

Alloggio Group Limited
Appendix 4D
Half-year report



1. Company details

| | |
|-------------------|--|
| Name of entity: | Alloggio Group Limited |
| ABN: | 64 645 582 225 |
| Reporting period: | For the half-year ended 31 December 2021 |
| Previous period: | For the half-year ended 31 December 2020 |

2. Results for announcement to the market

| | | | \$ |
|---|------|--------------------|--------------------|
| Revenues from ordinary activities | up | 111.3% to | 10,120,445 |
| Profit from ordinary activities after tax | down | 43.1% to | 453,973 |
| Profit for the half-year | down | 43.1% to | 453,973 |
| | | 31 Dec 2021 | 31 Dec 2020 |
| | | Cents | Cents |
| Basic earnings per share | | 0.37 | 1.20 |
| Diluted earnings per share | | 0.37 | 1.20 |

Dividends

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

A dividend of \$680,000 was paid to the shareholders of Alloggio Pty Limited during the 31 December 2020 half-year, prior to the group restructure that occurred on 2 November 2020.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$453,973 (31 December 2020: \$798,059).

Reference is made to the *Review of Operations* in the Directors' Report contained in the attached Interim Financial Report for Alloggio Group Limited for the half-year ended 31 December 2021.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>1.37</u> | <u>(5.21)</u> |

4. Control gained over entities

| | |
|---|---|
| Name of entities (or group of entities) | Great Ocean Road Accommodation Centre Pty Ltd |
| Date control gained | 15 December 2021 |

\$

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)

-

Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)

-

Refer to note 12 'Intangibles' and note 20 'Interests in controlled entities' for further details.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

A dividend of \$680,000 was paid to the shareholders of Alloggio Pty Limited prior to the group restructure that occurred on 2 November 2020.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Alloggio Group Limited for the half-year ended 31 December 2021 is attached.

12. Signed

Signed William B Creedon

Date: 21 February 2022

William B Creedon
Director
Newcastle

Alloggio Group Limited

ABN 64 645 582 225

Interim Report - 31 December 2021

Alloggio Group Limited
Corporate directory
31 December 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 Phone: (02) 4047 9987 |
| Share register | Automic Pty Limited Level 5 126 Phillip Street Sydney NSW 2000 Phone: 1300 288 664 |
| Auditor | PKF (NS) Audit & Assurance Limited Partnership 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 |
| Stock exchange listing | Alloggio Group Limited shares are listed on the Australian Securities Exchange (ASX code: ALO) |
| Website | www.alloggio.com.au |
| Corporate Governance Statement | www.investors.alloggio.com.au/ |

Alloggio Group Limited
Directors' report
31 December 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 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

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

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

Principal activities

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

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$453,973 (31 December 2020: \$798,059).

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

| | 31 Dec 2021 | 31 Dec 2020 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Profit before income tax | 683,653 | 974,789 |
| Depreciation and amortisation | 2,456,097 | 1,499,227 |
| Finance costs | 1,031,033 | 736,310 |
| EBITDA | <u>4,170,783</u> | <u>3,210,326</u> |
| Rent concession income | (216,256) | (798,474) |
| Transaction costs in connection with the IPO | 74,117 | - |
| Adjusted EBITDA | <u><u>4,028,644</u></u> | <u><u>2,411,852</u></u> |

Reconciliation of Adjusted EBITDA to Proforma EBITDA (unaudited):

| | 31 Dec 2021 | 31 Dec 2020 |
|------------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| Adjusted EBITDA | 4,028,644 | 2,411,852 |
| Rental expense reinstatement | <u>(2,071,857)</u> | <u>(619,934)</u> |
| Proforma EBITDA | <u><u>1,956,787</u></u> | <u><u>1,791,918</u></u> |

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.

Alloggio Group Limited
Directors' report
31 December 2021



During the half-year the consolidated entity executed the following significant transactions:

- 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 was 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 Initial Public Offering ("IPO").
- On 29 November 2021 the consolidated entity completed the IPO and listed on the ASX having raised \$16.5M (fully subscribed). The funds raised will allow the continued implementation of the growth strategies outlined in the prospectus issued for the IPO.
- On 15 December 2021, the consolidated entity acquired the entire share capital in Great Ocean Road Accommodation Centre Pty Ltd, a leading Victorian based holiday property management business managing over 600 holiday properties for \$8M. Proceeds from the IPO were used to pay \$6.5M of the purchase consideration. The unpaid portion of \$1.5M is disclosed in the statement of financial position as deferred consideration.

The rent roll acquisitions add an additional annual gross booking value (GBV) of \$15.2M and over 900 additional properties/rooms.

Significant changes in the state of affairs

On 25 November 2021, the company was admitted to the Official List of ASX Limited and the official quotation of the company's ordinary fully paid shares commenced on 29 November 2021. The company raised \$16,500,000 pursuant to the offer under the prospectus dated 18 October 2021, by the issue and transfer of 82,500,000 shares at an offer price of \$0.20 per share. The total cash costs associated with the IPO totalled \$1,859,483 (excluding GST), with those costs directly attributable to the issue of new shares in relation to the IPO being \$1,785,366. These costs are offset against contributed equity. The remaining costs of the IPO of \$74,117 which are not directly attributable to the issue of new shares have been expensed.

On 30 October 2021, Alloggio Group Limited entered into a new facility agreement with the Commonwealth Bank of Australia for the provision of a committed \$7.645 million secured Market Rate Loan that replaced the existing \$5.395 million Market Rate Loan. The new Bank Guarantee facility for \$0.797 million replaced the previous Bank Guarantee facility of \$0.647 million. The Better Business Loan (\$0.1 million) and the Overdraft facility (\$0.2 million) remained unchanged.

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

Matters subsequent to the end of the financial half-year

Acquisitions

On 27 January 2022, the company announced that it had executed a binding agreement to acquire holiday property management business Accom Noosa and the management rights to Fairshore and Noosa International Resort for \$4.5 million. The strategic acquisitions significantly expand the consolidated entity's existing footprint in Noosa and make Alloggio the largest provider of holiday property management in Noosa with approximately 240 holiday properties.

On 8 February 2022, the company announced it had executed a binding agreement to acquire Magnetic Island's leading holiday property management business, Best of Magnetic, for \$2.95 million. The acquisition facilitates the consolidated entity's entry into a new market, North Queensland, and significantly expands the consolidated entity's footprint on the east coast of Australia.

Banking facilities

On 21 February 2022, the company announced that it had signed a letter of approval and acceptance of terms to increase its senior debt facilities with the Commonwealth Bank of Australia (CBA) from \$7.65 million to \$17.65 million. The expanded senior debt facilities comprise a new \$17.65 million tranche maturing three years from the execution of the loan agreements. The financial close of the new debt facilities is expected to occur by early March 2022.

Alloggio Group Limited
Directors' report
31 December 2021



COVID-19

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 traveller bookings, however with a high uptake of vaccinations within the Australian population, a similar and rapid upturn to traveller bookings would be expected upon the relaxation of people movement restrictions across the country.

No other matter or circumstance has arisen since 31 December 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.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink that reads "William B Creedon".

William B Creedon
Director

21 February 2022
Newcastle

Alloggio Group Limited

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

I am pleased to provide the following declaration of independence to the directors of Alloggio Group Limited.

As lead audit partner for the review of the financial statements of Alloggio Group Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



PKF



MARTIN MATTHEWS
PARTNER

21 FEBRUARY 2022
NEWCASTLE, NSW

Alloggio Group Limited
Contents
31 December 2021



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|--|----|
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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 half-year. The financial statements are presented in Australian dollars, which is Alloggio Group Limited's functional and presentation currency.

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

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 21 February 2022.

Alloggio Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021



| | Note | 31 Dec 2021 \$ | 31 Dec 2020 \$ |
|--|------|--------------------|--------------------|
| Revenue | 4 | 10,120,445 | 4,788,527 |
| Other income | 5 | 550,303 | 1,329,666 |
| Expenses | | | |
| Advertising and marketing | | (131,734) | (46,276) |
| Booking fees | | (92,753) | (79,189) |
| Consulting and professional fees | | (292,778) | (106,488) |
| Depreciation and amortisation expense | | (2,456,097) | (1,499,227) |
| Employee benefits expense | | (2,337,311) | (1,136,908) |
| Food, beverage and supplies - Hotels | | (804,312) | (80,751) |
| Guest charges and supplies - Hotels | | (30,900) | (40,199) |
| Holiday guest or owner charges | | (440,901) | (69,455) |
| Housekeeping - Hotels | | (301,883) | (271,663) |
| Information technology | | (205,235) | (118,767) |
| Labour related costs | | (428,649) | (180,166) |
| Merchant and bartercard fees | | (121,309) | (79,918) |
| Property related costs - Hotels | | (632,055) | (413,849) |
| Rent - short term leases | | (13,125) | (11,651) |
| Repairs and maintenance - Hotels | | (164,112) | (80,723) |
| Transaction costs in connection with the IPO | | (74,117) | - |
| Other expenses | | (428,791) | (191,864) |
| Finance costs | | (1,031,033) | (736,310) |
| Total expenses | | <u>(9,987,095)</u> | <u>(5,143,404)</u> |
| Profit before income tax expense | | 683,653 | 974,789 |
| Income tax expense | 6 | <u>(229,680)</u> | <u>(176,730)</u> |
| Profit after income tax expense for the half-year | | 453,973 | 798,059 |
| Other comprehensive income for the half-year, net of tax | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the half-year | | <u>453,973</u> | <u>798,059</u> |
| | | Cents | Cents |
| Basic earnings per share | 24 | 0.37 | 1.20 |
| Diluted earnings per share | 24 | 0.37 | 1.20 |

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

Alloggio Group Limited
Consolidated statement of financial position
As at 31 December 2021



| | Note | 31 Dec 2021 \$ | 30 June 2021 \$ |
|--------------------------------------|------|-------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 9,411,022 | 361,771 |
| Trade and other receivables | 8 | 1,860,066 | 670,614 |
| Contract assets | | 569,744 | 234,530 |
| Other assets | 9 | 1,023,891 | 283,273 |
| Total current assets | | <u>12,864,723</u> | <u>1,550,188</u> |
| Non-current assets | | | |
| Other financial assets | | 50 | 50 |
| Property, plant and equipment | 10 | 569,973 | 475,868 |
| Right-of-use assets | 11 | 42,051,536 | 29,872,515 |
| Intangibles | 12 | 18,640,100 | 9,511,074 |
| Deferred tax | 6 | 1,212,930 | 735,859 |
| Other assets | 9 | 253,634 | 66,026 |
| Total non-current assets | | <u>62,728,223</u> | <u>40,661,392</u> |
| Total assets | | <u>75,592,946</u> | <u>42,211,580</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 2,900,536 | 1,248,245 |
| Borrowings | 14 | 1,417,081 | 1,184,205 |
| Lease liabilities | 15 | 3,302,714 | 2,571,567 |
| Income tax | 6 | 577,700 | 330,466 |
| Employee benefits | | 388,464 | 187,636 |
| Total current liabilities | | <u>8,586,495</u> | <u>5,522,119</u> |
| Non-current liabilities | | | |
| Borrowings | 14 | 5,755,500 | 5,005,000 |
| Lease liabilities | 15 | 40,578,290 | 29,854,326 |
| Employee benefits | | 91,164 | 40,153 |
| Provisions | 16 | 1,026,215 | 213,527 |
| Total non-current liabilities | | <u>47,451,169</u> | <u>35,113,006</u> |
| Total liabilities | | <u>56,037,664</u> | <u>40,635,125</u> |
| Net assets | | <u>19,555,282</u> | <u>1,576,455</u> |
| Equity | | | |
| Issued capital | 17 | 25,031,603 | 7,673,086 |
| Reserves | 18 | (4,333,743) | (4,500,080) |
| Accumulated losses | | (1,142,578) | (1,596,551) |
| Total equity | | <u>19,555,282</u> | <u>1,576,455</u> |

Refer to note 2 for detailed information on Restatement of comparatives.

Alloggio Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2021



| | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|----------------------------------|------------------------|--------------------------------------|----------------------------|
| Balance at 1 July 2020 | 373,218 | - | (1,585,402) | (1,212,184) |
| Adjustment for change in accounting policy (note 2) | - | - | 526,908 | 526,908 |
| Balance at 1 July 2020 - restated | 373,218 | - | (1,058,494) | (685,276) |
| Profit after income tax expense for the half-year | - | - | 798,059 | 798,059 |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income for the half-year | - | - | 798,059 | 798,059 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs | 2,849,430 | - | - | 2,849,430 |
| Dividends paid (note 19) | - | - | (680,000) | (680,000) |
| Balance at 31 December 2020 | <u>3,222,648</u> | <u>-</u> | <u>(940,435)</u> | <u>2,282,213</u> |
| | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
| Balance at 1 July 2021 | 7,673,086 | (4,500,080) | (1,596,551) | 1,576,455 |
| Profit after income tax expense for the half-year | - | - | 453,973 | 453,973 |
| Other comprehensive income for the half-year, net of tax | - | - | - | - |
| Total comprehensive income for the half-year | - | - | 453,973 | 453,973 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs (note 17) | 17,358,517 | - | - | 17,358,517 |
| Share-based payments (note 23) | - | 166,337 | - | 166,337 |
| Balance at 31 December 2021 | <u>25,031,603</u> | <u>(4,333,743)</u> | <u>(1,142,578)</u> | <u>19,555,282</u> |

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

Alloggio Group Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2021



| | Note | 31 Dec 2021 \$ | 31 Dec 2020 \$ |
|---|------|-------------------------|-------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 9,715,300 | 4,580,789 |
| Payments to suppliers and employees (inclusive of GST) | | <u>(7,984,073)</u> | <u>(3,287,101)</u> |
| | | 1,731,227 | 1,293,688 |
| Interest received | | - | 4 |
| Government grants and subsidies | | 318,406 | 513,316 |
| Interest and other finance costs paid | | (1,031,033) | (736,314) |
| Income taxes paid | | <u>(50,637)</u> | <u>(93,526)</u> |
| Net cash from operating activities | | <u>967,963</u> | <u>977,168</u> |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (669,381) | (178,446) |
| Payments for intangibles | | (8,013,025) | (451,821) |
| Payments for security deposits | | <u>(171,371)</u> | <u>(107,681)</u> |
| Net cash used in investing activities | | <u>(8,853,777)</u> | <u>(737,948)</u> |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | 17 | 16,500,000 | 680,000 |
| Repayment of lease liabilities | | (1,147,793) | (100,375) |
| Proceeds from convertible notes | 17 | 2,235,003 | - |
| Share issue transaction costs | | (1,635,521) | - |
| Prepaid proceeds from issue of shares | | - | 2,098,000 |
| Dividends paid | 19 | - | (680,000) |
| Net proceeds from/(repayment of) borrowings | | <u>1,154,182</u> | <u>(217,128)</u> |
| Net cash from financing activities | | <u>17,105,871</u> | <u>1,780,497</u> |
| Net increase in cash and cash equivalents | | 9,220,057 | 2,019,717 |
| Cash and cash equivalents at the beginning of the financial half-year | | <u>161,525</u> | <u>645,178</u> |
| Cash and cash equivalents at the end of the financial half-year | 7 | <u><u>9,381,582</u></u> | <u><u>2,664,895</u></u> |

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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 EUTPL 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 EUTPL 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 2020 to 31 December 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.

Alloggio Group Limited
Notes to the consolidated financial statements
31 December 2021



Note 1. Significant accounting policies (continued)

The statement of profit or loss and other comprehensive income and the statement of cash flows for the half-year ended 31 December 2020 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 31 December 2020.
- Esplanade Holdings Pty Ltd and Alloggio Limited from the dates of their incorporation being 30 October 2020 and 2 November 2020 respectively.

Accounting for share-based payments - new accounting policy

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other non-market conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Comparatives

Some comparative information has been reclassified for presentation purposes.

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. The adoption of these new or amended standards and interpretations did not have a material impact on the financial position and financial performance of the consolidated entity.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted except for the standard noted below.

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Note 1. Significant accounting policies (continued)

AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The consolidated entity has early adopted this amending standard from 1 July 2021. The standard makes it mandatory to recognise a deferred tax asset on lease liabilities and a deferred tax liability on the right-of-use assets. Entities are required to apply the amendments for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted. Entities are required to apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented (1 July 2020). Retrospective application of the amendment is not required. The effect of recognising the deferred tax assets and deferred tax liabilities at 1 July 2020 is reflected as an adjustment to the opening retained earnings at that date.

The change in accounting policy resulted in the recognition of a net deferred tax asset of \$526,908 at 1 July 2020 and a corresponding credit to retained earnings of the same amount. Details of the restatement on the 31 December 2020 statement of profit or loss and the 30 June 2021 statement of financial position are disclosed in note 2.

Note 2. Restatement of comparatives

Change in accounting policy

The consolidated entity has early adopted AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*. The standard makes it mandatory to recognise a deferred tax asset on lease liabilities and a deferred tax liability on the right-of-use assets. This Standard amends AASB 112 *Income taxes* to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences as is the case with leases and decommissioning, restoration and similar obligations. Entities are required to recognise deferred tax on such transactions.

Statement of financial position at the end of the earliest comparative period

| | 30 June 2021 \$ Reported | \$ Adjustment | 30 June 2021 \$ Restated |
|----------------------------|--------------------------------|------------------|--------------------------------|
| Extract | | | |
| Assets | | | |
| Non-current assets | | | |
| Deferred tax | - | 735,859 | 735,859 |
| Total non-current assets | 39,925,533 | 735,859 | 40,661,392 |
| Total assets | 41,475,721 | 735,859 | 42,211,580 |
| Liabilities | | | |
| Current liabilities | | | |
| Income tax | 373,930 | (43,464) | 330,466 |
| Total current liabilities | 5,565,583 | (43,464) | 5,522,119 |
| Total liabilities | 40,678,589 | (43,464) | 40,635,125 |
| Net assets | 797,132 | 779,323 | 1,576,455 |
| Equity | | | |
| Accumulated losses | (2,375,874) | 779,323 | (1,596,551) |
| Total equity | 797,132 | 779,323 | 1,576,455 |

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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, short-term accommodation, the consolidated results are also its segment results.

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

Note 4. Revenue

| | 31 Dec 2021 | 31 Dec 2020 |
|--|--------------------------|-------------------------|
| | \$ | \$ |
| <i>Revenue from contracts with customers</i> | | |
| Rent rolls - Management fees | 1,901,194 | 1,018,916 |
| Rent rolls - Booking fees | 436,579 | 390,682 |
| Rent rolls - Other | 1,194,074 | 447,110 |
| Hotels and motels - Rooms | 6,430,826 | 2,602,932 |
| Hotels and motels - Food and beverage | 52,143 | 147,709 |
| Hotels and motels - Other | 86,413 | 118,738 |
| Sundry | 5,640 | 15,980 |
| | <u>10,106,869</u> | <u>4,742,067</u> |
| <i>Other revenue</i> | | |
| Rent | <u>13,576</u> | <u>46,460</u> |
| Revenue | <u><u>10,120,445</u></u> | <u><u>4,788,527</u></u> |

Disaggregation of revenue

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

| | 31 Dec 2021 | 31 Dec 2020 |
|---|--------------------|--------------------|
| | \$ | \$ |
| <i>Geographical regions</i> | | |
| Australia | <u>10,106,869</u> | <u>4,742,067</u> |
| <i>Timing of revenue recognition</i> | | |
| Goods and services transferred at a point in time | 1,774,849 | 1,120,219 |
| Services transferred over time | 8,332,020 | 3,621,848 |
| | <u>10,106,869</u> | <u>4,742,067</u> |

Note 5. Other income

| | 31 Dec 2021 | 31 Dec 2020 |
|------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Government grants - COVID-19 | 266,406 | 497,223 |
| Subsidies and grants | 52,000 | 16,093 |
| Insurance recoveries | 15,641 | 17,876 |
| Rent concession income | <u>216,256</u> | <u>798,474</u> |
| Other income | <u>550,303</u> | <u>1,329,666</u> |

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Note 6. Income tax

| | 31 Dec 2021 \$ | 31 Dec 2020 \$ |
|--|-------------------|-------------------|
| <i>Income tax expense</i> | | |
| Current tax | 297,871 | 277,630 |
| Deferred tax - origination and reversal of temporary differences | <u>(68,191)</u> | <u>(100,900)</u> |
| Aggregate income tax expense | <u>229,680</u> | <u>176,730</u> |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i> | | |
| Profit before income tax expense | <u>683,653</u> | <u>974,789</u> |
| Tax at the statutory tax rate of 25% (2020: 26%) | 170,913 | 253,445 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Amortisation of intangibles | 110,782 | 51,507 |
| Other non-deductible expenses | 4,587 | 1,056 |
| Non-assessable income | <u>(56,602)</u> | <u>(129,278)</u> |
| Income tax expense | <u>229,680</u> | <u>176,730</u> |

Deferred tax balances

| 31 Dec 2021 | Opening balance \$ | Net credited to profit or loss \$ | Net credited to equity \$ | Closing balance \$ |
|-----------------------------------|--------------------------|--|---------------------------------|--------------------------|
| <i>Deferred tax asset</i> | | | | |
| Lease liabilities | 8,077,504 | 2,850,106 | - | 10,927,610 |
| Employee entitlements | 52,132 | 83,792 | - | 135,924 |
| Lease make good | 53,382 | 203,172 | - | 256,554 |
| Transaction costs | - | (37,571) | 408,880 | 371,309 |
| | <u>8,183,018</u> | <u>3,099,499</u> | <u>408,880</u> | <u>11,691,397</u> |
| <i>Deferred tax liability</i> | | | | |
| Right-of-use assets | <u>(7,447,159)</u> | <u>(3,031,308)</u> | - | <u>(10,478,467)</u> |
| Net deferred tax asset recognised | <u>735,859</u> | <u>68,191</u> | <u>408,880</u> | <u>1,212,930</u> |
| | | | 31 Dec 2021 \$ | 30 June 2021 \$ |
| <i>Provision for income tax</i> | | | | |
| Provision for income tax | | | <u>577,700</u> | <u>330,466</u> |

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Note 7. Cash and cash equivalents

| | 31 Dec 2021 | 30 June 2021 |
|-----------------------|--------------------|---------------------|
| | \$ | \$ |
| <i>Current assets</i> | | |
| Cash on hand | 2,910 | 4,810 |
| Cash at bank | 9,371,913 | 332,206 |
| Cash on deposit | 36,199 | 24,755 |
| | <u>9,411,022</u> | <u>361,771</u> |

Reconciliation to cash and cash equivalents at the end of the half-year

The above figure for 31 December 2021 is reconciled to cash and cash equivalents at the end of the half-year as shown in the statement of cash flows as follows:

| | 31 Dec 2021 |
|-------------------------------------|-------------------------|
| | \$ |
| Balance as above | 9,411,022 |
| Bank overdraft (note 14) | <u>(29,440)</u> |
| Balance per statement of cash flows | <u><u>9,381,582</u></u> |

Note 8. Trade and other receivables

| | 31 Dec 2021 | 30 June 2021 |
|-------------------------------|--------------------|---------------------|
| | \$ | \$ |
| <i>Current assets</i> | | |
| Trade receivables | 1,837,331 | 486,961 |
| Other receivables | 15,857 | 183,653 |
| Receivable from related party | 6,878 | - |
| | <u>1,860,066</u> | <u>670,614</u> |

Note 9. Other assets

| | 31 Dec 2021 | 30 June 2021 |
|-----------------------------------|-------------------------|-----------------------|
| | \$ | \$ |
| <i>Current assets</i> | | |
| Bartercard assets | 123,330 | 123,330 |
| Prepayments | 888,362 | 98,643 |
| Deposits - rent roll acquisitions | - | 61,300 |
| Other current assets | 12,199 | - |
| | <u>1,023,891</u> | <u>283,273</u> |
| <i>Non-current assets</i> | | |
| Security deposits | 189,257 | 17,886 |
| Other non-current assets | 64,377 | 48,140 |
| | <u>253,634</u> | <u>66,026</u> |
| | <u><u>1,277,525</u></u> | <u><u>349,299</u></u> |

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Note 10. Property, plant and equipment

| | 31 Dec 2021 | 30 June 2021 |
|----------------------------------|--------------------|---------------------|
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Leasehold improvements - at cost | 247,185 | 156,907 |
| Less: Accumulated depreciation | <u>(17,324)</u> | <u>(11,189)</u> |
| | <u>229,861</u> | <u>145,718</u> |
| | | |
| Plant and equipment - at cost | 557,447 | 512,010 |
| Less: Accumulated depreciation | <u>(231,864)</u> | <u>(197,366)</u> |
| | <u>325,583</u> | <u>314,644</u> |
| | | |
| Motor vehicles - at cost | 16,513 | 16,513 |
| Less: Accumulated depreciation | <u>(1,984)</u> | <u>(1,007)</u> |
| | <u>14,529</u> | <u>15,506</u> |
| | <u>569,973</u> | <u>475,868</u> |

Reconciliations

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

| | Leasehold improvements | Plant and equipment | Motor vehicles | Total |
|-----------------------------|---------------------------|------------------------|-------------------|-----------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 145,718 | 314,644 | 15,506 | 475,868 |
| Additions | 90,278 | 45,437 | - | 135,715 |
| Depreciation expense | <u>(6,135)</u> | <u>(34,498)</u> | <u>(977)</u> | <u>(41,610)</u> |
| Balance at 31 December 2021 | <u>229,861</u> | <u>325,583</u> | <u>14,529</u> | <u>569,973</u> |

Note 11. Right-of-use assets

| | 31 Dec 2021 | 30 June 2021 |
|-----------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Land and buildings - right-of-use | 49,683,714 | 35,596,265 |
| Less: Accumulated depreciation | <u>(7,769,849)</u> | <u>(5,807,630)</u> |
| | <u>41,913,865</u> | <u>29,788,635</u> |
| | | |
| Motor vehicles - right-of-use | 208,796 | 148,036 |
| Less: Accumulated depreciation | <u>(71,125)</u> | <u>(64,156)</u> |
| | <u>137,671</u> | <u>83,880</u> |
| | <u>42,051,536</u> | <u>29,872,515</u> |

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Note 11. Right-of-use assets (continued)

Reconciliations

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

| | Land and buildings \$ | Motor vehicles \$ | Total \$ |
|-----------------------------|-----------------------------|-------------------------|-------------------|
| Balance at 1 July 2021 | 29,788,635 | 83,880 | 29,872,515 |
| Additions | 14,087,449 | 60,760 | 14,148,209 |
| Depreciation expense | (1,962,219) | (6,969) | (1,969,188) |
| Balance at 31 December 2021 | <u>41,913,865</u> | <u>137,671</u> | <u>42,051,536</u> |

Note 12. Intangibles

| | 31 Dec 2021 \$ | 30 June 2021 \$ |
|--------------------------------|--------------------|--------------------|
| <i>Non-current assets</i> | | |
| Rent roll - at cost | 20,249,007 | 10,693,486 |
| Less: Accumulated amortisation | <u>(1,925,670)</u> | <u>(1,482,541)</u> |
| | 18,323,337 | 9,210,945 |
| Domain names - at cost | <u>200,000</u> | <u>200,000</u> |
| Website - at cost | 120,011 | 101,207 |
| Less: Accumulated amortisation | <u>(3,248)</u> | <u>(1,078)</u> |
| | 116,763 | 100,129 |
| | <u>18,640,100</u> | <u>9,511,074</u> |

Reconciliations

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

| | Rent roll \$ | Domain names \$ | Website \$ | Total \$ |
|-----------------------------|-------------------|-----------------------|----------------|-------------------|
| Balance at 1 July 2021 | 9,210,945 | 200,000 | 100,129 | 9,511,074 |
| Additions | 9,555,521 | - | 18,804 | 9,574,325 |
| Amortisation expense | <u>(443,129)</u> | <u>-</u> | <u>(2,170)</u> | <u>(445,299)</u> |
| Balance at 31 December 2021 | <u>18,323,337</u> | <u>200,000</u> | <u>116,763</u> | <u>18,640,100</u> |

Additions

On 15 December 2021, the company acquired 100% of the shares in Great Ocean Road Accommodation Centre Pty Ltd (GORAC) for \$8,000,000. The only assets in GORAC at the date of acquisition were rent roll and pre-existing goodwill. The GORAC manages over 600 holiday properties located in the Great Ocean Road region. The consideration comprised \$6,500,000 in cash and deferred consideration of \$1,500,000.

With reference to AASB 3 *Business combinations*, it was determined that the acquisition of GORAC was not a business combination and has been accounted for as an asset acquisition. The cost of the acquisition has been allocated entirely to the rent roll.

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Note 13. Trade and other payables

| | 31 Dec 2021 | 30 June 2021 |
|----------------------------|--------------------|---------------------|
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Trade payables | 586,039 | 582,491 |
| Accruals | 120,124 | 64,181 |
| Deferred consideration | 1,500,000 | - |
| BAS payable | 380,553 | 529,574 |
| Other payables | 313,820 | 71,999 |
| | <u>2,900,536</u> | <u>1,248,245</u> |

Note 14. Borrowings

| | 31 Dec 2021 | 30 June 2021 |
|--|--------------------|---------------------|
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Secured: | | |
| Bank overdraft | 29,440 | 200,246 |
| Bank loans - market rate and working capital | 764,500 | 490,000 |
| Vendor loan | 150,000 | 343,974 |
| Loan - Prospa Advance Pty Ltd | - | 58,057 |
| Loan - Chattel mortgages and equipment loans | 72,593 | 91,928 |
| Unsecured: | | |
| Insurance premium funding | 400,548 | - |
| | <u>1,417,081</u> | <u>1,184,205</u> |
| <i>Non-current liabilities</i> | | |
| Secured: | | |
| Bank loans - market rate and working capital | 5,755,500 | 5,005,000 |
| | <u>7,172,581</u> | <u>6,189,205</u> |

Bank overdraft and loans

On 30 October 2021, Alloggio Group Limited entered into a new facility agreement with the Commonwealth Bank of Australia. The new bank facilities comprise the following:

- Market rate loan - \$7,645,000
- Overdraft facility - \$200,000
- Working capital loan - \$100,000
- Bank guarantee - \$797,000

The market rate loan was used to fund the acquisition of rent rolls and the unused facility at 31 December 2021 was \$1,125,000. The facility has a 3-year term and \$2,293,500 is repayable in 6 instalments (twice a year) of \$382,250 and the balance on expiry of the loan. The loan will expire in October 2024.

The amount drawn on the bank guarantee facility at 31 December 2021 was \$721,376.

The working capital loan is an interest-only loan and was not utilised at 31 December 2021.

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Note 15. Lease liabilities

| | 31 Dec 2021 | 30 June 2021 |
|--------------------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| <i>Current liabilities</i> | | |
| Lease liability - land and buildings | 3,236,929 | 2,561,461 |
| Lease liability - motor vehicles | 65,785 | 10,106 |
| | <u>3,302,714</u> | <u>2,571,567</u> |
| <i>Non-current liabilities</i> | | |
| Lease liability - land and buildings | 40,473,512 | 29,748,557 |
| Lease liability - motor vehicles | 104,778 | 105,769 |
| | <u>40,578,290</u> | <u>29,854,326</u> |
| | <u><u>43,881,004</u></u> | <u><u>32,425,893</u></u> |

Movement in lease liabilities

| | Land and buildings \$ | Motor vehicles \$ | Total \$ |
|-----------------------------|-----------------------------|-------------------------|--------------------------|
| Balance at 1 July 2021 | 32,310,018 | 115,875 | 32,425,893 |
| Additions | 12,749,390 | 69,770 | 12,819,160 |
| Rent concession | (216,256) | - | (216,256) |
| Lease payments | (2,071,859) | (19,298) | (2,091,157) |
| Interest expense | 939,148 | 4,216 | 943,364 |
| Balance at 31 December 2021 | <u><u>43,710,441</u></u> | <u><u>170,563</u></u> | <u><u>43,881,004</u></u> |

Remaining contractual maturities

The maturity analysis of lease liabilities related to land and buildings based on contractual undiscounted cash flows is shown in the table below:

| | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|--|-------------------------|--------------------------------|--------------------------------|--------------------------|--|
| Lease liabilities - land and buildings | <u><u>5,169,206</u></u> | <u><u>5,021,822</u></u> | <u><u>14,780,133</u></u> | <u><u>30,812,058</u></u> | <u><u>55,783,219</u></u> |

Note 16. Provisions

| | 31 Dec 2021 | 30 June 2021 |
|--------------------------------|-------------------------|-----------------------|
| | \$ | \$ |
| <i>Non-current liabilities</i> | | |
| Lease make good | <u><u>1,026,215</u></u> | <u><u>213,527</u></u> |

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.

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Note 16. Provisions (continued)

Movements in provisions

Movements in the lease make good provision during the current financial half-year are set out below:

| | Lease make good \$ |
|---|-----------------------|
| 31 Dec 2021 | |
| Carrying amount at the start of the half-year | 213,527 |
| Additional provisions recognised | 804,393 |
| Unwinding of discount | 8,295 |
| | <u>1,026,215</u> |

Note 17. Issued capital

| | 31 Dec 2021 Shares | 30 June 2021 Shares | 31 Dec 2021 \$ | 30 June 2021 \$ |
|------------------------------|-----------------------|------------------------|-------------------|--------------------|
| Ordinary shares - fully paid | <u>200,730,021</u> | <u>103,330,007</u> | <u>25,031,603</u> | <u>7,673,086</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|---|------------------|--------------------|-------------|-------------------|
| Balance | 1 July 2021 | 103,330,007 | | 7,673,086 |
| Conversion of convertible notes | 25 November 2021 | 14,900,014 | \$0.15 | 2,235,003 |
| Initial Public Offering | 25 November 2021 | 82,500,000 | \$0.20 | 16,500,000 |
| Transaction costs arising on share issues, net of tax | | | | (1,376,486) |
| Balance | 31 December 2021 | <u>200,730,021</u> | | <u>25,031,603</u> |

Convertible notes

During the 31 December 2021 half-year, the company issued 14,900,014 convertible notes at a face value of \$0.15 in consideration of \$2,235,003 received in cash. The notes were to be converted into ordinary shares in the company should the company be admitted to the Australian Securities Exchange (ASX) before the conversion date. The company was admitted to the ASX on 25 November 2021 and the notes automatically converted into ordinary shares in the company on a 1-for-1 basis. The conversion price was the lower of the IPO issue price less 25% and \$0.15. There was no interest payable on the notes.

Initial Public Offering

On 25 November 2021, the company was admitted to the Official List of ASX Limited and the official quotation of the company's ordinary fully paid shares commenced on 29 November 2021. The company raised \$16,500,000 pursuant to the offer under the prospectus dated 18 October 2021, by the issue and transfer of 82,500,000 shares at an offer price of \$0.20 per share. The total cash costs associated with the IPO totalled \$1,859,483 (excluding GST), with those costs directly attributable to the issue of new shares in relation to the IPO being \$1,785,366. These costs are offset against contributed equity. The remaining costs of the IPO of \$74,117, which are not directly attributable to the issue of new shares were expensed.

Note 18. Reserves

| | 31 Dec 2021 \$ | 30 June 2021 \$ |
|--|--------------------|--------------------|
| Share-based payments reserve | 166,337 | - |
| Business combinations under common control | <u>(4,500,080)</u> | <u>(4,500,080)</u> |
| | <u>(4,333,743)</u> | <u>(4,500,080)</u> |

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Note 18. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

| | Share-based payments reserve \$ | Business combinations under common control \$ | Total \$ |
|-----------------------------|--|--|--------------------|
| Balance at 1 July 2021 | - | (4,500,080) | (4,500,080) |
| Share-based payments | 166,337 | - | 166,337 |
| Balance at 31 December 2021 | <u>166,337</u> | <u>(4,500,080)</u> | <u>(4,333,743)</u> |

Note 19. Dividends

Dividends paid during the financial half-year were as follows:

| | 31 Dec 2021 \$ | 31 Dec 2020 \$ |
|--|-------------------|-------------------|
| Dividends paid to the shareholders of Alloggio Pty Limited | - | 680,000 |

The above dividend payments occurred prior to the group restructure on 2 November 2020.

Note 20. 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:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|---|---|--------------------|-------------------|
| | | 31 Dec 2021 % | 30 June 2021 % |
| Esplanade Holdings Pty Ltd | Australia | 100% | 100% |
| Esplanade Unit Trust Pty Ltd | Australia | 100% | 100% |
| Alloggio Pty Ltd | Australia | 100% | 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% | 100% |
| Great Ocean Road Accommodation Centre Pty Ltd | Australia | 100% | - |

Note 21. Events after the reporting period

Acquisitions

On 27 January 2022, the company announced that it had executed a binding agreement to acquire holiday property management business Accom Noosa and the management rights to Fairshore and Noosa International Resort for \$4.5 million. The strategic acquisitions significantly expand the consolidated entity's existing footprint in Noosa and make Alloggio the largest provider of holiday property management in Noosa with approximately 240 holiday properties.

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31 December 2021



Note 21. Events after the reporting period (continued)

On 8 February 2022, the company announced it had executed a binding agreement to acquire Magnetic Island's leading holiday property management business, Best of Magnetic, for \$2.95 million. The acquisition facilitates the consolidated entity's entry into a new market, North Queensland, and significantly expands the consolidated entity's footprint on the east coast of Australia.

Banking facilities

On 21 February 2022, the company announced that it had signed a letter of approval and acceptance of terms to increase its senior debt facilities with the Commonwealth Bank of Australia (CBA) from \$7.65 million to \$17.65 million. The expanded senior debt facilities comprise a new \$17.65 million tranche maturing three years from the execution of the loan agreements. The financial close of the new debt facilities is expected to occur by early March 2022.

COVID-19

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 traveller bookings, however with a high uptake of vaccinations within the Australian population, a similar and rapid upturn to traveller bookings would be expected upon the relaxation of people movement restrictions across the country.

No other matter or circumstance has arisen since 31 December 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 22. Cash flow information

Non-cash investing and financing activities

| | 31 Dec 2021 | 31 Dec 2020 |
|---|-------------|-------------|
| | \$ | \$ |
| Additions to right-of-use assets - lease funded | 12,749,390 | 14,839,759 |
| Additions to right-of-use assets - lease make good | 804,393 | 125,007 |
| Options granted to Lead Manager | 149,845 | - |
| Deferred consideration - acquisition of Great Ocean Road Accommodation Centre Pty Ltd | 1,500,000 | - |
| Conversion of convertible notes into ordinary shares | 2,235,003 | - |

Note 23. Share-based payments

Director and Lead Manager Options

On completion of the company's IPO, 8,000,000 options were granted to the company's Directors and 3,000,000 options to the Lead Manager. All options vest on 25 November 2023 and expire on 25 November 2026. The exercise price of each option is \$0.30. The fair value of the options at grant date was \$549,433. The total cost of the Lead Manager options were recognised as a charge to issued capital on grant date. The cost of the Director options are recognised as an expense over the vesting period.

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 25/11/2021 | 25/11/2026 | \$0.20 | \$0.30 | 50.00% | - | 1.20% | \$0.04995 |

Alloggio Group Limited
Notes to the consolidated financial statements
31 December 2021



Note 24. Earnings per share

| | 31 Dec 2021 | 31 Dec 2020 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Profit after income tax | <u>453,973</u> | <u>798,059</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | <u>122,915,879</u> | <u>66,616,239</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>122,915,879</u> | <u>66,616,239</u> |
| | Cents | Cents |
| Basic earnings per share | 0.37 | 1.20 |
| Diluted earnings per share | 0.37 | 1.20 |

The weighted average number of shares used in the calculation of basic and diluted earnings per share for the comparative period is the number of shares issued by the legal parent to acquire the results of the legal subsidiary for that period, even though the issue of the shares did not occur until 4 February 2021.

Alloggio Group Limited
Directors' declaration
31 December 2021



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in black ink that reads "William B Creedon".

William B Creedon
Director

21 February 2022
Newcastle

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALLOGGIO GROUP LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Alloggio Group Limited (the company) and controlled entities (the consolidated entity), which comprises the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors' of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

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

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2021 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Allogio Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



PKF



MARTIN MATTHEWS
PARTNER

21 FEBRUARY 2022
NEWCASTLE, NSW