

Appendix 4D - Half Year Report

Given in accordance with ASX Listing Rule 4.2A

Acumentis Group Limited (ASX: ACU)

ACN 102 320 329



Results for announcement to the market

The information provided in the Half-Yearly Report should be read in conjunction with the Company's 2022 Annual Financial Report

		Change			
		\$'000	%		\$'000
Revenue from continuing operations	Down	2,198	8%	to	26,767
Profit before tax from continuing operations	Down	2,424	151%	to	(771)
Profit after tax from continuing operations	Down	2,184	141%	to	(597)
Profit after tax attributable to members	Down	2,184	141%	to	(597)

Dividends

		Amount per security	Franked amount per security at 30% tax
Interim dividend – Ordinary	Cents	0.00	0.00
Previous corresponding period			
Interim dividend – Ordinary	Cents	0.00	0.00
Record date for determining entitlements to dividends			n/a
Payment date for dividends			n/a

		31 Dec 2022	30 Jun 2022	31 Dec 2021
Net tangible asset backing per share	Cents	(1.15)	(0.81)	0.46

Acumentis Group Limited

ACN 102 320 329

Half Year Financial Report

For the 6 months ended 31 December 2022

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Directors' Report

The directors submit the financial report of the Consolidated Entity (comprising Acumentis Group Limited and its controlled entities) for the half year ended 31 December 2022.

Directors

The Directors of the company in office at any time during or since the end of the half year are:

	Appointed	Resigned
Keith Perrett <i>Non-Executive, Independent Director & Chair</i>	1 February 2018	
Andrea Staines OAM <i>Non-Executive, Independent Director</i>	26 September 2019	
Patrice Sherrie <i>Non-Executive, Independent Director</i>	1 November 2020	8 November 2022
Timothy Rabbitt <i>Executive Director & CEO</i>	10 December 2020	
Les Wozniczka <i>Non-Executive, Non-Independent Director</i>	13 April 2021	

Principal Activities

The principal activities of the Consolidated Entity during the period were property valuation & advisory services. There were no significant changes in the nature of the activities of the Consolidated Entity during the period.

Review of Operations

Financial results

Revenues for the half year were lower than in 2021 as a result of the slowdown in mortgage related valuation instructions from financial institutions following the large increases in interest rates through the second half of calendar 2022. The reduction in financial institution work was partially offset by an increase in revenues generated from government, corporate and private clients which has been a key business development focus for Acumentis.

As the impacts of lower revenues were identified, the Company took immediate actions to restructure to remove costs from the business without adversely impacting revenue generation activities.

Business overview

The business operates across the following key sectors:

- Metropolitan residential mortgage and non-mortgage valuations
- Metropolitan commercial mortgage and non-mortgage valuations
- Regional & rural mortgage and non-mortgage valuations
- Government valuations
- Property advisory

The business continues to expand its services in related property professional sectors and geographies throughout Australia.

Interim dividend

The directors do not recommend payment of an interim dividend (31 December 2021: 0.00 cents).

The directors do not anticipate payment of a full year dividend, however, will evaluate this when the full year results are known.

Outlook

Market conditions are expected to continue to be challenging through the first half of calendar 2023 whilst global economic uncertainties continue and the interest rate tightening cycle peaks. The heightened potential for global and local recession in calendar 2023 is likely to continue to adversely impact market sentiment and demand for our services.

The executive team has been successful in undertaking business development activities to drive growth into areas which attract greater activity and earnings potential.

We anticipate a rebound in mortgage related activity when the interest rate cycle peaks and as fixed rate loans are refinanced through calendar 2023. This, coupled with the success in growing non-mortgage related revenues and the reduction in costs achieved in the second half of calendar 2022, should enable the business to increase its revenues and return to profitability.

Events subsequent to the end of the reporting period

There are no significant subsequent events.

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

The Lead Auditor's Independence Declaration is set out on page 5 and forms part of the Directors' report for the half year ended 31 December 2022.

Rounding of amounts to the nearest thousand dollars

The Consolidated Entity has applied the relief available under ASIC Instrument 2016/191 and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Going Concern

The directors are satisfied that the going concern basis of preparation is appropriate and therefore the financial information does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern. Refer to note 25 for further details.

Comparative Numbers

The Half Year Report includes comparative numbers for both the corresponding half year as well as for the previous full year. Values are presented as follows:

- Profit & Loss disclosures – for the 6 months to December 2022, the 6 months to December 2021 and the 12 months to June 2022.
- Balance Sheet disclosures – as at 31 December 2022, 30 June 2022 and 31 December 2021.

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



Keith Perrett
Chair

30 January 2023

Acumentis Group Limited

Auditor's independence declaration under section 307c of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2022 there have been:

- No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.



William Buck
Accountants and Advisors
ABN 16 021 300 521



Domenic Molluso
Partner

Sydney, 30 January 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	31 Dec 22 6 months \$'000	31 Dec 21 6 months \$'000	30 Jun 22 12 months \$'000
Revenue from operations	2	26,767	28,965	56,908
Expenses from operations				
Employment expenses		20,311	20,613	41,336
Software, printing and report delivery		1,320	1,245	2,805
Marketing		479	380	765
Communications		200	275	555
Insurance		1,362	1,407	2,897
Administration		527	654	1,234
Occupancy		315	346	648
Depreciation, amortisation & impairment		1,139	912	1,935
Other operating expenses		1,711	1,344	3,030
		27,364	27,176	55,205
Results from operating activities		(597)	1,789	1,703
Financial income		18	19	36
Financial expenses		(192)	(155)	(318)
Net financing expense		(174)	(136)	(282)
(Loss) / Profit before income tax		(771)	1,653	1,421
Income tax benefit / (expense)	5	174	(66)	24
(Loss) / Profit for the period attributable to members of the parent entity		(597)	1,587	1,445
Total other comprehensive income (net of tax)		-	-	-
Total comprehensive (loss) / income for the period attributable to members of the parent entity		(597)	1,587	1,445
Earnings per share	6			
Basic earnings per share		(0.34) cents	0.92 cents	0.83 cents
Diluted earnings per share		(0.34) cents	0.90 cents	0.81 cents

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to and forming part of the financial statements.

Consolidated Statement of Financial Position

	Notes	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Current assets				
Cash and cash equivalents		788	856	3,604
Term deposits		4	42	42
Trade and other receivables	7	5,195	6,287	4,666
Other financial assets	8	360	349	338
Other current assets	9	2,293	1,361	2,304
Total current assets		8,640	8,895	10,954
Non-current assets				
Term deposits		945	887	765
Other financial assets	8	472	653	832
Deferred tax assets	10	3009	2,835	2,720
Plant & equipment	11	848	934	759
Right of use assets	12	2,807	2,489	1,824
Intangible assets	13	22,296	22,245	19,870
Total non-current assets		30,377	30,043	26,770
Total assets		39,017	38,938	37,724
Current liabilities				
Trade & other payables	15	5,871	4,162	5,128
Tax payable	16	17	28	151
Borrowings	17	1,858	908	750
Lease liabilities	18	1,656	1,561	1,383
Deferred consideration	19	346	406	122
Employee benefits	20	4,865	5,229	4,854
Total current liabilities		14,613	12,294	12,388
Non-current liabilities				
Borrowings	17	43	1,448	1,850
Lease liabilities	18	2,223	2,271	2,058
Deferred consideration	19	1,263	1,406	61
Employee benefits	20	413	509	515
Provisions	21	172	182	182
Total non-current liabilities		4,114	5,816	4,666
Total liabilities		18,727	18,110	17,054
Net assets		20,290	20,828	20,670
Equity				
Issued capital	22	19,433	19,433	46,608
Retained earnings / (Accumulated deficit)		671	1,268	(26,013)
Other reserves	23	186	127	75
Total equity		20,290	20,828	20,670

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements.

Consolidated Statement of Changes in Equity

	Notes	Share capital \$'000	Accumulated deficit / Retained earnings \$'000	Other reserves \$'000	Total \$'000
Balance as at 1 July 2021		44,887	(27,600)	31	17,318
Shares Issued	22	1,721	-	-	1,721
Share based payments expense	23	-	-	44	44
Profit for the period		-	1,587	-	1,587
Balance as at 31 December 2021		46,608	(26,013)	75	20,670
Balance as at 1 January 2022		46,608	(26,013)	75	20,670
Shares issued	22	248	-	-	248
Share based payments expense	23	-	-	52	52
Loss for the period		-	(142)	-	(142)
Corporations Act 2001 s258F reduction in capital		(27,423)	27,423	-	-
Balance as at 30 June 2022		19,433	1,268	127	20,828
Balance as at 1 July 2022		19,433	1,268	127	20,828
Share based payments expense	23	-	-	59	59
Loss for the period		-	(597)	-	(597)
Balance as at 31 December 2022		19,433	671	186	20,290

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements.

Consolidated Statement of Cashflows

	Notes	31 Dec 22 6 months \$'000	31 Dec 21 6 months \$'000	30 Jun 22 12 months \$'000
Cash flows from operating activities				
Cash receipts from customers		30,667	30,594	59,867
Cash paid to suppliers and employees		(28,638)	(28,688)	(58,109)
Interest received		5	5	36
Interest paid		(178)	(155)	(318)
Lease receipts		183	90	241
Income taxes paid		(11)	-	(170)
Net cash provided by operating activities		2,028	1,846	1,547
Cash flows from investing activities				
Payments for property, plant & equipment	11	(200)	(123)	(447)
Payments for intangible assets	13	(318)	(248)	(617)
Payments for investments:				
Acquisition of incorporated entities		-	-	(805)
Acquisition of associated entities		-	(573)	-
Deferred consideration paid		(203)	-	(61)
Refund of previously paid consideration		-	27	27
(Increase) / Decrease in security deposits		(20)	35	(87)
Loans advanced		-	-	(189)
Loans repaid		-	-	20
Net cash used in investing activities		(741)	(882)	(2,159)
Cash flows from financing activities				
Repayment of borrowings		(455)	(137)	(440)
Repayment of lease liabilities		(900)	(799)	(1,668)
Dividends paid	22	-	(110)	(110)
Net cash used in financing activities		(1,355)	(1,046)	(2,218)
Net (decrease) / increase in cash and cash equivalents held		(68)	(82)	(2,830)
Cash and cash equivalents at the beginning of the period		856	3,686	3,686
Cash and cash equivalents at the end of the period		788	3,604	856

The Consolidated Statement of Cashflows is to be read in conjunction with the notes to and forming part of the financial statements.

Notes to the Consolidated Financial Statements

1. Significant accounting policies

Reporting entity

Acumentis Group Limited (the “Company” or “Acumentis”) is a company domiciled in Australia.

The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2022 comprises the Company and its subsidiaries (together referred to as the “Consolidated Entity”).

Comparative Numbers

The Half Year Report has been formatted to include comparative numbers for both the corresponding half year as well as for the previous full year. Values are presented as follows:

- Profit & Loss disclosures – for the 6 months to December 2022, the 6 months to December 2021 and the 12 months to June 2022.
- Balance Sheet disclosures – as at 31 December 2022, 30 June 2022 and 31 December 2021.

Accounting Policies

The accounting policies applied by the Consolidated Entity in these consolidated financial statements are the same as those applied by the Consolidated Entity in its consolidated financial statements as at and for the year ended 30 June 2022.

Statement of compliance

The consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. They should be read in conjunction with the annual report for the year ended 30 June 2022.

The consolidated financial statements were authorised for issue by the directors on 31 January 2023.

2. Revenue from operations

	31 Dec 22 6 months \$'000	31 Dec 21 6 months \$'000	30 Jun 22 12 months \$'000
Revenue from rendering of services	26,753	27,418	55,163
Gain on de-recognition of investment in associated company (note 14)	-	1,539	1,539
Other income	14	8	206
	26,767	28,965	56,908

3. Significant revenue and expense items

The Consolidated Entity has identified several items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Consolidated Entity.

	31 Dec 22 6 months \$'000	31 Dec 21 6 months \$'000	30 Jun 22 12 months \$'000
Revenue			
Gain on de-recognition of investment in associated company (note 14)	-	1,539	1,539
Expenses			
Redundancy and termination costs	136	34	248
Acquisition costs expensed	-	-	156
IT&T MSP migration non-recurring costs	45	-	395

4. Segment reporting

The Consolidated Entity's operations and clients are located entirely in Australia and comprise only one segment being the provision of property valuations & advice.

5. Income tax

Reconciliation of income tax expense / (benefit) to prima facie tax payable

	31 Dec 22 6 months \$'000	31 Dec 21 6 months \$'000	30 Jun 22 12 months \$'000
(Loss) / profit from continuing operations before tax	(771)	1,653	1,421
Prima facie income tax (benefit) / expense calculated at 30% on (loss) / profit	(231)	496	426
- Gain on de-recognition of investment in associated company	-	(462)	(462)
Increase in income tax expense due to:			
Non-deductible expenses			
- Entertainment	10	9	17
- Other expenses	-	41	-
	(221)	84	(19)
Adjustments for prior years	47	-	14
Restatement of future tax benefit ¹	-	(18)	(19)
Income tax (benefit) / expense	(174)	66	(24)

Note 1: For the year ended 30 June 2020, the Consolidated Entity was subject to the lower company tax rate for entities with an aggregated turnover of less than \$50M. The lower company tax rate reduced was 26% from 1 July 2020. For the year ended 30 June 2021, the Consolidated Entity's aggregate turnover exceeded \$50M and therefore the Consolidated Entity is no longer subject to the lower company tax rate and accordingly the future tax benefit was restated to 30%. For the period ending 31 December 2021, the future tax benefit of Acumentis (WA) Holdings Pty Ltd which was acquired on 1 July 2021 (note 14) was restated from the lower company tax rate of 26% to 30%.

6. Earnings per share

The calculation of earnings per share for the period was calculated using the following factors:

	31 Dec 22 6 months	31 Dec 21 6 months	30 Jun 22 12 months
Basic earnings per share	\$'000	\$'000	\$'000
(Loss) / Profit attributable to ordinary shareholders of the company for the period	(597)	1,587	1,445
	Number	Number	Number
Issued ordinary shares at the start of the period	175,317,445	159,005,153	159,005,153
Shares issued during the period	-	14,787,339	16,312,292
Issued number of ordinary shares at end of the period	175,317,445	173,792,492	175,317,445
Weighted average number of ordinary shares during the period	175,317,445	171,944,075	173,444,588
Diluted earnings per share	\$'000	\$'000	\$'000
(Loss) / Profit attributable to ordinary shareholders of the company for the period	(597)	1,587	1,445
	Number	Number	Number
Weighted average number of ordinary shares during the period	175,317,445	173,792,492	173,444,588
Options on issue at end of period	2,500,000	2,500,000	2,500,000
Performance rights on issue at end of period	3,556,000	2,680,000	2,416,000
Weighted average number of issued plus potential ordinary shares during the period	181,373,445	178,972,492	178,360,588

Note 1: For the 6 months ended 31 December 2022 the potential ordinary shares relating to options & performance rights on issue were antidilutive (decreasing the loss per share disclosed) and accordingly the diluted earnings per share for these periods do not assume conversion of the options on issue.

7. Trade and other receivables

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Current			
Trade receivables	5,373	6,522	4,845
Provision for expected credit losses	(178)	(299)	(180)
Other receivables	-	64	1
	5,195	6,287	4,666

8. Other financial Assets

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Current			
Finance lease receivable	360	349	338
Non-current			
Finance lease receivable	284	467	644
Loans to employees	188	186	188
	472	653	832

9. Other current assets

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Prepaid expenses	2,293	1,361	2,304

10. Deferred tax balances

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Deferred tax assets			
Employee provisions	1,342	1,354	1,360
Provision for expected credit losses	53	90	54
Accruals	216	152	148
Make good provisions	52	54	54
“Black hole” expenditure ¹	61	143	132
Right of use assets (lease liability minus NBV)	322	403	485
Finance lease receivable	(193)	(245)	(295)
Other	42	22	22
	1,895	1,973	1,960
Tax losses	1,114	862	760
	3,009	2,835	2,720

Note 1: This relates to share issue costs that, in accordance with s40-880 of the Income Tax Assessment Act 1936, are deductible for income tax over a five-year period.

11. Plant & equipment

	Office equipment \$'000	Furniture & fittings \$'000	Leasehold improvements \$'000	Motor Vehicles \$'000	Total \$'000
Cost					
Balance at 1 Jul 2021	1,393	574	446	-	2,413
Additions	114	9	-	-	123
Acquisition of controlled entity	375	54	164	-	593
Disposals	(1)	(4)	-	-	(5)
Balance at 31 Dec 2021	1,881	633	610	-	3,124
Balance at 1 Jan 2022	1,881	633	610	-	3,124
Additions	286	37	1	-	324
Acquisition of controlled entity	-	3	-	68	71
Disposals	(162)	(12)	-	-	(174)
Balance at 30 Jun 2022	2,005	661	611	68	3,345
Balance at 1 Jul 2022	2,005	661	611	68	3,345
Additions	143	39	18	-	200
Disposals	(52)	(155)	(207)	-	(414)
Balance at 31 Dec 2022	2,096	545	422	68	3,131
Accumulated depreciation					
Balance at 1 Jul 2021	1,005	475	221	-	1,701
Acquisition of controlled entity	303	49	120	-	472
Depreciation charge for the period	125	27	45	-	197
Disposals	(1)	(4)	-	-	(5)
Balance at 31 Dec 2021	1,432	547	386	-	2,365
Balance at 1 Jan 2022	1,432	547	386	-	2,365
Acquisition of controlled entity	-	-	-	10	10
Depreciation charge for the period	129	30	45	6	210
Disposals	(162)	(12)	-	-	(174)
Balance at 30 Jun 2022	1,399	565	431	16	2,411
Balance at 1 Jul 2022	1,399	565	431	16	2,411
Depreciation charge for the period	164	27	44	8	243
Disposals	(52)	(147)	(172)	-	(371)
Balance at 31 Dec 2022	1,511	445	303	24	2,283
Carrying amounts					
31 Dec 2021	449	86	224	-	759
30 Jun 2022	606	96	180	52	934
31 Dec 2022	585	100	119	44	848

12. Right of Use Assets

	Buildings \$'000	Office equipment \$'000	Total \$'000
Cost			
Balance at 1 Jul 2021	7,273	-	7,273
Additions – non-cash	464	208	672
Acquisition of controlled entity	171	-	171
Disposals	(4,252)	-	(4,252)
Balance at 31 Dec 2021	3,656	208	3,864
Balance at 1 Jan 2022	3,656	208	3,864
Additions – non-cash	1,260	-	1,260
Disposals	-	-	-
Balance at 30 Jun 2022	4,916	208	5,124
Balance at 1 Jul 2022	4,916	208	5,124
Additions – non-cash	947	-	947
Disposals	(1,462)	-	(1,462)
Balance at 31 Dec 2022	4,401	208	4,609
Accumulated depreciation			
Balance at 1 Jul 2021	4,701	-	4,701
Acquisition of controlled entity	62	-	62
Depreciation charge for the period	494	35	529
Disposals	(3,252)	-	(3,252)
Balance at 31 Dec 2021	2,005	35	2,040
Balance at 1 Jan 2022	2,005	35	2,040
Depreciation charge for the period	560	34	594
Disposals	1	-	1
Balance at 30 Jun 2022	2,566	69	2,635
Balance at 1 Jul 2022	2,566	69	2,635
Depreciation charge for the period	594	35	629
Disposals	(1,462)	-	(1,462)
Balance at 31 Dec 2022	1,698	104	1,802
Carrying amounts			
31 Dec 2021	1,651	173	1,824
30 Jun 2022	2,350	139	2,489
31 Dec 2022	2,703	104	2,807

13. Intangible assets

	Goodwill \$'000	Computer software \$'000	Brands & Trademarks \$'000	Total \$'000
Balance at 1 Jul 2021	12,529	1,467	241	14,237
Acquisitions	5,597	248	-	5,845
Reduction in previously recognised goodwill	(27)	-	-	(27)
Amortisation	-	(185)	-	(185)
Balance at 31 Dec 2021	18,099	1,530	241	19,870
Balance at 1 Jan 2022	18,099	1,530	241	19,870
Acquisitions	2,225	370	-	2,595
Amortisation	-	(220)	-	(220)
Balance at 30 Jun 2022	20,324	1,680	241	22,245
Balance at 1 Jul 2022	20,324	1,680	241	22,245
Acquisitions	-	318	-	318
Amortisation	-	(267)	-	(267)
Balance at 31 Dec 2022	20,324	1,731	241	22,296

Intangible asset carrying values are reviewed annually or whenever there are indications that they may be impaired. An impairment review was conducted effective 31 December 2022.

The estimated recoverable amount of intangibles is determined by way of estimating the net present values of cashflows expected to be generated by the cash generating units associated with the intangible assets.

Goodwill is monitored by management based on the cash generating units to which the goodwill relates.

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Residential business	3,016	3,016	3,016
Regional business	9,486	9,486	9,513
WA business	6,393	6,393	5,624
SA Business	1,429	1,429	-
	20,324	20,324	18,099

The Company tests whether goodwill has suffered any impairment on a six monthly basis. The recoverable amount of cash generating units is determined based on value in use calculations which require the use of assumptions.

The calculations use cash flow projections based on financial forecasts approved by management covering the 12 months post reporting date. Cash flows beyond the 12 month period are extrapolated using the estimated growth rates stated below.

	Residential Business	Regional Business	WA Business	SA Business
31 December 2022				
Annual increase in revenues	3.0%	3.0%	3.0%	5.0%
Increase in employee expenses as a % of increased revenues	55.0%	55.0%	55.0%	55.0%
Annual increase in overheads	3.0%	3.0%	3.0%	3.0%
Terminal growth rate	2.0%	2.0%	2.0%	2.0%
Discount rate	14.6%	14.6%	14.6%	14.6%
30 June 2022				
Annual increase in revenues	2.0%	2.0%	3.0%	5.0%
Increase in employee expenses as a % of increased revenues	55.0%	55.0%	55.0%	55.0%
Annual increase in overheads	3.0%	3.0%	3.0%	3.0%
Terminal growth rate	2.0%	2.0%	2.0%	2.0%
Discount rate	13.7%	13.7%	13.7%	13.7%
31 December 2021				
Annual increase in revenues	3.0%	2.0%	3.0%	n/a
Increase in employee expenses as a % of increased revenues	60.0%	60.0%	60.0%	n/a
Annual increase in overheads	2.0%	2.0%	2.0%	n/a
Terminal growth rate	2.0%	2.0%	2.0%	n/a
Discount rate	13.7%	13.7%	13.7%	n/a

Management has determined the values assigned to each of the key assumptions as follows:

Assumption	Approach used to determine values
Revenues	Annual growth rate based on past performance, current and expected market conditions and management's expectations of business development opportunities and likelihood of success.
Employee expenses	Based on past performance and management's expectations for the future.
Overheads	Fixed and semi-variable costs of the cash generating units, which do not vary significantly with revenue. Management forecasts these costs based on the current structure of the business, adjusting for anticipated inflationary increases and known restructuring and cost-saving measures.
Terminal growth rate	This is conservatively set at a level below the long term inflation rate in Australia. The Company operates in a mature market sector and accordingly long term growth will be achieved via diversification in services, client base and geographies rather than long term growth of existing business lines.

Assumption	Approach used to determine values
Discount rate	The pre-tax rate discount rate adopted is based on the risk-free interest rate and business specific risk factors, market borrowing rates and investor expected returns.

Impact of reasonably possible changes in key assumptions

The recoverable amount of the Regional business cash generating unit is estimated to exceed the carrying amount of the cash generating unit at 31 December 2022 by \$1,781,000 (30 June 22: \$2,655,000).

The recoverable amount at 31 December 2022 would equal its carrying amount if the key assumptions were to change as follows:

	From	To
Annual increase in revenues	3.0%	2.3%
Annual increase in overheads	3.0%	4.1%
Discount rate	14.6%	16.3%

14. Investments in associated companies using the equity method

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Acumentis (WA) Holdings Pty Ltd	-	-	-
Carrying value			
Carrying value at start of period	-	-	1,194
Dividends received	-	-	(80)
Conversion to wholly owned entity	-	-	(1,114)
Carrying value at end of period	-	-	-

Acquisition of the remaining 57.8% of issued shares of Acumentis (WA) Holdings Pty Ltd

Effective 1 July 2021, the Company acquired the remaining 57.8% of issued shares in Acumentis (WA) Holdings Pty Ltd thereby taking its holding to 100%.

Up to 30 June 2021, the Company's existing 42.2% investment had been accounted for using the equity method. The associated asset was de-recognised and a gain representing the difference between fair value and the carrying value of the investment at 30 June 2021 was recorded as follows:

	31 Dec 21 \$'000
Fair value of net assets of Acumentis (WA) Holdings Pty Ltd	6,281
Acumentis' 42.2% share	2,653
Plus dividend paid prior to completion of acquisition	80
Carrying value of associate	(1,194)
Gain on de-recognition of asset	1,539

The operating results, assets and liabilities of the Acumentis (WA) Holdings Pty Ltd have been consolidated from 1 July 2021.

15. Trade and other payables

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Trade payables	1,145	1,262	1,806
Insurance premium funding	2,205	-	1,850
Other payables and accrued expenses	2,521	2,900	1,472
	5,871	4,162	5,128

Insurance premium funding is included within trade and other payables as the expense and cashflow relate to operating activities rather than financing activities.

16. Tax Payable

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Tax payable	17 ¹	28 ¹	151 ²

Note 1: Tax payable as at 31 December 2022 and 30 June 2022 relates to Acumentis (SA) Pty Ltd (acquired effective 1 February 2022) and for the 7 months ended 31 January 2022 and was included in the fair value of assets and liabilities acquired.

Note 2: Tax payable as at 31 December 2021 relates to Acumentis (WA) Holdings Pty Ltd (acquired effective 1 July 2021) and for the year ended 30 June 2021 and was included in the fair value of assets and liabilities acquired.

17. Borrowings

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Current			
Commercial bank loan	1,850	900	750
Motor vehicle loan	8	8	-
	1,858	908	750
Non-current			
Commercial bank loan	-	1,400	1,850
Motor vehicle loan	43	48	-
	43	1,448	1,850
Total	1,901	2,356	2,600

The commercial bank loan is secured by fixed and floating charges over the assets of the Consolidated Entity. The bank loan carries a floating interest rate of BBSY + 2.6% and has repayments of \$75,000 per month.

The Company did not meet its covenants related to the commercial bank loan and overdraft facilities at 31 December 2022, however the bank has waived this breach post period end and has confirmed that the facilities will remain available until they are restructured post the capital and debt restructure.

The Company intends to undertake a restructure of its capital and debt funding in early 2023 with part of the proceeds raised used to repay the existing commercial bank loans being a condition of the waiver provided.

As a result of the covenant breach and intent to repay the commercial bank loans, the loans have been classified as current as at 31 December 2022.

The motor vehicle loan is secured against the financed vehicle, it carries a fixed interest rate of 3.8%

Movements in borrowings:

	Short-term loan \$'000	Bank loan \$'000	Motor vehicle loan \$'000	Total \$'000
Balance as at 1 July 2021	-	2,600	-	2,600
Acquisition of controlled entity	137	-	-	137
Repayments	(137)	-	-	(137)
Balance as at 31 December 2021	-	2,600	-	2,600
Balance as at 1 January 2022	-	2,600	-	2,600
Acquisition of controlled entity	-	-	59	59
Repayments	-	(300)	(3)	(303)
Balance as at 30 June 2022	-	2,300	56	2,356
Balance as at 1 July 2022	-	2,300	56	2,356
Repayments	-	(450)	(5)	(455)
Balance as at 31 December 2022	-	1,850	51	1,901

18. Lease Liabilities

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Current			
Right of use assets	1,656	1,561	1,383
Non-current			
Right of use assets	2,223	2,271	2,058
Total	3,879	3,832	3,441

19. Deferred Consideration

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Current			
<i>Fixed consideration</i>			
Acumentis (WA) Holdings Pty Ltd (acquired 1 July 2021)			
Payable 23 January 2022	-	-	61
Payable 23 July 2022	-	61	61
Payable 23 January 2023	61	61	-
	61	122	122
Acumentis (SA) Pty Ltd (acquired 1 February 2022)			
Payable 10 August 2022	-	143	-
Payable 10 February 2023	142	142	-
Payable 10 August 2023	143	-	-
	285	285	-
	346	406	122
Non-current			
<i>Fixed consideration</i>			
Acumentis (WA) Holdings Pty Ltd			
Payable 23 January 2023	-	-	61
Acumentis (SA) Pty Ltd			
Payable 10 August 2023	-	143	-
	-	143	61
<i>Contingent consideration</i>			
Acumentis (WA) Holdings Pty Ltd	797	797	-
Acumentis (SA) Pty Ltd	466	466	-
	1,263	1,406	61
Total	1,609	1,812	183

The fair value of the contingent consideration is based upon estimates of average profits before tax of the acquired entities for the three years ended 30 June 2025. These estimates are based on current profit levels, revenue growth of between 3% and 5%, overheads maintained at current levels with 3% annual increases from FY2024 and increase in employment expenses calculated as 55% of the increase in revenue in the years after.

Contingent consideration has not been discounted to its present value as the effect is not material.

The deferred contingent consideration liability represents the fair value of amounts which may become payable in August 2025 in connection with the acquisition of subsidiaries.

The deferred consideration was measured as at 30 June 2022 and again at 31 December 2022 and no adjustment was required to be recorded in total comprehensive income.

20. Employee Benefits

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Current			
Annual leave	2,127	2,223	2,264
Long service leave	1,935	1,781	1,754
Performance pay	803	1,225	836
	4,865	5,229	4,854
Non-current			
Long service leave	413	509	515

21. Provisions

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Non-current			
Make good	172	182	182
Movement in provision			
Balance at start of period	182	182	182
Utilised during period	(10)	-	-
Balance at end of period	172	182	182

22. Issued Capital

Share capital

The company recorded the following amounts within shareholders' equity as a result of the issue of ordinary shares:

	Number of shares	\$'000
Balance as at 30 June 2021	159,005,153	44,887
Issue of shares as part consideration for the acquisition of the remaining 57.8% of Acumentis (WA) Holdings Pty Ltd	13,820,096	1,609
Issue of shares to satisfy corporate advisory fees in relation to the acquisition	967,243	113
Balance as at 31 December 2021	<u>173,792,492</u>	<u>46,609</u>
Balance as at 31 January 2022	173,792,492	46,609
Issue of shares as part consideration for the acquisition of the remaining Acumentis (SA) Pty Ltd	1,463,339	237
Issue of shares to satisfy corporate advisory fees in relation to the acquisition	61,614	10
Corporations Act 2001 – s258F Capital Reduction	-	(27,423)
Balance as at 30 June 2022	<u>175,317,445</u>	<u>19,433</u>
Balance as at 1 July 2022	<u>175,317,445</u>	<u>19,433</u>
Balance as at 31 December 2022	<u>175,317,445</u>	<u>19,433</u>

Options

	31 Dec 22 Number	30 Jun 22 Number	31 Dec 21 Number
Number on issue	2,500,000	2,500,000	2,500,000

On 23 August 2019, 2,500,000 options were issued to the underwriter and lead manager of a share offer undertaken by the Company in part consideration for services provided.

These options have an exercise price of \$0.12 and an expiry date of 23 August 2023.

Performance Rights

	31 Dec 22 Number	30 Jun 22 Number	31 Dec 21 Number
Number on issue	3,556,000	2,680,000	2,680,000
Balance at start of period	2,416,000	2,680,000	1,000,000
Issued during period	1,140,000	-	1,680,000
Forfeited during period (failure to meet service condition)	-	(264,000)	-
Balance at end of period	3,556,000	2,416,000	2,680,000

Basis of vesting

Summary of key terms and conditions relating to performance rights:

Grant date		15 Oct 20	20 Sep 21	28 Oct 21	25 Oct 22
Number of rights on issue		1,000,000	1,176,000	240,000	1,140,000
Service Condition	The executive must remain employed for 3 years to the finalisation of the statutory audit for the financial year ended	30 Jun 23	30 Jun 24	30 Jun 24	30 Jun 25
	If the service condition is not met none of the performance rights will vest.				
Market Condition	50% of the performance rights will vest if the total shareholder return ("TSR") for Acumentis is at least equal to the TSR for the ASX300 for the period	1 Jul 20 – 30 Jun 23	1 Jul 21 – 30 Jun 24	1 Jul 21 – 30 Jun 24	1 Jul 22 – 30 Jun 25
Performance Condition	50% of the performance rights will vest pro-rata based on the earnings per share of Acumentis Group Limited being between	2.4 cents & 3.2 cents for FY23	2.5 cents & 3.4 cents for FY24	2.5 cents & 3.4 cents for FY24	2.6 cents & 3.5 cents for FY25

The Board has the discretion to adjust the number of rights that ultimately vest and/or the service condition period if it forms the view that the unadjusted outcome is not appropriate to the circumstances that prevailed over the measurement period.

The Board has discretion to determine that some or all unvested rights held lapse on a specified date if allowing the rights to vest would, in the opinion of the Board, result in an inappropriate benefit to the rights holder. Such circumstances would include joining a competitor or actions that harm the Company's stakeholders.

In the case of fraud or misconduct, all unvested rights will be forfeited.

The performance rights have been valued using Monte Carlo simulations and the value will be provided for over the vesting period of the rights with adjustments made where appropriate for the likelihood of non-vesting of those rights subject to a performance condition.

Dividends

No dividends were paid by the company during the period.

Acumentis (WA) Holdings Pty Ltd (which was acquired effective 1 July 2021) paid a dividend of \$189,990 in July 2021 out of pre-acquisition profits, of which \$80,248 was received by Acumentis Group Limited and the balance of \$109,742 was paid to the previous shareholders.

23. Other Reserves

	31 Dec 22 \$'000	30 Jun 22 \$'000	31 Dec 21 \$'000
Share based payments reserve	186	127	75
Movement in reserve			
Balance at start of period	127	75	31
Share based payment expense	59	52	44
Balance at end of period	186	127	75

24. Contingent Liabilities

In 2019, the Company was the victim of two cyber-attacks which resulted in significant losses. The Company's cyber insurance policy responded and paid \$1.1M to external consultants and \$2.0M to the Company.

On 17 December 2021, the Company's cyber insurers notified the Company that they now consider that the two cyber-attacks should be aggregated as a single claim and accordingly have requested repayment of \$1.1M.

Based on insurance specialist legal advice the Directors have rejected the repayment request.

The Directors believe that the Company will be successful in rebutting the insurers proposition and accordingly do not expect to repay any portion of the insurance benefits received and therefore no amounts have been provided for in the accounts as at 31 December 2022.

The Directors do not believe that legal costs that may be incurred in relation to this matter will have a material impact on the financial result for the FY23.

The Consolidated Entity, from time to time, is involved in matters of litigation in the normal course of business in undertaking valuation services.

At 31 December 2022 there are no open litigated claims that are expected to have a material impact on the results of the Consolidated Entity.

The Consolidated Entity has professional indemnity insurance, and under the terms of the insurance policy, each claim has an excess which is required to be paid by the Consolidated Entity. It was not practical to estimate the maximum contingent liability arising from litigation; however, in a worst-case situation there could be a material adverse effect on the Consolidated Entity's financial position.

In the directors' opinion, disclosures of any further information in relation to litigation would be prejudicial to the interests of the Consolidated Entity.

25. Going Concern

Taking into account forecast performance and cashflows, a successful restructure of capital and debt funding, repayment of the commercial bank loans and increased banking facilities, as detailed below, the directors are satisfied that the going concern basis of preparation is appropriate.

Therefore the financial information does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the company not be able to continue as a going concern.

The Consolidated Entity generated a loss for the six months to 31 December 2022 of \$597,000 and as 31 December 2022 current liabilities exceeded current assets by \$5,973,000. Over this period the business has been adversely impacted by COVID19 restrictions, flooding and more recently the slowdown in the property finance market following the steep tightening of interest rates since May 2022. These conditions indicate the existence of material uncertainty as to the Consolidated Entity's ability to continue as a going concern .

In response to these challenges, the business has undertaken restructuring to reduce operating costs and has continued to focus on, and been successful in, developing non-mortgage related income streams.

The Company intends to undertake a restructure of its capital and debt funding in early 2023 with part of the proceeds raised used to repay the commercial bank loans disclosed in note 17. This will reduce finance expenses in the future and also improve monthly cashflows.

As a result of the trading performance, the Company did not meet its covenants related to the commercial bank loan and overdraft facilities at 31 December 2022, however the bank has waived this breach post period end and has confirmed that the facilities will remain available until they are restructured post the capital and debt restructure.

Following the capital and debt restructure and repayment of the commercial bank loans, the banking facilities available to the business will be increased, providing additional working capital whilst reducing the rate at which interest is accrued.

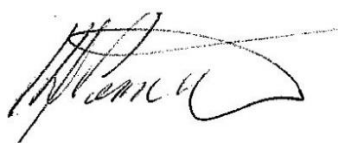
Directors' Declaration

In the opinion of the Directors of Acumentis Group Limited (the "company"):

- 1) The financial statements and notes set out on pages 6 to 28, are 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 2022 and its performance for the half-year ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*; and the Corporations Act 2001
- 2) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 30th day of January 2023.

Signed in accordance with a resolution of the directors:



Keith Perrett
Chair

Acumentis Group Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Acumentis Group Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, 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 Acumentis 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 2022 and of its performance for the half year ended on that date; and
- b. Complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 25 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$597,000 during the 6 months period ended 31 December 2022 and as of that date the Consolidated Entity's current liabilities exceeded its current assets by \$5,973,000. Along with other matters as set forth in Note 25, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Our conclusion is not modified in respect of this matter.

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

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.



William Buck
Accountants and Advisors
ABN 16 021 300 521



Domenic Molluso
Partner

Sydney, 30 January 2023