

THE AGENCY

— GROUP AUST LTD

ABN 52 118 913 232

and its controlled entities



APPENDIX 4D

Interim Financial Report

31 December 2023

Corporate directory

Current Directors

Andrew Jensen	<i>Executive Chairman and Chief Operating Officer</i>
Geoff Lucas	<i>Managing Director and CEO</i>
Paul Niardone	<i>Executive Director</i>
Adam Davey	<i>Non-executive Director</i>

Company Secretary

Stuart Usher

Registered Office and Head Office

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PERTH WA 6000

Postal: PO Box 7768
Cloisters Square WA 6850

Telephone: +61 (0)8 9204 7955

Facsimile: +61 (0)8 9204 7956

Email: info@theagencygroup.com.au

Website: theagencygroup.com.au

Share Registry

Advanced Share Registry Limited

Street + Postal: 110 Stirling Highway
Nedlands WA 6009

Telephone: 1300 113 258 (within Australia)
+61 (0)8 9389 8033 (International)

Facsimile: +61 (0)8 6370 4203

Email: admin@advancedshare.com.au

Website: www.advancedshare.com.au

Auditors

Hall Chadwick WA Audit Pty Ltd

Street: 283 Rokeby Road
Subiaco WA 6008

Telephone: +61 (0)8 9426 0666

Securities Exchange

Australian Securities Exchange

Street: Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

Telephone: 131 ASX (131 279) (within Australia)
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Facsimile: +61 (0)2 9227 0885

Website: www.asx.com.au

ASX Code: AU1

Solicitors

Steinepreis Paganin

Street: Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

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Results for announcement to the market

for the half-year ended 31 December 2023

1 REPORTING PERIOD (item 1)			
■ Report for the period ended:	31 December 2023		
■ Previous corresponding period is half-year ended:	31 December 2022		
2 RESULTS FOR ANNOUNCEMENT TO THE MARKET			
	Movement	Percentage	Amount
		%	\$'000
■ Revenues from ordinary activities (item 2.1)	Increase	17.16 to	43,927
■ Loss from ordinary activities after tax attributable to members (item 2.2)	Increase	87.23 to	(3,123)
■ Loss after tax attributable to members (item 2.3)	Increase	87.23 to	(3,123)
a. Dividends (items 2.4 and 5)		Amount per Security	Franked amount per security
		¢	%
■ Interim dividend		nil	n/a
■ Final dividend		nil	n/a
■ Record date for determining entitlements to the dividend (item 2.5)	n/a		
b. Brief explanation of any of the figures reported above necessary to enable the figures to be understood (item 2.6):			
1. Revenue represents service revenue.			
2. EBITDA of \$1,688K, refer to section 2.3 <i>Financial Review</i> of the Directors' Report for details.			
3 DIVIDENDS (item 6) AND RETURNS TO SHAREHOLDERS INCLUDING DISTRIBUTIONS AND BUY BACKS			
Nil			
a. Details of dividend or distribution reinvestment plans in operation are described below (item 6):			
Not applicable			
4 RATIOS			
a. Financial Information relating to 4b:		6 months to 31 December 2023	6 months to 31 December 2022
		\$'000	\$'000
Earnings for the period attributable to owners of the parent		(3,123)	(1,668)
		31 December 2023	31 December 2022
		\$'000	\$'000
Net assets		9,636	14,992
Less: Intangible assets and deferred tax balances		(22,528)	(25,121)
Net tangible (liabilities)/assets		(12,892)	(10,129)
		No.	No.
Fully paid ordinary shares		428,575,921	428,575,921
		¢	¢
b. Net tangible (liability)/assets backing per share (cents) (item 3):		(3.008)	(2.363)

Directors' report

Your Directors present their report on the Group, consisting of The Agency Group Australia Ltd (**The Agency or the Company**) and its controlled entities (collectively **the Group**), for the half-year ended 31 December 2023 (**HY2024**).

The Agency is listed on the Australian Securities Exchange (ASX:AU1).

1. Directors

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

- Andrew Jensen Executive Chairman and Chief Operating Officer
- Geoff Lucas Managing Director and CEO
- Paul Niardone Executive Director
- Adam Davey Non-Executive Director

(collectively **the Directors or the Board**)

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

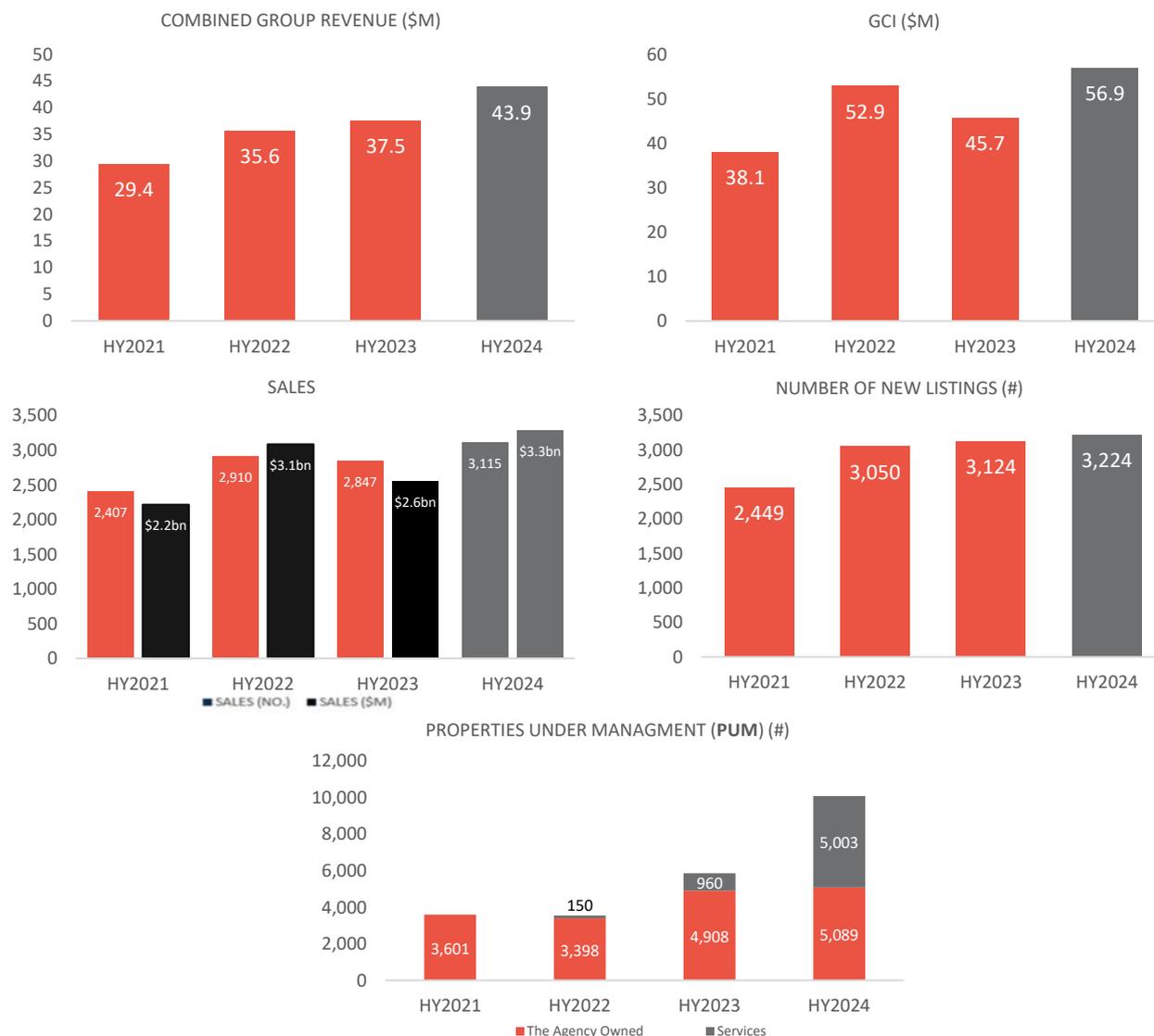
2. Operating and financial review

2.1. Nature of Operations Principal Activities

The principal activity of the Group for the half-year was real estate services and related activities. There were no significant changes in the nature of the Group's principal activities during the half-year.

2.2. Operations Review

a. Key Metrics



Directors' report

The Agency is pleased to report strong year on year growth on key financial and operational metrics in HY2024. Continued geographical expansion and increased depth in existing markets underpinned growth across the period.

This growth resulted in Gross Commission Income (GCI) for the six-month period of \$56.9 million, up 24% on HY2023's GCI of \$45.7 million. This figure was a result of 3,115 exchanges across the Group for HY2024 (up 9% on 2,847 exchanges in HY2023) resulting in \$3.3 billion worth of property sold across the combined Group for the period (up 29% on \$2.6 billion in HY2023).

Group revenue for HY2024 increased to \$43.9 million, up 17% on HY2023's Group revenue of \$37.5 million.

The pipeline for future sales commission remains strong with the combined Group reporting 3,224 listings for the half-year period from 411 agents as at 31 December 2023 (411 agents at 31 December 2022). In the 6 months since 30 June 2023, The Agency continued to increase the quality of the agent team with a trend of lower performing agents leaving the industry, replaced with higher performing agents.

The Agency reported a total management portfolio of 10,092 properties under management at the end of December 2023. The Agency owned 5,089 of these property under management rights located in NSW, Victoria, Tasmania, and WA and The Agency has full profit and loss benefits on these managements. The remaining 5,003 properties under management are managed under service arrangements.

2.3. Financial Review

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

a. Non-IFRS information

The Company reports EBITDA in addition to the *Profit after Tax*. EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (AAS) and represents the statutory profit under AAS adjusted for specific non-cash and significant items. The Company's Directors consider EBITDA to reflect the core earnings of the consolidated entity.

A reconciliation between EBITDA and profit after income tax for the half-year ended 31 December 2023 is noted below.

EBITDA calculation	HY2024 \$'000	HY2023 \$'000	Change \$'000	Change %
Profit / (loss) after tax	(3,123)	(1,668)	-1,455	-87%
Income tax benefit	396	237		
Profit / (loss) before tax	(3,519)	(1,905)	-1,614	-85%
Interest income	(2)	(47)		
Depreciation and amortisation	3,346	3,196		
Embedded derivative non-cash financing (gains) / costs ¹	499	(758)		
Impairment (recovery) / expense	-	-		
Interest and finance costs	763	832		
Gain financial assets at FVPL	113	-		
Profit on sale of assets ² and lease exit	(45)	(1,590)		
Disposal of assets costs	-	76		
Acquisition of business costs	-	74		
Legal costs <i>non-recurring</i>	315	-		
Share-based payments expense	218	260		
EBITDA	1,688	138	+1,550	+1,123%
AASB 16 <i>Leases</i> impact ³	(1,131)	(1,085)		
EBITDA (pre-AASB16 <i>Leases</i> impact)	557	(947)	+1,504	+159%
Other key metrics:				
■ GCI	56,894	45,734	+11,160	+24%
■ Gross profit	14,614	12,206	+2,408	+20%

¹ Refer to note 2.1 of the financial statements

² HY2023 *Gain on sale of assets* included a gain on the sale of the trail book of \$1.579 million.

³ AASB 16 *Leases* was adopted from 1 July 2019. The above demonstrates finance costs and amortisation, which prior to the adoption AASB 16 was recognised as rent expense.

Directors' report

For HY2024 the Group recorded EBITDA of \$1.69 million (HY2023: \$0.14 million). After adjusting for the AAB16 *Leases* impact, underlying EBITDA for HY2024 was \$0.56 million profit. This represents a \$1.50 million improvement in underlying EBITDA.

The Group generated a net loss after tax for the half-year of \$3.12 million (HY2023: \$1.67 million loss). This was primarily impacted by interest and finance costs (\$0.76 million), depreciation and amortisation (\$3.35 million), and embedded derivative non-cash financing costs (\$0.50 million).

The net assets of the Group have decreased from 30 June 2023 by \$2.91 million to \$9.64 million at 31 December 2023 (30 June 2023: \$12.54 million). Importantly, due to accounting standards, the value attached to internally generated Property Management Assets and remaining Mortgage Trail Book is not recorded on the balance sheet. Management has valued these combined at \$29.31 million using a blended valuation multiple of 3.34x on Q4 HY2024 annualised property management fee revenue and 2.25x on Q4 HY2024 net trail income relating to the remaining Mortgage Trail Book. As a result of this, there is significant shareholder wealth held off balance sheet, as only \$9.35 million of the \$29.31 million Property Management and Mortgage Trail Book value is held on balance sheet. Including this off-balance sheet value adjusted net assets of The Agency have increased by \$0.49 million to \$29.59 million at 31 December 2023 (30 June 2023: \$29.11 million).

The Group's cash and cash equivalents increased from 30 June 2023 by \$0.07 million to \$4.70 million at 31 December 2023 (30 June 2023: \$4.63 million).

2.4. Environmental Regulations

The Group's operations are not subject to any significant environmental regulations in the jurisdictions it operates in.

2.5. Events Subsequent to Reporting Date

There are no other significant after balance date events that are not covered in this Directors' Report or within the financial statements as disclosed in note 8 *Events subsequent to reporting date* on page 16.

2.6. Future Developments, Prospects and Business Strategies

The Agency continues to focus on growth opportunities and attracting real estate agents to its contemporary direct engagement business model. By contracting directly with agents, The Agency removes the 'middle layer' which has created a more responsive, efficient and effective model for our agents as they are alleviated from the distractions and the administrative burden associated with operating an office.

Future growth will come from continued attraction of agents and growth in agent numbers across existing geographical regions, as well as further expansion across new regions in Australia. Further growth is expected from increased efficiencies driven by economies of scale and utilisation of best practice technological advances to ensure agents can maximise their productivity. The highly fragmented structure of the industry presents an opportunity for consolidation of smaller independents and franchisees looking to simplify their business which aligns with the strengths of our business model.

The Agency continues to assess a variety of strategic partnerships and adjacent revenue opportunities closely related to the activities of real estate sales transactions in addition to the existing property management, mortgage broking and conveyancing businesses already undertaken.

3. Rounding of amounts

The amounts contained in this report have been rounded to the nearest thousand dollars under the option available to the Company under Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016.

4. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the half-year ended 31 December 2023 has been received and can be found on page 6 of the interim financial report.

This Report of the Directors is signed in accordance with a resolution of the Board of Directors made pursuant to section 306(3) of the *Corporations Act 2001* (Cth).



GEOFF LUCAS

Managing Director and CEO

Dated this Thursday, 22 February 2024



To the Board of Directors,

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

As lead audit Director for the review of the Financial Statements of The Agency Group Australia Limited for the half year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully,

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated in Perth, Western Australia this 22nd day of February 2024

Condensed consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2023

		6 months to 31 December 2023 \$'000	6 months to 31 December 2022 \$'000
	Note		
<i>Continuing operations</i>			
Revenue	1.1	43,927	37,492
Cost of sales		(29,313)	(25,286)
Gross profit		14,614	12,206
Other income	1.2	305	1,934
Administrative and other expenses		(17,176)	(15,971)
Impairment losses		-	-
(Loss) / profit before tax and finance costs		(2,257)	(1,831)
Interest and finance costs		(763)	(832)
Embedded derivative non-cash financing gains / (costs)	2.1	(499)	758
(Loss) / profit before tax		(3,519)	(1,905)
Income tax benefit		396	237
(Loss) / profit for the half-year		(3,123)	(1,668)
<i>Other comprehensive income, net of income tax</i>			
■ Items that will not be reclassified subsequently to profit or loss:		-	-
■ Items that may be reclassified subsequently to profit or loss:		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(3,123)	(1,668)
<i>Earnings per share:</i>			
Basic (loss) / earnings per share (cents per share)		¢ (0.73)	¢ (0.39)
Diluted earnings per share (cents per share)		N/A	N/A

The condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position
as at 31 December 2023

	Note	31 December 2023 \$'000	30 June 2023 \$'000
<i>Current assets</i>			
Cash and cash equivalents		4,703	4,632
Trade and other receivables		13,322	12,661
Other current assets		1,110	575
Total current assets		19,135	17,868
<i>Non-current assets</i>			
Trade and other receivables		394	699
Financial assets		994	1,004
Property, plant, and equipment		1,620	1,781
Right of use assets		3,804	3,911
Intangible assets	4.1	22,528	24,457
Total non-current assets		29,340	31,852
Total assets		48,475	49,720
<i>Current liabilities</i>			
Trade and other payables		18,241	17,199
Provisions		3,155	2,698
Leases		1,800	1,761
Total current liabilities		23,196	21,658
<i>Non-current liabilities</i>			
Borrowings	3.1.1	8,400	8,400
Financial liabilities	3.2.1	3,705	3,044
Provisions		323	287
Leases		3,215	3,394
Deferred tax liabilities		-	396
Total non-current liabilities		15,643	15,521
Total liabilities		38,839	37,179
Net assets		9,636	12,541
<i>Equity</i>			
Issued capital	5.1.1	43,635	43,635
Reserves	5.4	917	1,032
Accumulated losses		(34,916)	(32,126)
Total equity		9,636	12,541

The condensed consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

for the half-year ended 31 December 2023

Note	Contributed equity \$'000	Accumulated Losses \$'000	Share-based payment Reserve \$'000	Total equity \$'000
<i>Balance at 1 July 2022</i>	43,635	(28,125)	890	16,400
Loss for the half-year attributable to owners of the parent	-	(1,668)	-	(1,668)
Other comprehensive income for the half-year attributable owners of the parent	-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent	-	(1,668)	-	(1,668)
<i>Transaction with owners, directly in equity</i>				
Shares issued during the half-year (net of costs)	-	-	-	-
Share-based payments granted during the half-year	9	-	260	260
Transfers to / from reserves	-	320	(320)	-
Balance at 31 December 2022	43,635	(29,473)	830	14,992
<i>Balance at 1 July 2023</i>	43,635	(32,126)	1,032	12,541
Loss for the half-year attributable to owners of the parent	-	(3,123)	-	(3,123)
Other comprehensive income- for the half-year attributable owners of the parent	-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent	-	(3,123)	-	(3,123)
<i>Transaction with owners, directly in equity</i>				
Shares issued during the half-year (net of costs)	-	-	-	-
Share-based payments granted during the half-year	9	-	218	218
Transfers to / from reserves	-	333	(333)	-
Balance at 31 December 2023	43,635	(34,916)	917	9,636

The condensed consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows
for the half-year ended 31 December 2023

	6 months to 31 December 2023 \$'000	6 months to 31 December 2022 \$'000
<i>Cash flows from operating activities</i>		
Receipts from customers	44,905	41,686
Payments to suppliers and employees	(42,758)	(41,917)
Interest received	2	47
Finance costs	(386)	(413)
Net cash provided / (used in) by operating activities	1,763	(597)
<i>Cash flows from investing activities</i>		
Purchase of property, plant, and equipment	(215)	(352)
Deposit for bank guarantees	(2)	(40)
Purchase of intangibles	(105)	(542)
Loans to other entities	(65)	(64)
Net cash received on disposal of asset	54	(39)
Payment for acquisition of subsidiary, net of cash acquired	-	(4,365)
Net cash (used in) investing activities	(333)	(5,402)
<i>Cash flows from financing activities</i>		
Proceeds from borrowings	-	3,400
Payment of principal portion of lease liabilities	(1,359)	(1,203)
Net cash (used in) / provided by financing activities	(1,359)	2,197
Net (decrease) / increase in cash and cash equivalents held	71	(3,802)
Cash and cash equivalents at the beginning of the half-year	4,632	8,216
Cash and cash equivalents at the end of the half-year	4,703	4,414

The condensed consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

In preparing the December 2023 Interim Financial Report, The Agency Group Australia Ltd has grouped into sections under the same key categories as used in the June 2023 Annual Report:

■ Section A: How the numbers are calculated	12
■ Section B: Unrecognised items.....	16
■ Section C: Other Information	16

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

The financial report is presented in Australian dollars, except where otherwise stated.

The amounts contained in these financial statements have been rounded to the nearest thousand dollars under the option available to the Group under Australian Securities and Investments Commission (**ASIC**) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

SECTION A. HOW THE NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of the Group.

Note 1	Revenue and other income	6 months to 31 December 2023 \$'000	6 months to 31 December 2022 \$'000
1.1	Revenue		
	Residential Sales commissions	36,843	30,649
	Mortgage and Settlement revenue	1,558	2,271
	Property Management revenue: <i>Management fees</i>	4,135	3,508
	<i>Other</i>	1,391	1,064
		43,927	37,492
1.2	Other Income	6 months to 31 December 2023 \$'000	6 months to 31 December 2022 \$'000
	Interest income	2	47
	Gain on sale of trail book	-	1,579
	Gain on sale of property, plant, and equipment	45	-
	Gain on exit of lease	-	11
	Loss financial assets at FVPL	(113)	-
	Other income	371	297
		305	1,934

Note 2	Expenses	6 months to 31 December 2023 \$'000	6 months to 31 December 2022 \$'000
2.1	Embedded derivative non-cash financing (gains)/costs:		
	■ Embedded Derivative – Finance cost	298	1,570
	■ Embedded Derivative – Fair value adjustment	201	(2,328)
		499	(758)

Note 3	Financial assets and financial liabilities	31 December 2023 \$'000	30 June 2023 \$'000
3.1	Borrowings		
3.1.1	<i>Non-current</i>		
	Bank loans	8,400	8,400
		8,400	8,400

3.1.2 Waiver of covenant

During the year, Macquarie Bank Limited (**MBL**) provided a covenant waiver in relation to the interest cover ratio (**ICR**) for the period to December 2023 as part of the normal quarterly reporting requirements.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023

Note 3 Financial assets and financial liabilities (cont.)			31 December 2023 \$'000	30 June 2023 \$'000
3.2	Financial liabilities			
3.2.1	<i>Non-current</i>			
	<i>Convertible note:</i>			
	■ Debt component		1,949	1,489
	■ Derivative financial liability conversion option		1,756	1,555
			3,705	3,044
3.2.2	<i>Reconciliation of convertible notes</i>			
	<i>Opening balance:</i>			
	■ Debt component		1,489	2,039
	■ Derivative financial liability conversion option		1,555	1,982
			3,044	4,021
	■ Interest charged		460	2,150
	■ Fair value movement: Derecognition		-	(1,278)
	Fair value changes		201	(1,849)
	Carrying value of liabilities at reporting date		3,705	3,044

Note 4 Non-financial assets and financial liabilities			31 December 2023 \$'000	30 June 2023 \$'000
4.1	Intangible assets	Note		
	Goodwill	4.1.1a	12,383	12,383
			12,383	12,383
	Rent Roll and trail book	4.1.1a	25,968	25,968
	Accumulated amortisation		(16,613)	(14,666)
			9,355	11,302
	Others		1,095	989
	Accumulated amortisation and impairment		(305)	(217)
			790	772
	Total intangibles		22,528	24,457

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023**Note 4 Non-financial assets and financial liabilities (cont.)****4.1.1 Key estimates and Critical Judgements– Impairment of intangibles****a. Impairment of goodwill and rent roll**

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units (CGU) to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, an impairment loss may arise.

Included within the Top Level CGU (acquired in 2019) is a rent roll asset of \$5,322K (June 2023: \$6,885K). This same CGU also included goodwill of \$10,658K, relating to sales (June 2023: \$10,658K).

For the rent roll assets, the recoverable amounts of these CGU's are derived from market transactional evidence in relation to their fair value. Management have determined that a multiple of 3.8 for residential property and 2.75 for commercial property for the Top Level CGU (based on an independent expert opinion), multiplied by the annual rent roll income is an appropriate measure of the fair value of the rent roll assets. Fair value less cost to sell of the CGU was classified on a level 2 basis. No impairment resulted.

Management performed a goodwill impairment test of the Top Level Real Estate Sales CGU taking a conservative approach in preparing its value in use calculation in light of market uncertainty resulting from increases in interest rates to curb inflationary pressures. Management applied a discount rate of 15% resulting in no impairment loss for December 2023 (June 2023: 15%). To evaluate the recoverable amount of the CGU, a terminal value has been assumed after the fifth year and includes a growth rate in the cash flow of 0% into perpetuity (June 2023: 0%). The discount rates used reflects the risks specific to the CGU.

Note 5 Equity**5.1 Issued capital**

	31 December 2023 No.	30 June 2023 No.	31 December 2023 \$'000	30 June 2023 \$'000
Fully paid ordinary shares	428,575,921	428,575,921	43,635	43,635
	6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$'000	12 months to 30 June 2023 \$'000
5.1.1 Ordinary shares				
At the beginning of the period	428,575,921	428,575,921	43,635	43,635
<i>Shares issued during the period:</i>	-	-	-	-
Transaction costs relating to share issues	-	-	-	-
At reporting date	428,575,921	428,575,921	43,635	43,635

Notes to the condensed consolidated financial statements

for the half-year 31 December 2023

Note 5 Equity (cont.)

5.2 Performance equity		31 December 2023 No.	30 June 2023 No.	31 December 2023 \$'000	30 June 2023 \$'000
Performance equity		11,000,000	11,000,000	508	375
		6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$'000	12 months to 30 June 2023 \$'000
5.2.1 Performance equity movement					
At the beginning of the period		11,000,000	11,000,000	375	111
<i>Performance equity changes during the period:</i>					
■ Expense of issued performance rights		-	-	133	264
At reporting date		11,000,000	11,000,000	508	375
5.3 Options		Note		31 December 2023 No.	30 June 2023 No.
				31 December 2023 \$'000	30 June 2023 \$'000
Options		11,500,000	20,000,000	409	657
		6 months to 31 December 2023 No.	12 months to 30 June 2023 No.	6 months to 31 December 2023 \$'000	12 months to 30 June 2023 \$'000
5.3.1 Options equity movement					
At the beginning of the period		20,000,000	30,000,000	657	779
<i>Options movement during the period:</i>					
■ Amortisation of granted options		-	-	35	198
■ Options granted		1,500,000	-	50	
■ Expiry of options		(10,000,000)	(10,000,000)	(333)	(320)
At reporting date		11,500,000	20,000,000	409	657
5.4 Reserves		Note		2023 \$'000	2022 \$'000
Share-based payment reserve:					
■ Performance rights				5.2 508	375
■ Options				5.3 409	657
				917	1,032

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

SECTION B. UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria. In addition to the items and transactions disclosed below, there are also unrecognised tax amounts.

Note 6 Commitments

There are no material commitments to the Group as at 31 December 2023 (30 June 2023: Nil).

Note 7 Contingent liabilities

There are no contingent liabilities as at 31 December 2023.

Note 8 Events subsequent to reporting date

There have not been any other matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

SECTION C. OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 9 Share-based payments

Note	6 months to 31 December 2023 \$	6 months to 31 December 2022 \$
9.1 Share-based payments:		
■ Recognised in profit and loss:		
□ Share-based payment expense – Performance rights	132,959	132,959
□ Share-based payment expense – Amortisation of option issued in prior period	35,070	126,657
□ Share-based payment expense – Options	50,250	-
Gross share-based payments	218,279	259,616

9.2 Share-based payment arrangements in effect during the period**9.2.1 Issued during the current half-year****a. Options issued as consulting fees**

- i. In connection with corporate advisory services (RM Corporate Finance Pty Ltd (**RM**)), where RM receives a monthly retainer of \$4,000 as well as 1,500,000 options. These performance rights have been valued and issued on terms as detailed below and in note 9.4.

Number under Option	Date of Expiry	Consideration	Exercise Price	Vesting Terms
1,500,000	30.11.2026	Nil	\$0.050	Vest immediately

The total value of the options was \$50,250.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 9 Share-based payments (cont.)**9.3 Movement in Company options share-based payment arrangements during the period**

A summary of the movements of all Company options issued as share-based payments is as follows:

	6 months to 31 December 2023		12 months to 30 June 2023	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the period	20,000,000	\$0.088	30,000,000	\$0.075
Granted	1,500,000	\$0.034	-	-
Expired	(10,000,000)	\$0.075	(10,000,000)	\$0.050
Outstanding at period end	11,500,000	\$0.091	20,000,000	\$0.088
Exercisable at period end	1,500,000	\$0.100	10,000,000	\$0.075

- The weighted average remaining contractual life of options outstanding at half-year end was 1.03 years (June 2023: 1.25 years).
- The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

9.4 Fair value of options granted in current period

The fair value of the options granted to employees is deemed to represent the value of the services received over the vesting period.

The weighted average fair value of options granted during the half-year was \$0.0335 (Dec 2022: \$0.0338). These values were calculated using the Black-Scholes option pricing model, applying the following inputs to options issued this half-year:

Note reference	9.2.1a
Grant date:	30 November 2023
Grant date share price:	\$0.045
Option exercise price:	\$0.050
Number of options issued:	1,500,000
Remaining life (years):	2.92
Expected share price volatility:	130.56
Risk-free interest rate:	3.93%
Value per option	\$0.0335

Fair values:

Total fair value	\$50,250
Recognised in the period	\$50,250

Historical volatility was the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Notes to the condensed consolidated financial statements
for the half-year ended 31 December 2023**Note 10 Operating segments****10.1 Segment Financial Performance**

	Real Estate Property Services \$'000	Mortgage Origination Services \$'000	Total Reportable Segments \$'000	Other Segments \$'000	Total \$'000
31 December 2023					
<i>Revenue</i>					
■ External revenues	43,367	530	43,897	30	43,927
■ Inter-segment revenues	-	-	-	-	-
Total segment revenue	43,367	530	43,897	30	43,927
Total group revenue and other income					43,927
Segment EBITDA	6,531	77	6,608	(4,920)	1,688
■ Unallocated corporate costs					-
EBITDA					1,688
<i>Reconciliation of segment loss to Group loss:</i>					
<i>(i) Allocated items:</i>					
■ Gain on disposal of assets	-	-	-	45	45
■ Depreciation and amortisation	(2,846)	(12)	(2,858)	(488)	(3,346)
■ Net finance costs	(556)	(1)	(557)	(502)	(1,059)
■ Fair value adjustments	(113)	-	(113)	-	(113)
<i>(ii) Unallocated items:</i>					
■ Legal costs non-recurring	-	-	-	(315)	(315)
■ Fair value adjustments	-	-	-	(201)	(201)
■ Share-based payments	-	-	-	(218)	(218)
Loss before income tax					(3,519)
31 December 2022					
<i>Revenue</i>					
■ External revenues	36,224	1,254	37,478	14	37,492
■ Inter-segment revenues	-	-	-	-	-
Total segment revenue	36,224	1,254	37,478	14	37,492
<i>Reconciliation of segment revenue to Group revenue:</i>					
■ Eliminations					-
Total group revenue and other income					37,492
Segment EBITDA	4,717	104	4,821	(4,683)	138
■ Unallocated corporate costs					-
EBITDA					138
<i>Reconciliation of segment loss to Group loss:</i>					
<i>(i) Allocated items:</i>					
■ Gain on disposal of assets	11	1,579	1,590	-	1,590
■ Depreciation and amortisation	(2,776)	(34)	(2,810)	(386)	(3,196)
■ Net finance costs	(372)	(5)	(377)	(1,978)	(2,355)
■ Redundancy costs	-	(76)	(76)	-	(76)
<i>(ii) Unallocated items:</i>					
■ Fair value adjustments	-	-	-	2,328	2,328
■ Share-based payments	-	-	-	(260)	(260)
■ Acquisition costs	-	-	-	(74)	(74)
Loss before income tax					(1,905)

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 16 Statement of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the periods presented, unless otherwise stated.

16.1 Basis of preparation

16.1.1 Reporting Entity

The Agency Group Australia Ltd (**The Agency** or the **Company**) is a listed public company limited by shares, domiciled, and incorporated in Australia. This interim financial report is intended to provide users with an update on the latest annual financial statements of The Agency Group Australia Ltd and controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in combination with the annual financial statements of the Group for the year ended 30 June 2023, together with any public announcements made during the half-year.

16.1.2 Basis of accounting

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The financial statements were authorised for issue on 22 February 2024 the Directors of the Company.

16.1.3 Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the half-year of \$3.12 million (31 December 2022: \$1.67 million loss) and a net cash in-flow from operating activities of \$1.76 million (31 December 2022: \$0.60 million out-flow). Included in loss for during the half-year was interest and finance costs (\$0.76 million), depreciation and amortisation (\$3.35 million), and embedded derivative non-cash financing costs (\$0.50 million).

As at 31 December 2023, the Company had a working capital deficit of \$4.06 million (30 June 2023: \$3.79 million working capital deficit). The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet commitments and working capital requirements for the 12-month period from the date of signing this financial report.

The ability of the Group to continue as a going concern is principally dependent on the following:

- The Group continuing to generate cash flows from operations; and
- The Group not breaching the terms of its borrowing facilities.

As disclosed in notes 3.1.2, Macquarie Bank Limited (**MBL**) agreed to conditionally waive the September 2023 and December 2023 quarter end covenant testing in respect to the interest cover ratio. The Directors expect that MBL will continue to work with the Company until expiry of the debt facility dated 20 July 2025, and will have the continuing support of the bank.

In addition to this, should the Company be required to refinance the facility or settle the loan over the next 12-month period, they are confident they would be able to seek alternative finance and / or consider further asset sales which could realise significant off-balance sheet value of its intangible assets. With the assistance of recent market valuations and in accordance with MBL covenant estimates, the Directors estimate the market valuation of the Group Rent Rolls and Mortgage Trail Book at circa \$29.3 million.

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Group's history of raising capital to date, the Directors are confident of the Group's ability to raise additional funds as and when they are required.

16.1.4 Comparative figures

Where required by AASBs comparative figures have been adjusted to conform to changes in presentation for the current financial period.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

Notes to the condensed consolidated financial statements

for the half-year ended 31 December 2023

Note 16 Statement of significant accounting policies**16.1.5 New and Amended Standards Adopted by the Group**

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

16.2 Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of AASBs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed below, where material.

Note 17 Company details**The registered office and head office of the Company is:***Street:*

68 Milligan Street
Perth WA 6000
Australia

Postal:

PO Box 7768
CLOISTERS SQUARE WA 6850
Australia

Directors' declaration

The Directors of the Company declare that in the Directors' opinion:

1. The attached financial statements and notes, as set out on pages 7 to 20, are in accordance with the *Corporations Act 2001* (Cth) including:
 - (a) comply with Accounting Standard AASB 134: *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date,
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.

This declaration is signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001* (Cth).

On behalf of the Directors



GEOFF LUCAS

Managing Director and CEO

Dated this Thursday, 22 February 2024



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

Conclusion

We have reviewed the accompanying half-year financial report of The Agency Group Australia Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2023, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and 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 Consolidated Entity does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* 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.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The directors of 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 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.

HALL CHADWICK **Auditor's Responsibility 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 Consolidated Entity's financial position as at 31 December 2023 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.



HALL CHADWICK WA AUDIT PTY LTD

MARK DELAURENTIS CA
Director

Dated in Perth, Western Australia this 22nd day of February 2024

THE AGENCY
— GROUP AUST LTD