

ASX ANNOUNCEMENT

Acumentis Group Limited (ASX: ACU)



16 April 2020

ASX Market Announcements Office
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By E-Lodgement

QUARTERLY ACTIVITY REPORT & APPENDIX 4C

Acumentis Group Limited (“the Company”) is pleased to release its Quarterly Activity Report and associated Appendix 4C (Quarterly Cash Flow Report) to the market.

Business Activities for the Quarter

The business activities of the Company remained unchanged during the quarter to March 2020.

Revenues continued to grow as the Company re-established its business following the cyber-attacks in 2019 and in March our revenues exceeded \$4.6M.

Expenditure was in line with expectations with no major or unusual items. Expenditure was reduced due to the refund of payroll taxes previously paid and the granting of relief from payments or deferral of payments under the support provided by State Governments in response to the economic impacts of COVID-19.

Quarterly cash used in operating activities fell to \$0.7M compared to \$1.6M for the previous quarter and we expect to generate positive cashflows in the final quarter of FY2020 notwithstanding the impacts of COVID-19 on economic activity.

Payments to Associates (refer section 6 of Appendix 4C)

During the previous quarter, director’s fees totalling \$79,000 were paid to non-executive directors of the Company in line with their employment contracts.

The Company confirms that it has prepared models covering different scenarios relating to the impact and duration of the COVID-19 pandemic and incorporating the Federal & State Government support packages announced. Based on this modelling, the Company is confident it has the capabilities to progress through the current market circumstances, and importantly, retain all of its staff so that when the economy rebounds it remains in a strong position to take advantage of the opportunities that are expected to arise.

By order of the Board.

John Wise
Company Secretary
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About Acumentis

Acumentis is entrusted to provide commercial and residential valuations, research and property advice to many thousands of homeowners, investors, developers and lenders. The company offers property valuation, insurance valuation and advisory services to clients including major banks and financial institutions, property developers, property trusts, government, lawyers, accountants, real estate agents and major and independent retailers. With 40 offices and more than 300 staff in metropolitan and regional locations around the country, Acumentis is Australia’s only independent, locally owned, ASX-listed property valuation company.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Acumentis Group Limited (ASX:ACU)

ABN

50 102 320 329

Quarter ended ("current quarter")

March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	8,323	27,536
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	(407)	(1,076)
	(e) staff costs	(5,889)	(20,792)
	(f) administration and corporate costs	(2,285)	(10,741)
1.3	Dividends received (see note 3)		
1.4	Interest received	16	16
1.5	Interest and other costs of finance paid	(74)	(232)
1.6	Income taxes (paid) / received	54	499
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	- GST paid	(460)	(1,320)
	- Other income	-	1,095
	- Return of security deposits	6	91
1.9	Net cash from / (used in) operating activities	(716)	(4,924)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	(629)
	(b) property, plant & equipment	(151)	(808)
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(151)	(1,437)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,646
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(636)
3.5	Proceeds from borrowings	-	2,120
3.6	Repayment of borrowings	(635)	(2,825)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(635)	4,305

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of the period	1,262	1,816
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(716)	(4,924)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(151)	(1,437)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(635)	4,305
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of the period	(240)	(240)

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	705	1,642
5.2	Call deposits	-	-
5.3	Bank overdrafts	(945)	(380)
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	(240)	1,262

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	79
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.		
Directors fees paid.		

7.	Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity</i>	Total facility amount at quarter end \$A’000	Amount drawn at quarter end \$A’000
7.1	Loan facilities	3,900	3,900
7.2	Credit standby arrangements	3,500	945
7.3	Other (please specify)	-	-
7.4	Total financing facilities	7,400	4,280
7.5	Unused financing facilities available at quarter end		2,555
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

Loan facilities

Commercial bank bill facility from St George Bank Limited secured with fixed and floating charge over the assets and business of LMW and carrying interest at BBSY + 2.6% (currently 3.6%).

The bank bills include amortisation of \$650,000 every six months with the next payment due 15 October 2020.

Credit standby arrangements

Commercial overdraft facility from St George Bank Limited secured with fixed and floating charge over the assets and business of LMW and carrying interest at the banks commercial base rate (currently 7.81%). The current facility will fall to \$1.5M in May 2020 and to \$1.2M from June 2020 and remain at this level. There is no maturity date for the commercial overdraft facility, however it is subject to annual review with the next review due in October 2020.

8.	Estimated cash available for future activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(716)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	(240)
8.3	Unused finance facilities available at quarter end (Item 7.5)	2,555
8.3a	Reduction in overdraft limit by end of June 2020 quarter	(2,300)
8.4	Total available funding (Item 8.2 + Item 8.3 + Item 8.3a)	255
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.4
8.6	If Item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer	<p>No, we expect operating cashflows to continue to improve as the company's revenues continue to grow following resolution of the cyber-attacks and data theft that occurred in 2019.</p> <p>This is evidenced by the trend over the last 3 quarters:</p> <ul style="list-style-type: none"> • Sep 19 quarter = (2,092) • Dec 19 quarter = (1,645) • Mar 20 quarter = (716) <p>Current cashflow forecasting indicates a positive operating cashflow for the Jun 20 quarter.</p>
	2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer	No.
	3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer	<p>Yes, based on:</p> <ul style="list-style-type: none"> • Profit of \$1.1M (unaudited) booked for March 2020 which will result in significant cash inflows in April 2020. • The expected ongoing improvement in operating cashflows in 2020. • Detailed modelling of daily expected cashflows. • Subsequent to 31 December 2019, securing a short-term increase in our overdraft facility from our existing bankers. Available overdraft facilities now total \$3.5M but will fall to \$1.2M in June 2020.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: **16 April 2020**

Authorised by: **By the Board**

(name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.