
Issued capital	19	7,673,086	373,218
Reserves	20	(4,500,080)	-
Accumulated losses	21	(2,375,874)	(1,585,402)
Total equity/(deficiency)		797,132	(1,212,184)

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

Alloggio Group Limited
Statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2019	373,218	-	(644,677)	(271,459)
Loss after income tax expense for the year	-	-	(940,725)	(940,725)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(940,725)	(940,725)
Balance at 30 June 2020	373,218	-	(1,585,402)	(1,212,184)

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2020	373,218	-	(1,585,402)	(1,212,184)
Loss after income tax expense for the year	-	-	(110,472)	(110,472)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(110,472)	(110,472)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	7,299,868	-	-	7,299,868
Reserve arising from business combinations under common control (note 20)	-	(4,500,080)	-	(4,500,080)
Dividends paid (note 22)	-	-	(680,000)	(680,000)
Balance at 30 June 2021	7,673,086	(4,500,080)	(2,375,874)	797,132

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

Alloggio Group Limited
Statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated 2021 $	2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		11,821,030	8,314,363
Payments to suppliers and employees (inclusive of GST)		(8,108,889)	(5,933,156)
		3,712,141	2,381,207
Interest received		387	20
Government grants and subsidies		535,216	411,602
Interest and other finance costs paid		(1,659,235)	(1,029,214)
Income taxes paid		(19,592)	(157,371)
Net cash from operating activities	31	2,568,917	1,606,244
Cash flows from investing activities			
Payment of deposit on rent roll acquisition		(61,300)	-
Payments for property, plant and equipment		(360,977)	(2,492)
Payments for intangibles		(4,691,577)	-
Proceeds from release of security deposits		12,319	15,294
Net cash from/(used in) investing activities		(5,101,535)	12,802
Cash flows from financing activities			
Proceeds from issue of shares/units		2,913,010	-
Repayment of lease liabilities		(972,172)	(1,008,392)
Equity Unit issue transaction costs		(113,222)	-
Dividends paid	22	(680,000)	-
Net proceeds from/(repayment of) borrowings		901,349	(159,506)
Net cash from/(used in) financing activities		2,048,965	(1,167,898)
Net increase/(decrease) in cash and cash equivalents		(483,653)	451,148
Cash and cash equivalents at the beginning of the financial year		645,178	194,030
Cash and cash equivalents at the end of the financial year	8	161,525	645,178

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

Alloggio Group Limited
Notes to the financial statements
30 June 2021

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted
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.

Going concern
For the year ended 30 June 2021, the consolidated entity incurred a net loss after tax of $110,472 (2020: $940,725). At 30 June 2021, the consolidated entity had net current liabilities of $4,015,395 (2020: $2,371,433).

The adoption of AASB 16 *Leases* has resulted in rental expense being replaced by a depreciation and interest charge. Whilst the overall net impact to profit or loss over the life of the lease will not be different, AASB 16 has introduced more volatility in both the statement of financial position and statement of profit or loss. As the interest component of the expense is front-loaded, this has resulted in an increase in expenses at the commencement of the lease. Additionally, the consolidated entity has recognised a current lease liability for land and buildings of $2,561,461 (2020: $1,428,338) which has contributed to the working capital deficiency. The adoption of AASB 16 has not changed the consolidated entity's overall cash flows.

The loss after tax also includes amortisation of the rent roll intangible asset of $484,601 (2020: $396,208) which is a non-cash expense. The Directors have determined, after taking into account input from external valuers, that the recoverable value from sale of the rent rolls is at least their recorded cost. The potential uplift in value is not recorded in the financial statements.

The Directors have concluded that the going concern basis of preparation of the financial statements is appropriate and any uncertainty regarding going concern is mitigated by the following:
- For the financial year ended 30 June 2021, the consolidated entity achieved net cash inflows from operating activities of $2,568,917 (2020: $1,606,244).
- The consolidated entity issued convertible notes of $2,235,000 in August 2021 (refer note 30).
- The consolidated entity has funded the acquisition of rent rolls primarily with bank borrowings which are short to medium term. The Directors are confident of entering into a new facility in the first half of the 2022 financial year.

Based on the above, the Directors are of the opinion that at the date of signature of the financial report there are reasonable and supportable grounds to believe that the consolidated entity will be able to meet its liabilities from its assets in the ordinary course of business, for a period of not less than 12 months from the date of this financial report and has accordingly prepared the financial report on a going concern basis.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Alloggio Group Limited (AGL) was incorporated on 2 November 2020. AGL was a shell company incorporated to complete a Merger Transaction and to be the new holding company for the merged group.

On 2 November 2020, AGL acquired the shares of Esplanade Holdings Pty Ltd (EHPL) which is the holding company for the entities listed below, through the issue of shares in AGL:
- Esplanade Unit Trust Pty Ltd and its wholly-owned subsidiary Alloggio Pty Ltd.
- Esplanade Projects Unit Trust and its wholly-owned subsidiaries: Alloggio Hotels Unit Trust, Alloggio Management Unit Trust, Trova Unit Trust and Agile Maintenance Pty Ltd. These entities represent all the operating businesses within the ‘group’.

Note 1. Significant accounting policies (continued)

To facilitate the merger transaction, the following restructure occurred prior to the merger:
- Esplanade Unit Trust Pty Ltd (EUTPL) acquired Alloggio Pty Ltd on 27 October 2020 from Alloggio Holdings Pty Ltd (AHPL). Both EUPTL and AHPL were under the common control of entities associated with William Creedon.
- EHPL was incorporated on 30 October 2020 and acquired Esplanade Projects Unit Trust (EPUT) on the same date. EPUT is the beneficial owner of all the units in the 3 trusts: Alloggio Hotels Unit Trust, Alloggio Management Unit Trust and Trova Unit Trust.
- The shares in EUTPL were sold to EHPL on 31 October 2020. Both EUPTL and EHPL were under the common control of William Creedon.

AGL and EHPL were shell companies incorporated to complete the Merger Transaction and AGL was the new holding company for the combined group. The Merger Transaction included the combination of a number of entities that had common ownership and therefore excluded from AASB 3 *Business Combinations*. Esplanade Projects Unit Trust has been identified as the acquirer for the business combinations resulting from the Merger Transaction. The Merger Transaction was undertaken so as to facilitate the proposed listing of AGL on the Australian Securities Exchange.

The “top-hatting” of the existing group with newly incorporated holding companies (AGL and EHPL) and the consolidation of the common controlled entities are a restructure of the existing business operations and therefore it was considered that the predecessor (continuation) method of accounting (book value) was most appropriate. Accordingly, where applicable, book value accounting was adopted whereby:
- assets and liabilities of the acquired entities are recognised at their previous carrying amounts;
- no adjustments are made to reflect fair values;
- no new assets (including goodwill) and liabilities of the acquired (merged) entities are recognised at the date of the restructure;
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities; and
- comparative amounts are presented as if the combination had taken place at the beginning of the earliest comparative period presented.

Esplanade Projects Unit Trust (EPUT) was the parent entity for the short-term accommodation business and has been identified as the ‘acquirer’ for accounting purposes. Accordingly, the consolidated financial statements have been prepared as a continuation of the consolidated financials of EPUT and its controlled entities plus Alloggio Pty Ltd. The comparative financial information from 1 July 2019 to 30 June 2020 presented in the consolidated financial statements is that of EPUT (accounting acquirer) and its controlled entities: Alloggio Hotels Unit Trust, Alloggio Management Unit Trust and Trova Unit Trust, and Alloggio Pty Ltd.

The statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended 30 June 2021 represents:
- The results of EPUT and its controlled entities Alloggio Hotels Unit Trust, Alloggio Management Unit Trust and Trova Unit Trust, and Alloggio Pty Ltd for the period from 1 July 2020 to 30 June 2021
- Esplanade Holdings Pty Ltd and Alloggio Limited from the dates of their incorporation being 30 October 2020 and 2 November 2020 respectively.

Historical cost convention
The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates
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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

Note 1. Significant accounting policies (continued)

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alloggio Group Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Alloggio Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease make good provision
The consolidated entity is required to restore the leased premises to their original condition at the end of the respective lease terms. The make good provision is the present value of the anticipated costs to make good the premises on expiry of the lease. The calculation of this provision requires assumptions such as application of closure dates and cost estimates.

Right-of-use assets and lease liabilities
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The consolidated entity has several hotel lease contracts which include extension options exercisable only by the consolidated entity. These options are negotiated by consolidated entity's management to provide flexibility in managing the leased asset portfolio and to align with business needs. Management exercises judgement in determining whether these extension options are reasonably certain to be exercised. In determining the lease liability, the consolidated entity's management has assessed that none of the options will be exercised. If there is a significant event or change in circumstances where it is reasonably certain the consolidated entity will exercise the options, the consolidated entity will remeasure the right-of-use asset and lease liability.

Impairment of rent rolls
The recoverable amounts of rent rolls are derived from market transactional evidence in relation to their fair value. The fair value of the rent roll is calculated by multiplying the annual rent roll income by a multiple that is based on either independent expert opinion or using subsequent sales transactions. There were no impairments of the rent rolls at 30 June 2021 and 30 June 2020.

Amortisation of rent rolls
Rent rolls have a finite life and are therefore amortised. Amortisation is calculated using the straight-line method to allocate the cost of the rent rolls over their estimated useful lives.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity operates only in Australia and manages its operations as a single business operation. There are no parts of the consolidated entity that qualify as operating segments under AASB 8 *Operating Segments*. As the consolidated entity operates in only one segment, the consolidated results are also its segment results.

The Board of Directors are the Chief Operating Decision Makers (CODM).

Major customers
All revenue of the consolidated entity is from external customers. During the current and prior financial periods, there were no transactions with a single external customer that amounted to 10 percent or more of the consolidated entity's revenues.

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

Note 4. Revenue

	Consolidated 2021 $	Consolidated 2020 $
Revenue from contracts with customers		
Rent rolls - Management fees	2,404,749	1,260,574
Rent rolls - Booking fees	877,550	377,602
Rent rolls - Other	1,423,825	514,164
Hotels and motels - Rooms	6,029,867	4,894,177
Hotels and motels - Food and beverage	263,130	91,359
Hotels and motels - Other	186,142	109,675
Sundry	42,641	69,392
	11,227,904	7,316,943
Other revenue		
Rent	61,668	135,221
Other revenue	3,500	3,950
	65,168	139,171
Revenue	11,293,072	7,456,114

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

	Consolidated 2021 $	Consolidated 2020 $
Geographical regions		
Australia	11,227,904	7,316,943
Timing of revenue recognition		
Goods and services transferred at a point in time	2,793,288	1,162,192
Services transferred over time	8,434,616	6,154,751
	11,227,904	7,316,943

Accounting policy for revenue recognition
The consolidated entity recognises revenue as follows:

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

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

Note 4. Revenue (continued)

Rent rolls - Booking fees and management fees
The consolidated entity enters into contracts with its customers to manage short-term rental properties on their behalf. The consolidated entity receives a booking fee upon successful letting of a property and a fee to manage the property. Booking fees are fixed fees that are billed on completion of the performance obligation at a point-in-time on commencement of the rental agreement. Management fees which are based on a percentage of rental collected on behalf of the landlords and is recognised over the period the performance obligation for managing the property is performed.

Hotels and motels - Rooms
Rooms revenue is recognised over time due to the nature of accommodation being consumed by customers over a period of time. The customer simultaneously receives and consumes the benefits provided as provision of a room is made to the customer.

Hotels and motels - Food and beverage
Food and beverage revenue is recognised at a point in time.

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

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 5. Other income

	Consolidated	
	2021 $	2020 $
Government grants - COVID-19	519,123	381,038
Subsidies and grants	16,093	30,564
Insurance recoveries	17,876	229,926
Rent concession income	798,475	-
Other income	1,351,567	641,528

Note 6. Expenses

	Consolidated 2021 $	Consolidated 2020 $
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	7,848	1,809
Plant and equipment	66,886	69,250
Motor vehicles	1,007	-
Buildings right-of-use assets	2,780,746	1,913,708
Motor vehicles right-of-use assets	9,744	21,864
Total depreciation	2,866,231	2,006,631
Amortisation		
Rent roll	484,601	396,208
Website	1,078	-
Total amortisation	485,679	396,208
Total depreciation and amortisation	3,351,910	2,402,839
Finance costs		
Interest and finance charges paid/payable on borrowings	248,923	268,086
Interest and finance charges paid/payable on lease liabilities	1,410,312	950,293
Finance costs expensed	1,659,235	1,218,379
Superannuation expense		
Defined contribution superannuation expense	209,782	164,913

Note 7. Income tax

	Consolidated 2021 $	Consolidated 2020 $
Income tax expense		
Current tax	331,105	63,614
Deferred tax - origination and reversal of temporary differences	-	-
Aggregate income tax expense	331,105	63,614
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	220,633	(877,111)
Tax at the statutory tax rate of 26% (2020: 27.5%)	57,365	(241,206)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	868	1,711
Non-assessable income	(25,746)	(45,385)
	32,487	(284,880)
Current year tax losses not recognised	1,418	56,389
Current year temporary differences not recognised	297,200	292,105
Income tax expense	331,105	63,614

	Consolidated 2021 $	Consolidated 2020 $
Provision for income tax		
Provision for income tax	373,930	62,417

Accounting policy for income tax

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

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

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

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

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

Note 7. Income tax (continued)

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

Note 8. Cash and cash equivalents

	Consolidated	
	2021	2020
	$	$
Current assets		
Cash on hand	4,810	4,600
Cash at bank	332,206	640,578
Cash on deposit	24,755	-
	361,771	645,178

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	361,771	645,178
Secured:		
Bank overdraft (note 16)	(200,246)	-
Balance as per statement of cash flows	161,525	645,178

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

Note 9. Trade and other receivables

	Consolidated	
	2021	2020
	$	$
Current assets		
Trade receivables	486,961	100,465
Other receivables	183,653	69,000
	670,614	169,465

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

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

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

Note 10. Contract assets

	Consolidated 2021 $	Consolidated 2020 $
Current assets		
Contract assets	234,530	36,984

Accounting policy for contract assets
Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Note 11. Other assets

	Consolidated 2021 $	Consolidated 2020 $
Current assets		
Prepayments	98,643	37,892
Other deposits	61,300	-
Bartercard assets (a)	123,330	115,038
	283,273	152,930
Non-current assets		
Security deposits	17,886	30,205
Other non-current assets	48,140	39,107
	66,026	69,312
	349,299	222,242

(a) Bartercard assets
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	Consolidated 2021 $	Consolidated 2020 $
Opening balance	115,038	82,840
Trade Dollars earned	19,142	82,466
Trade Dollars spent	(10,850)	(50,268)
Closing balance	123,330	115,038

Accounting policy for Bartercard assets
The Bartercard Trade Dollars are recorded at cost less accumulated impairment losses. The trade dollars are acquired as earned and consumed as utilised and are tested at least annually for impairment or when indicators of impairment exist. Significant reduction in the ability to trade with other Bartercard holders and the probability that the consolidated entity would not be able to utilise all the trade dollars it holds are considered indicators that the Bartercard asset is impaired. Bartercard assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. An impairment loss is recognised whenever the carrying amount of a Bartercard exceeds its recoverable amount. The estimated recoverable amount of Bartercard assets are the greater of their fair value less costs to sell and value in use.

Note 11. Other assets (continued)

Trade debits arising from income from guests and trade credits from purchases of goods and services are recognised in the statement of profit or loss in the period in which the transaction occurs. Where trade credits are used to purchase an asset, the asset is capitalised and recognised in the statement of financial position.

Value of Bartercard Trade Dollars:
Bartercard uses an electronic currency called a trade dollar. The consolidated entity earns trade dollars from guests (trade debits) and uses these trade dollars to make purchases (trade credits) from other Bartercard holders. One trade dollar is equivalent to one Australian Dollar for accounting and tax purposes. Impairment testing of the Bartercard trade dollar is performed on an annual basis. The consolidated entity has determined there has been no impairment to the Bartercard trade dollar at 30 June 2021 (30 June 2020: $nil), taking into consideration the usage subsequent to year-end and the expected accumulation of new trade dollars' usage over the next 2-3 years.

Note 12. Property, plant and equipment

	Consolidated 2021 $	Consolidated 2020 $
Non-current assets		
Leasehold improvements - at cost	156,907	84,924
Less: Accumulated depreciation	(11,189)	(3,341)
	145,718	81,583
Plant and equipment - at cost	512,010	259,313
Less: Accumulated depreciation	(197,366)	(130,480)
	314,644	128,833
Motor vehicles - at cost	16,513	-
Less: Accumulated depreciation	(1,007)	-
	15,506	-
	475,868	210,416

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

Consolidated	Leasehold improvements $	Plant and equipment $	Motor vehicles $	Total $
Balance at 1 July 2019	50,858	142,392	-	193,250
Additions	32,534	55,691	-	88,225
Depreciation expense	(1,809)	(69,250)	-	(71,059)
Balance at 30 June 2020	81,583	128,833	-	210,416
Additions	71,983	252,697	16,513	341,193
Depreciation expense	(7,848)	(66,886)	(1,007)	(75,741)
Balance at 30 June 2021	145,718	314,644	15,506	475,868

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

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Note 12. Property, plant and equipment (continued)

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

Plant and equipment	30% - 100%
Motor vehicles	30% - 100%

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

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

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

Note 13. Right-of-use assets

	Consolidated 2021 $	Consolidated 2020 $
Non-current assets		
Land and buildings - right-of-use	35,596,265	18,049,851
Less: Accumulated depreciation	(5,807,630)	(3,026,884)
	29,788,635	15,022,967
Motor vehicles - right-of-use	148,036	74,260
Less: Accumulated depreciation	(64,156)	(54,412)
	83,880	19,848
	29,872,515	15,042,815

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

Consolidated	Land and buildings $	Motor vehicles $	Total $
Balance at 1 July 2019	12,925,597	28,355	12,953,952
Additions	4,011,078	13,357	4,024,435
Depreciation expense	(1,913,708)	(21,864)	(1,935,572)
Balance at 30 June 2020	15,022,967	19,848	15,042,815
Additions	17,546,414	73,776	17,620,190
Depreciation expense	(2,780,746)	(9,744)	(2,790,490)
Balance at 30 June 2021	29,788,635	83,880	29,872,515

Accounting policy for 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.

Note 13. Right-of-use assets (continued)

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.

Note 14. Intangibles

	Consolidated	
	2021	**2020**
	$	**$**
Non-current assets		
Rent roll - at cost	10,693,486	5,943,116
Less: Accumulated amortisation	(1,482,541)	(997,940)
	9,210,945	4,945,176
Domain names - at cost	200,000	-
Website - at cost	101,207	-
Less: Accumulated amortisation	(1,078)	-
	100,129	-
	9,511,074	4,945,176

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

Consolidated	Rent roll $	Domain names $	Website $	Total $
Balance at 1 July 2019	5,341,384	-	-	5,341,384
Amortisation expense	(396,208)	-	-	(396,208)
Balance at 30 June 2020	4,945,176	-	-	4,945,176
Additions	4,750,370	200,000	101,207	5,051,577
Amortisation expense	(484,601)	-	(1,078)	(485,679)
Balance at 30 June 2021	9,210,945	200,000	100,129	9,511,074

Accounting policy for intangible assets
Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. 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.

Website
Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Note 14. Intangibles (continued)

Domain names
Domain names are assessed to have an indefinite useful life and are not amortised. Domain names acquired for a material sum are capitalised and tested for impairment.

Rent roll
Rent rolls are accounted for as an intangible asset with a finite life in accordance with AASB 138 *Intangible assets*. They are measured at cost less amortisation and any impairment. Rent rolls are amortised over 15 years.

Note 15. Trade and other payables

	Consolidated	
	2021	**2020**
	$	**$**
Current liabilities		
Trade payables	582,491	816,392
Accruals	64,181	57,823
BAS payable	529,574	378,225
Other payables	71,999	13,535
	1,248,245	1,265,975

Refer to note 23 for further information on financial instruments.

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

Note 16. Borrowings

	Consolidated 2021 $	Consolidated 2020 $
Current liabilities		
Secured:		
Bank overdraft	200,246	-
Bank loans - market rate and working capital	490,000	333,336
Vendor loan	343,974	-
Loan - Prospa Advance Pty Ltd	58,057	36,084
Loan - Chattel mortgages and equipment loans	91,928	46,480
Loan - Related party	-	14,955
Unsecured:		
Insurance premium funding	-	9,282
Loan - Related party	-	54,450
	1,184,205	494,587
Non-current liabilities		
Secured:		
Bank loans - market rate and working capital	5,005,000	3,923,324
Loan - Prospa Advance Pty Ltd	-	176,473
Loan - Chattel mortgages and equipment loans	-	75,418
Loan - Related party	-	53,409
Unsecured:		
Loan - Unitholders	-	4,399
	5,005,000	4,233,023
	6,189,205	4,727,610

Refer to note 23 for further information on financial instruments.

(a) Bank overdraft and loans
The bank facilities comprise the following:
- Market rate loan - $5,395,000
- Overdraft facility - $200,000
- Working capital loan - $100,000
- Bank guarantee - $647,000

The market rate loan was used to fund the acquisition of rent rolls and was fully drawn down at 30 June 2021. The facility has a 3-year term and $1,470,000 is repayable in 6 instalments (twice a year) of $245,000 and the balance on expiry of the loan. The loan expires in April 2024.

The working capital loan is an interest-only loan that was used to fund the repayment of a bank guarantee. The loan expires in July 2023.

The facilities are secured as follows:
- Guarantee provided by William Creedon of $5,395,000.
- Guarantees provided by: all the businesses in the group, Willger Pty Ltd and Davkat (Aust) Pty Ltd, and supported by a first ranking charge over all present and acquired property of the aforementioned entities. Willger Pty Ltd and Davkat (Aust) Pty Ltd are entities controlled by William Creedon.
- First registered mortgages over certain leases held by Alloggio Hotels Unit Trust and Alloggio Management Unit Trust.

Note 16. Borrowings (continued)

The facilities are subject to the following financial covenants:

- Net Worth Covenant - net worth must be maintained at not less than 30% of total assets. The ratio is calculated as Total Equity/Total Assets.
- Interest Cover Ratio - The Interest Cover Ratio for the preceding 12 months at each reporting period of not less than 2.0:1 times.
- An EBITDA Covenant for specific property leases
- EBITDA covenant for the group for each reporting period:
  30 June 2021 - $2,094,000
  30 June 2022 - $2,094,000

The consolidated entity has complied with these covenants throughout the reporting period from the date of commencement of the new financing facilities.

(b) Vendor loan
The loan was secured over the rent roll that was acquired.

(c) Loan - Prospa Advance Pty Ltd
Alloggio Hotels Unit Trust and William Creedon have provided a security interest over all their respective assets.

(d) Loans - Chattel mortgages and equipment loans, and related party
The loans are secured over the equipment that the loans relate to.

Note 16. Borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2021 $	Consolidated 2020 $
Total facilities		
Bank overdraft	200,000	-
Bank loans - market rate and working capital	5,495,000	4,256,660
Bank guarantee	647,000	500,000
Vendor finance	343,974	-
Insurance premium funding	-	9,282
Loan - Chattel mortgages and equipment loans	91,928	121,898
Loan - Prospa Advance Pty Ltd	58,057	212,557
Loan - Related party	-	122,814
Loan - Unitholders	-	4,399
Lease liabilities (hire purchase and finance leases)	115,875	53,451
	6,951,834	5,281,061
Used at the reporting date		
Bank overdraft	200,246	-
Bank loans - market rate and working capital	5,495,000	4,256,660
Bank guarantee	561,376	500,000
Vendor finance	343,974	-
Insurance premium funding	-	9,282
Loan - Chattel mortgages and equipment loans	91,928	121,898
Loan - Prospa Advance Pty Ltd	58,057	212,557
Loan - Related party	-	122,814
Loan - Unitholders	-	4,399
Lease liabilities (hire purchase and finance leases)	115,875	53,451
	6,866,456	5,281,061
Unused at the reporting date		
Bank overdraft	(246)	-
Bank loans - market rate and working capital	-	-
Bank guarantee	85,624	-
Vendor finance	-	-
Insurance premium funding	-	-
Loan - Chattel mortgages and equipment loans	-	-
Loan - Prospa Advance Pty Ltd	-	-
Loan - Related party	-	-
Loan - Unitholders	-	-
Lease liabilities (hire purchase and finance leases)	-	-
	85,378	-

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

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Note 17. Lease liabilities

	Consolidated 2021 $	Consolidated 2020 $
Current liabilities		
Lease liability - land and buildings	2,561,461	1,428,338
Lease liability - motor vehicles	10,106	36,012
	2,571,567	1,464,350
Non-current liabilities		
Lease liability - land and buildings	29,748,557	14,755,748
Lease liability - motor vehicles	105,769	17,439
	29,854,326	14,773,187
	32,425,893	16,237,537

Refer to note 23 for further information on financial instruments.

Movement in lease liabilities

	Land and buildings $	Motor vehicles $	Total $
Balance at 1 July 2019	13,337,811	51,046	13,388,857
Additions	4,096,811	13,357	4,110,168
Lease payments	(2,198,596)	(14,504)	(2,213,100)
Interest expense	948,060	3,552	951,612
Balance at 30 June 2020	16,184,086	53,451	16,237,537
Additions	17,401,623	73,776	17,475,399
Rent concession	(314,871)	-	(314,871)
Lease payments	(2,371,134)	(22,937)	(2,394,071)
Interest expense	1,410,314	11,585	1,421,899
Balance at 30 June 2021	32,310,018	115,875	32,425,893

Land and buildings
The consolidated entity has leases for hotels and offices. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The consolidated entity classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Motor vehicles
The consolidated entity leases motor vehicles under finance lease and hire purchase. The leases are secured over the equipment and individual motor vehicles that the lease relates to. The consolidated entity classifies its right-of-use assets for the respective assets within property, plant and equipment.

Accounting policy for 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.

Note 17. Lease liabilities (continued)

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.

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

Note 18. Provisions

	Consolidated 2021 $	Consolidated 2020 $
Current liabilities		
Annual leave	187,636	88,661
Non-current liabilities		
Long service leave	40,153	16,840
Lease make good	213,527	85,470
	253,680	102,310
	441,316	190,971

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2021	Lease make good $
Carrying amount at the start of the year	85,470
Additional provisions recognised	125,007
Unwinding of discount	3,050
Carrying amount at the end of the year	213,527

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

Accounting policy for employee benefits

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

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Note 18. Provisions (continued)

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

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 19. Issued capital

	Consolidated			
	2021 Equity Units	2020 Equity Units	2021 $	2020 $
Ordinary shares/units - fully paid	103,330,007	1,000	7,673,086	373,218

Movements in ordinary share capital/units

Details	Date	Shares/Units	Issue price	$
Balance	1 July 2019	1,000		373,218
Balance	30 June 2020	1,000		373,218
Units issued in legal acquiree prior to merger	30 September 2020	2,000	$340.00	680,000
Elimination of existing legal acquiree units		(3,000)	$0.00	-
Shares issued to initial subscribers	2 November 2020	7,143,000	$0.01	71,430
Shares issued to sophisticated investors	20 January 2021	31,900,007	$0.07	2,233,000
Shares issued to acquire Esplanade Holdings Pty Ltd (note 28)	4 February 2021	64,287,000	$0.07	4,500,090
Share issue costs		-	$0.00	(184,652)
Balance	30 June 2021	103,330,007		7,673,086

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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

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

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

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Note 19. Issued capital (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Accounting policy for issued capital
Ordinary shares are classified as equity.

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

Note 20. Reserves

	Consolidated 2021 $	Consolidated 2020 $
Business combinations under common control	(4,500,080)	-

Business combinations under common control
Any difference between the cost of the acquisition and the amounts at which the acquired assets and liabilities are recorded for business combinations under common control have been recognised in the *Business combinations under common control reserve*.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Business combinations under common control $
Balance at 1 July 2019	-
Balance at 30 June 2020	-
Business combinations under common control	(4,500,080)
Balance at 30 June 2021	(4,500,080)

Note 21. Accumulated losses

	Consolidated 2021 $	Consolidated 2020 $
Accumulated losses at the beginning of the financial year	(1,585,402)	(644,677)
Loss after income tax expense for the year	(110,472)	(940,725)
Distributions/dividends paid (note 22)	(680,000)	-
Accumulated losses at the end of the financial year	(2,375,874)	(1,585,402)

Note 22. Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2021	**2020**
	$	**$**
Dividends paid to the shareholders of Alloggio Pty Ltd	680,000	-

The above dividend payments occurred prior to the Merger Transaction (refer note 1).

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

Note 23. Financial instruments

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

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

Market risk

Foreign currency risk
The consolidated entity does not have any significant exposure to foreign currency risk.

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value interest rate risk.

For the consolidated entity the bank loans outstanding, totalling $5,495,000 (2020: $nil), are principal and interest payment loans and represent the only variable interest loans. An official increase/decrease in interest rates of 100 basis points would have an adverse/favourable effect on profit before tax of $54,950. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

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

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

Note 23. Financial instruments (continued)

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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

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

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

Consolidated - 2021	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade and other payables	1,248,245	-	-	-	1,248,245
Interest-bearing					
Lease liability	4,122,203	4,246,333	12,732,562	20,853,910	41,955,008
Borrowings	744,333	667,922	4,650,692	-	6,062,947
Total non-derivatives	6,114,781	4,914,255	17,383,254	20,853,910	49,266,200

Consolidated - 2020	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade and other payables	1,265,975	-	-	-	1,265,975
Interest-bearing					
Lease liability	3,159,377	4,011,615	12,598,470	22,747,403	42,516,865
Borrowings	4,636,324	132,360	59,563	-	4,828,247
Total non-derivatives	9,061,676	4,143,975	12,658,033	22,747,403	48,611,087

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

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

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Note 24. Key management personnel disclosures

Compensation
Details of remuneration of key management personnel are disclosed below:

	Consolidated	
	2021 $	2020 $
Short-term employee benefits	236,336	148,399
Post-employment benefits	19,783	12,606
	256,119	161,005

Note 25. Remuneration of auditors

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

	Consolidated	
	2021 $	2020 $
Audit services - PKF (2020: ESV Accounting and Business Advisors)		
Audit or review of the financial statements	32,500	44,100

Note 26. Related party transactions

Parent entity
Alloggio Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 29.

Key management personnel
Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2021 $	2020 $
Payment for goods and services:		
Payment for services - Maxim Advisors*	22,523	-
Payment for other expenses:		
Interest paid to entity associated with Will Creedon	-	6,531

* Mr Christopher Sneddon (a Director), is a Director in the Australian firm Maxim Advisors. Maxim Advisors provides tax, regulatory compliance, and business advisory services to the consolidated entity and the fees are based on normal commercial terms and conditions. The value of the services disclosed are from the date of appointment of Mr Sneddon as a Director of the company on 10 February 2021.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Note 26. Related party transactions (continued)

Loans to/from related parties
2021

Related party entity	KMP related to	Balance at beginning of year $	Loans advanced $	Loans repaid $	Interest charged $	Balance at end of year $
Related party loan liabilities						
Secured:						
Willger Pty Ltd	William Creedon	68,364	4,126	(72,490)	-	-
Unsecured:						
Willger Pty Ltd	William Creedon	54,450	-	(54,450)	-	-
Christopher Sneddon Family Trust	Christopher Sneddon	4,399	-	(4,399)	-	-
		127,213	4,126	(131,339)	-	-
Related party loan receivables						
Unsecured:						
Willger Pty Ltd	William Creedon	10,000	-	(10,000)	-	-

2020

Related party entity	KMP related to	Balance at beginning of year $	Loans advanced $	Loans repaid $	Interest charged $	Balance at end of year $
Related party loan liabilities						
Secured:						
Willger Pty Ltd	William Creedon	90,514	-	(28,681)	6,531	68,364
Unsecured:						
Willger Pty Ltd	William Creedon	96,458	29,776	(71,784)	-	54,450
Christopher Sneddon Family Trust	Christopher Sneddon	4,399	-	-	-	4,399
		191,371	29,776	(100,465)	6,531	127,213
Related party loan receivables						
Unsecured:						
Willger Pty Ltd	William Creedon	-	10,000	-	-	10,000

The secured loans were interest-bearing and had fixed repayment terms. The unsecured loans were non-interest bearing and repayable on demand.

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2021 $
Loss after income tax	(6,055,611)
Total comprehensive income	(6,055,611)

Statement of financial position

	Parent 2021 $
Total current assets	56,819
Total assets	748,909
Total current liabilities	-
Total liabilities	-
Equity	
Issued capital	6,804,520
Accumulated losses	(6,055,611)
Total equity	748,909

The current year loss after tax includes impairment of intergroup loans and the investment in Esplanade Holdings Pty Ltd amounting to $6,055,542 to ensure that the loans and investment are carried at no more than their recoverable amount.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has provided guarantees in respect of banking facilities provided to the group (refer note 16).

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

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

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 28. Business combinations

Acquisition of Esplanade Holdings Pty Ltd
On 2 November 2020, Alloggio Group Limited (AGL) acquired 100% of the ordinary shares of Esplanade Holdings Pty Ltd (EHPL) for a total consideration of $4,500,090. Prior to this transaction, EHPL had acquired Esplanade Projects Unit Trust (EPUT) in terms of a share exchange agreement, for a total consideration of $4,500,090. AGL and EHPL were shell companies incorporated to complete the Merger Transaction and AGL was the new holding company for the combined group. The Merger Transaction included the combination of a number of entities that had common ownership and therefore excluded from AASB 3 *Business Combinations*. Esplanade Projects Unit Trust has been identified as the acquirer for the business combinations resulting from the Merger Transaction. The Merger Transaction was undertaken so as to facilitate the proposed listing of AGL on the Australian Securities Exchange.

The difference between the cost of the acquisition of the entities under common control and the amounts at which the assets and liabilities have been recorded is recognised in the *Business combinations under common control reserve* (refer note 20).

Acquisition of Esplanade Unit Trust Pty Ltd
On 31 October 2020, Esplanade Holdings Pty Ltd (EHPL) acquired 100% of the ordinary shares of Esplanade Unit Trust Pty Ltd (EUTPL) and its wholly-owned subsidiary Alloggio Pty Ltd (APL) for nil consideration. The acquisition of EUTPL and its wholly-owned subsidiary APL, was a combination of entities with common ownership, the transaction has been excluded from AASB 3 *Business Combinations*.

The difference between the cost of the acquisition of the entities under common control and the amounts at which the assets and liabilities have been recorded is recognised in the *Business combinations under common control reserve* (refer note 20).

Accounting policy for 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.

Note 28. Business combinations (continued)

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.

Where the acquisition of entities that are deemed to be under common control occurs then consideration is required to determine the accounting acquirer. A new entity formed to effect a business combination through the issue of equity interests will not be regarded as the accounting acquirer, rather one of the combining entities that existed prior to the business combination shall be identified as the accounting acquirer. The predecessor value method is adopted for business combinations under common control. Under the predecessor method:

- assets and liabilities of the acquired entities are recognised at their previous carrying amounts;
- no adjustments are made to reflect fair values;
- no new assets (including goodwill) and liabilities of the acquired entities are recognised at the date of the business combination;
- any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities (as adjusted to achieve uniform accounting policies); and
- comparative amounts are restated as if the combination had taken place at the beginning of the earliest comparative period presented.

Note 29. Interests in controlled entities

Alloggio Group Limited is the legal parent entity of the group and Esplanade Holdings Pty Ltd is the accounting parent entity.

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Esplanade Holdings Pty Ltd	Australia	100%	-
Esplanade Unit Trust Pty Ltd*	Australia	100%	-
Alloggio Pty Ltd*	Australia	100%	-
Esplanade Projects Unit Trust**	Australia	100%	100%
Alloggio Hotels Unit Trust**	Australia	100%	100%
Alloggio Management Unit Trust**	Australia	100%	100%
Trova Unit Trust**	Australia	100%	100%
Agile Maintenance Pty Ltd*	Australia	100%	-

* Alloggio Pty Ltd is a wholly owned subsidiary of Esplanade Unit Trust Pty Ltd.
** Alloggio Hotels Unit Trust, Alloggio Management Unit Trust, Trova Unit Trust and Agile Maintenance Pty Ltd are wholly owned subsidiaries of Esplanade Projects Unit Trust.

Note 30. Events after the reporting period

On 1 July 2021, the consolidated entity entered into a purchase agreement to acquire a rent roll management agreement asset in the Mollymook geography in NSW. The total consideration paid was $613,000.

On 27 July 2021 the consolidated entity entered into a purchase agreement to acquire a commercial lease agreement to operate a hotel and serviced apartments in Brisbane QLD. The current lease term expires on 31 March 2039. The total consideration paid was $500,000.

On 24 August 2021 the consolidated entity entered into a purchase agreement for the acquisition of a rent roll management agreement asset in the Mornington Peninsula geography in Victoria. The total consideration was $930,000.

Note 30. Events after the reporting period (continued)

During August 2021 the consolidated entity issued convertible notes for $2,235,000. The net cash received from the issue of the convertible notes will be utilised for strategic acquisitions, including the rent roll management agreement asset in the Mornington Peninsula geography acquired on 24 August 2021 as well as for working capital and costs associated with the company's proposed Initial Public Offering ("IPO").

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 31. Cash flow information

Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	2021	**2020**
	$	**$**
Loss after income tax expense for the year	(110,472)	(940,725)
Adjustments for:		
Depreciation and amortisation	3,351,910	2,402,839
Rent concession income - non-cash	(798,475)	-
Finance costs - non-cash	-	189,165
Change in operating assets and liabilities:		
Increase in trade and other receivables	(501,149)	(23,808)
Increase in contract assets	(197,546)	(36,984)
Decrease/(increase) in prepayments	(60,751)	19,888
Increase in other operating assets	(17,325)	(125,098)
Increase in trade and other payables	465,874	272,896
Decrease in contract liabilities	-	(75,227)
Increase/(decrease) in provision for income tax	311,513	(93,757)
Increase in employee benefits	122,288	10,040
Increase in other provisions	3,050	21,315
Decrease in other operating liabilities	-	(14,300)
Net cash from operating activities	2,568,917	1,606,244

Non-cash investing and financing activities

	Consolidated	
	2021	**2020**
	$	**$**
Shares issued to acquire Esplanade Holdings Pty Ltd	4,500,090	-
Shares issued for share issue costs	71,430	-
	4,571,520	-

Note 31. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Bank loans $	Vendor finance $	Loan - Other $	Loan - related party $	Loan - Unitholders $	Lease liabilities $	Insurance premium funding $	Total $
Balance at 1 July 2019	4,506,662	87,500	98,226	186,972	4,399	13,388,857	3,357	18,275,973
Net cash from/(used in) financing activities	(250,002)	(87,500)	236,229	(64,158)	-	(1,008,392)	5,925	(1,167,898)
Unpaid lease instalments included in creditors	-	-	-	-	-	(253,096)	-	(253,096)
Acquisition of right-of-use assets	-	-	-	-	-	4,110,168	-	4,110,168
Balance at 30 June 2020	4,256,660	-	334,455	122,814	4,399	16,237,537	9,282	20,965,147
Net cash from/(used in) financing activities	1,238,340	(16,026)	(184,470)	(122,814)	(4,399)	(972,172)	(9,282)	(70,823)
Vendor finance of rent roll	-	360,000	-	-	-	-	-	360,000
Rent concession adjustment	-	-	-	-	-	(314,871)	-	(314,871)
Acquisition of right-of-use assets	-	-	-	-	-	17,475,399	-	17,475,399
Balance at 30 June 2021	5,495,000	343,974	149,985	-	-	32,425,893	-	38,414,852

Alloggio Group Limited
Directors' declaration
30 June 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

Will Creedon

William B Creedon
Director

Sep 16 2021 2021
Newcastle

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALLOGGIO GROUP LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of Alloggio Group Limited (the company), 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 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the company and the entities it controlled at the year end or from time to time during the financial year.

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

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

Independence

We are independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2021 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.

PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

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Other Information (cont'd)

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

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

Responsibilities of Management and the Directors for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the company's financial reporting process.

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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
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- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PKF

PKF

M Matthews

MARTIN MATTHEWS
PARTNER

16 SEPTEMBER 2021
NEWCASTLE, NSW