8 December 2022

ASX Announcement

WOT BUSINESS UPDATE – DECEMBER 2022

With the settlement of WOTSO Property's first New Zealand purchase and a $7m uplift in the value of its existing properties the groups real estate portfolio value now stands at $400m with bank debt of $146m. Independent revaluations are undertaken progressively as properties are repositioned, leased or upgraded.

The NZ property at 9 Huron Street, Takapuna is currently vacant but has two floors of modern office space and will require only a cosmetic upgrade before being returned to the market as the first NZ WOTSO Workspace.

Turnover in the existing WOTSO Workspace business continues to grow with annualised turnover now 12% up on June 22 at $26.5m.

The existing WOTSO Manly is to be demolished, which will bring to an end a very successful partnership with the Royal Far West charity, but we have been able to secure a new home in the heritage-listed Barracks Precinct.

With a very tight program we are working closely with the Sydney Harbour Trust and have gained access to the Barracks and started preparations for the relocation of WOTSO Manly early in the new year. The response to the new site from existing Manly members has been encouraging and while there are some hurdles yet to be overcome we are optimistic that we will be able to meet our targets.

ASIC Review – Additional Disclosure

WOTSO Property's 2022 Annual Report has been reviewed by ASIC as part of its surveillance program. Following the review we have agreed to make the following additional disclosures to supplement the Directors' Report included in the 2022 Annual Report:

Material business risks

- **Inflation** – the majority of our property portfolio is contracted on a gross lease basis. This exposes the group to the risk that property outgoings may increase faster than income. This is a risk we have accepted as mismatches in income and expenses are a normal property risk and are expected to balance out over time.
- **Interest Costs** – The group has borrowings that are exposed to interest rate movements and rising interest costs will negatively impact net earnings. The Directors believe that group gearing is such that foreseeable increases in interest costs can be managed without undue stress.
- **Lease obligations** - The profitability of leased sites is affected by movements in rents. As WOTSO's lease terms are longer than the month-to-month terms it provides to customers, there is a potential mismatch if rents rise and/or members fees fall. We mitigate this risk by siloing each lease in a separate company.
- **Access and cost of capital** – the group's access to and the cost of capital (both debt and equity) impacts ability to pursue new opportunities. We have little ability to control these factors, other than to secure the best deals available at any given time.
- **Competition** – the group continues to enjoy limited competition in the suburban flexible workspace market but we expect this to change as competitors shift their focus to this market in response to the "Work Near Home" trend. We believe that WOTSO's less corporate feel and growing demand in suburban locations should allow WOTSO to be a complementary offer rather than direct competition.

WOTSO PROPERTY (ASX:WOT)
A stapled security comprising:
WOTSO Limited (ACN 636 701 267)
BlackWall Fund Services Limited (ACN 079 608 825) as responsible entity for BlackWall Property Trust (ARSN 109 684 773)
Planloc Limited (ACN 062 367 560)

50 Yeo Street, Neutral Bay, NSW 2089 Australia
PO Box 612, Neutral Bay, NSW 2089 Australia
Tel +61 2 9033 8611
info@blackwall.com.au
www.blackwall.com.au

- **Valuations** – The real estate market is dynamic and real estate values may rise or fall from time to time. The group has no capacity to influence the market but we are continuously looking at ways to enhance the value of our properties. Any change in our real estate values affects the group's net tangible asset backing and a sudden fall in the value of a particular real estate asset could cause lending covenants to be breached.
- **Employee recruitment and retention** – the tightening labour market and upward pressure on wages impacts the day-to-day operation of our business. We continually review our remuneration, reward and training with the aim of being a competitive and attractive employer.
- **Cyber risk** – as with most businesses we do have cyber risks that we cannot eliminate entirely but our risks are relatively small and we perform regular systems reviews to ensure sensitive information is properly stored or destroyed. We hold specific cyber insurance policies that provides coverage in the event of a cyber-attack/breach.
- **Unplanned capital expenditure** - the need for significant unforeseen capital expenditure would affect the group and may negatively impact debt obligations and/or distributions to investors.
- **Macroeconomic factors** - threat of domestic and global recession, ongoing impacts of COVID and investor sentiment are some of the primary macroeconomic considerations that may impact our business. As a management team we continually monitor these factors however, ultimately, they are often beyond our control.

Disclosure of non-IFRS financial information

Funds from Operations is a common non-IFRS measure used within the property industry and aims to disclose meaningful results of operations for the group by carving out statutory adjustments required under accounting standards such as unrealised gains on assets and depreciation, as well as the impact of the leasing standard *AASB 16* and other non-operational costs.

Adjusted Net Asset Value (**NAV**) is another non-IFRS measure we use in our Report to help highlight our view of the actual position of the group. In arriving at Adjusted NAV we start with statutory net assets of the group include a valuation of the WOTSO business and remove any corresponding statutory assets and liabilities such as goodwill, WOTSO's property, plant and equipment, adjustments for AASB 16 balances and deferred tax liabilities.

Below we have provided a reconciliation of these non-IFRS measures from their corresponding statutory balances as at, and for the year ended, 30 June 2022, as well as the year-to-date position and performance. Consistent with the other financial and non-financial information in the Directors' Report, the 30 June 2022 non-IFRS measures below are not subject to any assurance from the auditor. All 30 November 2022 figures below are unaudited.

WOTSO PROPERTY

	5 Months Ended 30 Nov 2022 $'000	12 Months Ended 30 Jun 2022 $'000
Statutory Profit Before Tax	**8,633**	**36,668**
Net gain on assets	(7,031)	(32,078)
Depreciation and amortisation	2,959	6,011
Impact of AASB 16	113	582
Architectural and capital project management fees	-	464
Funds from Operations	**4,674**	**11,647**

	As at 30 Nov 2022 $'000	As at 30 Jun 2022 $'000
Statutory Net Assets	**296,993**	**296,866**
WOTSO business valuation	50,000	45,000
Goodwill	(26,150)	(26,150)
WOTSO property, plant and equipment	(12,228)	(12,796)
Impact of AASB 16 – Right of use lease assets	(32,628)	(33,605)
Impact of AASB 16 – Make good provisions	1,412	1,412
Impact of AASB 16 – Lease liabilities	36,880	37,743
Deferred tax liability	4,696	4,696
Adjusted NAV	**318,975**	**313,166**
Attributable to non-controlling interests	(37,789)	(41,294)
Adjusted NAV Attributable to WOT Owners	**281,186**	**271,872**
Adjusted NAV per Security Attributable to WOT Owners	**$1.72**	**$1.66**

For further information please contact:
Jessie Glew (Joint Managing Director & COO) on 0438 691 538 or jglew@blackwall.com.au
Tim Brown (Joint Managing Director & CFO) on 0416 925 376 or tbrown@blackwall.com.au

Authorised for lodgement by
Alex Whitelum, Company Secretary