

THE AGENCY

— GROUP AUST LTD

ABN 52 118 913 232

and its controlled entities



APPENDIX 4D

Interim Financial Report
31 December 2022

Corporate directory

Current Directors

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

Company Secretary

Stuart Usher

Registered Office and Head Office

Street:	68 Milligan Street Perth WA 6000
Postal:	PO Box 7768 Cloisters Square WA 6850
Telephone:	+61 (0)8 9204 7955
Facsimile:	+61 (0)8 9204 7956
Email:	investor_relations@theagencygroup.com.au
Website:	theagencygroup.com.au

Auditors

Hall Chadwick WA Audit Pty Ltd

Street:	283 Rokeby Road Subiaco WA 6008
Telephone:	+61 (0)8 9426 0666

Solicitors

Steinepreis Paganin

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

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)
Telephone:	+61 (0)2 9338 0000
Facsimile:	+61 (0)2 9227 0885
Website:	www.asx.com.au
ASX Code	AU1

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Results for announcement to the market
for the half-year ended 31 December 2022

1 REPORTING PERIOD (item 1)			
■ Report for the period ended:	31 December 2022		
■ Previous corresponding period is half-year ended:	31 December 2021		

2 RESULTS FOR ANNOUNCEMENT TO THE MARKET		Movement	Percentage %	Amount \$'000
■ Revenues from ordinary activities (item 2.1)		<i>Increase</i>	5.68 to	37,492
■ Loss from ordinary activities after tax attributable to members (item 2.2)		<i>Decrease</i>	233.65 to	(1,668)
■ Loss after tax attributable to members (item 2.3)		<i>Decrease</i>	233.65 to	(1,668)
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 \$138K, refer to section 2.3.a 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		6 months to 31 December 2022 \$'000	6 months to 31 December 2021 \$'000
a. Financial Information relating to 4b:			
Earnings for the period attributable to owners of the parent		(1,668)	1,248
		31 December 2022 \$'000	31 December 2021 \$'000
Net assets		14,992	15,766
Less: Intangible assets and deferred tax balances		(25,121)	(22,230)
Net tangible (liabilities)/assets		(10,129)	(6,464)
		No.	No.
Fully paid ordinary shares		428,575,921	428,575,916
		¢	¢
b. Net tangible (liability)/assets backing per share (cents) (item 3):		(2.363)	(1.508)

Results for announcement to the market
for the half-year ended 31 December 2022

5 DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE PERIOD: (item 4)			
a. Control gained over entities			
■ Name of entities (item 4.1)	Bushby & Co. Pty Ltd		
■ Date(s) of gain of control (item 4.2)	22 July 2022		
b. Loss of control of entities			
■ Name of entities (item 4.1)	Nil		
■ Date(s) of loss of control (item 4.2)			
c. Contribution to consolidated loss from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was gained / lost (item 4.3).	\$136K contribution to EBITDA (\$289K) contribution to net loss		
d. Profit from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	N/A		
6 DETAILS OF ASSOCIATES AND JOINT VENTURES: (item 7)			
■ Name of entities (item 7)	Nil		
■ Percentage holding in each of these entities (item 7)	N/A		
		6 months to 31 December 2022 \$'000	6 months to 31 December 2021 \$'000
■ Aggregate share of profits (losses) of these entities (item 7)		N/A	N/A
7 The financial information provided in the Appendix 4D is based on the interim final report (attached), which has been prepared in accordance with Australian Accounting Standards.			
8 The report is based on accounts which have been reviewed by the Company's independent auditor (item 9).			



GEOFF LUCAS

Managing Director and CEO

Dated this Monday, 27 February 2023

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 2022 (**HY2023**).

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 Group 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

Despite a range of negative external factors during HY2023, most notably rising interest rates and the adverse impact on home values across the country, The Agency continued to grow market share in the period.

During HY2023, the Company further grew its presence nationally and now covers six states and territories following the acquisition of Bushby Property Group in Tasmania in July 2022.

This significant national expansion is reflected in the number of agents which have risen 19% to 412 agents as at 31 December 2022 compared to 345 agents as at 31 December 2021.

Group revenue for HY2023 of \$37.5 million is up 5.7% on HY2022's Group revenue (HY2022: \$35.5 million), which was primarily driven by a strong performance by payroll agents in WA¹ and increased management fees from properties under management.

The Agency sold 2,847 properties in HY2023, which while a 2.2% reduction on the prior year (HY2022: 2,910), was significantly above system performance as National Transaction volumes fell 21.6%² over the same period. A 14% reduction in Gross Commission Income (GCI) of \$45.7 million (HY2022: \$52.9 million) was the result of higher proportion of sales in WA combined with a reduction in average selling price across the East Coast that resulted in a 17% reduction in Gross Value of Properties sold (HY2023 \$2.6 billion, HY2022: \$3.1 billion).

The Agency reported a total management portfolio of 4,908 PUM at the end of December 2022.

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.

Unfavourable external factors most notably rising interest rates and adverse effect on property prices nationally has impacted The Agency's financials for the six-month period.

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 31 December 2022 is noted below.

b. Change in Presentation

During the 2022 financial year the Group changed the presentation of the statement of profit and loss to classify expenses based on their function. This change has not affected reported profit or loss and is a change in presentation only. In accordance with accounting standards, the Group will continue to report expenditure classified by nature in the notes to the consolidated financial statements, as disclosed the 2022 Annual Report. Comparative information has been updated to reflect this change.

¹ According to accounting standards, recognition of revenue is dependent on the engagement mechanism of the Agent. A sale by a payroll agent will result as revenue equal to GCI, with an agent commission expense in Cost of Sales. A sale by a non payroll independent contractor agent, revenue is equal to The Agency share GCI. There is no cost of sale expense for a non payroll agent.

As a general rule, Western Australia agents are predominantly Payroll agents, while East Coast agents are predominantly non payroll agents.

² CoreLogic Economist Pack January 2023 edition.

Directors' report

EBITDA calculation	HY2023 \$'000	HY2022 \$'000	Change \$'000	Change %
Profit / (loss) after tax	(1,668)	1,248	-2,916	-234%
Income tax benefit	(237)	(850)		
Profit / (loss) before tax	(1,905)	398	-2,303	-579%
Interest income	(47)	(3)		
Depreciation and amortisation	3,196	2,695		
Embedded derivative non-cash financing (gains) / costs ³	(758)	(427)		
Impairment (recovery) / expense	-	(400)		
Interest and finance costs	832	405		
Gain on sale of assets ⁴	(1,590)	-		
Disposal of assets costs	76	-		
Acquisition of business costs	74	-		
Share-based payments expense	260	382		
EBITDA	138	3,050	-2,912	-95%
AASB 16 <i>Leases</i> impact ⁵	(1,085)	(910)		
Underlying EBITDA (pre-AASB16 <i>Leases</i> impact)	(947)	2,140	-3,087	-144%
Other key metrics:				
■ Revenue	37,492	35,478	+2,014	+6%
■ GCI	45,734	52,876	-7,142	-14%

For HY2023 the Group recorded EBITDA of \$0.14 million (HY2022: \$3.05 million). After adjusting for the AASB16 *Leases* impact, underlying EBITDA for HY2023 was (\$0.95) million (HY2022: \$2.14 million). This represents a \$3.09 million decrease in underlying EBITDA, which equates to a 144% decrease from the comparative period.

The Group generated a net loss after tax for the half-year of \$1.67 million (HY2022: \$1.25 million profit). This was primarily impacted by the embedded derivative non-cash financing gains (\$0.76 million), gain on sale of assets (\$1.59 million), interest and finance costs (\$0.83 million), and depreciation and amortisation (\$3.20 million).

The net assets of the Group have decreased from 30 June 2022 by \$1.41 million to \$14.99 million at 31 December 2022 (30 June 2022: \$16.40 million).

The Group's cash and cash equivalents decreased from 30 June 2022 by \$3.80 million to \$4.41 million at 31 December 2022 (30 June 2022: \$8.22 million). As disclosed in note 6.2, although the part sale of trail asset was finalised prior to the end of the reporting period, the Company received the proceeds of \$1,641K (plus GST) after the reporting date on 9 January 2023.

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 9 *Events subsequent to reporting date* on page 20.

³ Refer to note 2.1 of the financial statements.

⁴ HY2023 *Gain on sale of assets* included a gain on the sale of the trail book of \$1.579 million as disclosed in note 6.2.

⁵ 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**2.6. Future Developments, Prospects, and Business Strategies**

The Group continues to focus on growth opportunities and attracting real estate agents to its contemporary direct engagement business model. By contracting directly with agents, the Group removes the 'middle layer' which has created a more responsive, efficient and effective model for our agents as the agents 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 return to simplify their business which aligns with the strengths of our business model.

The Group 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 2022 has been received and can be found on page 7 of the interim financial report.

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

**GEOFF LUCAS**

Managing Director and CEO

Dated this Monday, 27 February 2023

HALL CHADWICK

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 2022, 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 27th day of February 2023

Condensed consolidated statement of profit or loss and other comprehensive income
for the half-year 31 December 2022

	Note	6 months to 31 December 2022 \$'000	6 months to 31 December 2021 \$'000
<i>Continuing operations</i>			
Revenue	1.1	37,492	35,478
Cost of sales		(25,286)	(22,822)
Gross profit		12,206	12,656
Other income	1.2	1,934	348
Administrative and other expenses		(15,971)	(13,028)
Impairment losses recovered		-	400
(Loss) / profit before tax and finance costs		(1,831)	376
Interest and finance costs		(832)	(405)
Embedded derivative non-cash financing gains	2.1	758	427
(Loss) / profit before tax		(1,905)	398
Income tax benefit		(237)	(850)
Net (loss) / profit for the half-year		(1,668)	1,248
<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 half-year, net of tax		-	-
Total comprehensive income attributable to members of the parent entity		(1,668)	1,248
<i>Earnings per share:</i>			
		¢	¢
Basic earnings per share (cents per share)		(0.39)	0.29
Diluted earnings per share (cents per share)		(0.39)	0.29

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 2022

	Note	31 December 2022 \$'000	30 June 2022 \$'000
<i>Current assets</i>			
Cash and cash equivalents		4,414	8,216
Trade and other receivables		12,936	11,103
Other current assets		907	497
Total current assets		18,257	19,816
<i>Non-current assets</i>			
Trade and other receivables		164	145
Financial assets		921	836
Property, plant, and equipment		2,025	1,936
Right of use assets		4,011	3,605
Intangible assets	4.1	26,365	21,315
Total non-current assets		33,486	27,837
Total assets		51,743	47,653
<i>Current liabilities</i>			
Trade and other payables		15,812	14,918
Borrowings	3.1.1	-	5,000
Financial liabilities	3.2.1	-	4,021
Provisions		2,672	2,472
Leases		1,963	1,836
Total current liabilities		20,447	28,247
<i>Non-current liabilities</i>			
Borrowings	3.1.2	8,400	-
Financial liabilities	3.2.2	3,485	-
Provisions		437	221
Leases		2,738	2,555
Deferred tax liabilities		1,244	230
Total non-current liabilities		16,304	3,006
Total liabilities		36,751	31,253
Net assets		14,992	16,400
<i>Equity</i>			
Issued capital	5.1.1	43,635	43,635
Reserves	5.4	830	890
Accumulated losses		(29,473)	(28,125)
Total equity		14,992	16,400

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 31 December 2022

	Note	Contributed equity \$'000	Accumulated Losses \$'000	Share-based payment Reserve \$'000	Total equity \$'000
<i>Balance at 1 July 2021</i>		43,635	(30,570)	1,072	14,137
Profit for the half-year attributable to owners of the parent		-	1,248	-	1,248
Other comprehensive income for the half-year attributable owners of the parent		-	-	-	-
Total comprehensive income for the half-year attributable owners of the parent		-	1,248	-	1,248
<i>Transaction with owners, directly in equity</i>					
Options granted during the half-year	10.1	-	-	382	382
Balance at 31 December 2021		43,635	(29,322)	1,454	15,767
<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>					
Share-based payments granted during the half-year	10.1	-	-	260	260
Transfers to / from reserves		-	320	(320)	-
Balance at 31 December 2022		43,635	(29,473)	830	14,992

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 31 December 2022

Note	6 months to 31 December 2022 \$'000	6 months to 31 December 2021 \$'000
<i>Cash flows from operating activities</i>		
Receipts from customers	41,686	37,762
Payments to suppliers and employees	(41,917)	(34,091)
Interest received	47	3
Finance costs	(413)	(311)
Net cash (used in) / provided by operating activities	(597)	3,363
<i>Cash flows from investing activities</i>		
Purchase of property, plant, and equipment	(352)	(400)
Deposit for bank guarantees	(40)	(26)
Purchase of intangibles	(542)	(112)
Loans to other entities	(64)	(670)
Net cash flow on disposal of an asset group	(39)	-
Payment for acquisition of subsidiary, net of cash acquired	6.1.3 (4,365)	-
Net cash used in investing activities	(5,402)	(1,208)
<i>Cash flows from financing activities</i>		
Proceeds from borrowings	3,400	-
Payment of principal portion of lease liabilities	(1,203)	(987)
Net cash provided by / (used in) financing activities	2,197	(987)
Net (decrease)/increase in cash and cash equivalents held	(3,802)	1,168
Cash and cash equivalents at the beginning of the half-year	8,216	5,096
Cash and cash equivalents at the end of the half-year	4,414	6,264

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 31 December 2022

In preparing the December 2022 Interim Financial Report, The Agency Group Australia Ltd has grouped into sections under the same key categories as used in the June 2022 Annual Report:

■ Section A: How the numbers are calculated	13
■ Section B: Group structure	19
■ Section C: Unrecognised items	20
■ Section D: Other Information	21

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.

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.

Change in Presentation

During the 2022 financial year the Group changed the presentation of the statement of profit and loss to classify expenses based on their function. This change has not affected reported profit or loss and is a change in presentation only. In accordance with accounting standards, the Group will continue to report expenditure classified by nature in the notes to the consolidated financial statements, as disclosed in the 2022 Annual Report. Comparative information has been updated to reflect this change.

Notes to the condensed consolidated financial statements

for the half-year 31 December 2022

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	Note	6 months to 31 December 2022 \$'000	6 months to 31 December 2021 \$'000
1.1		Revenue			
		Residential Sales commissions		30,649	29,642
		Mortgage and Settlement revenue		2,271	2,535
		Property Management revenue: <i>Management fees</i>		3,508	2,508
		<i>Other</i>		1,064	793
			1.1.1	37,492	35,478
1.1.1		During the half-year to 31 December 2022 the acquisition of Bushby & Co. Pty Ltd, as disclose in note 6.1, contributed an additional revenue as follows: <i>Residential Sales commissions</i> : \$533K; <i>Property Management revenue: Management fees</i> \$747K; and <i>Property Management revenue: Other</i> : \$117K.			
1.2		Other Income			
				6 months to 31 December 2022 \$'000	6 months to 31 December 2021 \$'000
		Interest income		47	3
		Gain on sale of trail book	6.2	1,579	-
		Gain on exit of lease		11	-
		Other income		297	345
				1,934	348
Note	2	Expenses	Note	6 months to 31 December 2022 \$'000	6 months to 31 December 2021 \$'000
2.1		Embedded derivative non-cash financing (gains)/costs:			
		■ Embedded Derivative – Finance cost		1,570	318
		■ Embedded Derivative – Fair value adjustment		(2,328)	(745)
				(758)	(427)

Notes to the condensed consolidated financial statements
for the half-year 31 December 2022**Note 3 Financial assets and financial liabilities**

3.1 Borrowings	Note	31 December 2022 \$'000	30 June 2022 \$'000
3.1.1 <i>Current</i>			
Bank loans	3.1.3	-	5,000
		-	5,000
3.1.2 <i>Non-current</i>			
Bank loans	3.1.3	8,400	-
		8,400	-

3.1.3 On 25 July 2022 the Company announced that it entered into an Amendment Deed in respect of its primary secured debt facility (**the Facility**) with Macquarie Bank Limited (**MBL**). Pursuant to the terms of the Amendment Deed the Facility has been amended to (of which the conditions were met):

- **Facility** Increased to \$8,400K (\$3,400K to assist in funding the Bushby & Co acquisition).
- **Term** 3 years, expiring on 20 July 2025.
- **Interest Rate** To remain at 3.75% p.a. + 30-day BBSW.
- **Establishment / Extension Fee** 1.5% of total limits paid on settlement.
- **Financial Covenants** MBL loan to rent roll valuation ratio: 40% and Cash Interest Cover > 3.0x.
- **Permitted Distributions** Cash payment of interest on the Peters Investments Convertible Notes (quarterly), following evidence of covenant compliance.
- **Permitted Acquisitions** Up to \$500K per acquisition and no more than \$1,000K in any 12-month period.

3.1.4 *Part sale of trail asset/waiver of covenant*

Prior to the end of the reporting period, concurrently with the approval of the part sale of the Westvalley Corporation Pty Ltd trail asset (refer note 6.2), MBL has provided a covenant waiver in relation to the interest cover ratio (**ICR**) for the period December 2022 quarter end. It has also confirmed this will be waived for the March 2023 quarter as part of the normal quarterly reporting period.

Post the reporting period the Company received the proceeds from the part sale of trail asset. As part of the approval of the sale and waiver conditions, the Company delivered a duly executed deposit account agreement and transferred \$650K into the nominated deposit account to cover 12-months' interest costs, but was not required to reduce any of its existing debt from the proceeds of the sale.

Notes to the condensed consolidated financial statements
for the half-year 31 December 2022

Note 3 Financial assets and financial liabilities (cont.)

3.2 Financial liabilities	Note	31 December 2022 \$'000	30 June 2022 \$'000
3.2.1 Current			
<i>Convertible note:</i>	3.2.3,3.2.4		
■ Debt component		-	2,039
■ Derivative financial liability conversion option		-	1,982
		-	4,021
3.2.2 Non-current			
<i>Convertible note:</i>	3.2.3,3.2.4		
■ Debt component		1,131	-
■ Derivative financial liability conversion option		2,354	-
		3,485	-
3.2.3 Reconciliation of convertible notes			
<i>Opening balance:</i>			
■ Debt component		2,039	895
■ Derivative financial liability conversion option		1,982	3,988
		4,021	4,883
■ Interest charged		1,792	1,144
■ Fair value movement: Derecognition		(1,278)	-
Fair value changes		(1,050)	(2,006)
Carrying value of liabilities at reporting date		3,485	4,021
3.2.4	On 5 January 2021, the Company issued 5,000,000 convertible notes to Peters Investments Pty Ltd (the Noteholder) to raise \$5,000,000.		
■ Interest rate	higher of 8% per annum and the interest rate on the Macquarie Bank Limited (MBL) loan		
■ Facilitation fee	3% fee equalling \$150,000 which is capitalised and added to the face value of the note.		
■ Security	Second security ranking behind MBL.		
■ Options	12,000,000 Options (exercised at the \$0.027 on 28 January 2021).		
■ Term/Maturity Date	On 22 July 2022 (and approved at the Company's AGM on 18 November 2022), the Company signed a Deed of Variation to Convertible Note Agreement, to extend the terms of the convertible note to 22 January 2026.		
	Unless converted to shares, the notes will be repaid in cash on the earlier of 22 January 2026 or when all amounts owing by the Company to MBL have been repaid.		
■ Conversion	At the Noteholders election the notes can be converted into shares in the Company at the lower of \$0.027 per share and the issue price of shares offered under any subsequent capital raising completed by the Company to raise over \$1,000,000 on or before maturity date.		
■ Other Conditions	The Noteholder will have the first right of refusal to replace the MBL loan on commercial terms and conditions to be reasonably agreed between the Noteholder and The Agency.		

With the extension of the convertible note from 31 March 2023 to 22 January 2026 agreed at the Company annual general meeting on 18 November 2022, this resulted in a substantial modification of the existing convertible note. The existing embedded derivative was derecognised resulting in a gain to the profit and loss of \$1,278K. A new embedded derivative liability was recognised at its fair value and included as a transaction cost of the deemed new convertible loan, which will be amortised over the new terms of the note.

The transaction costs previously capitalised on the derecognised convertible note and not yet amortised, amounting to \$873K, was accelerated to the end of the term and realised through profit or loss.

Notes to the condensed consolidated financial statements
for the half-year 31 December 2022**Note 4 Non-financial assets and financial liabilities**

4.1 Intangible assets		31 December 2022 \$'000	30 June 2022 \$'000
Goodwill	6.1.2	12,383	10,704
		12,383	10,704
Rent roll and trail book	4.1.1	25,968	21,135
Accumulated amortisation		(12,719)	(11,022)
		13,249	10,113
Others		895	611
Accumulated amortisation and impairment		(162)	(113)
		733	498
Total intangibles		26,365	21,315

4.1.1 Included in the 31 December 2022 *Rent roll and trail book* assets are additions of \$4,910K related to the acquisition of Bushby & Co. Pty Ltd and \$210K in relation to the purchase of an additional Perth-based rent roll during the period. Further to this, the Group sold a portion of its Westvalley Corporation Pty Ltd trail asset with a carrying value of \$80K at the time of sale.

4.1.2 **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 \$8,449K (30 June 2022: \$10,013K). This same CGU also included goodwill of \$10,658K, relating to sales (30 June 2022: \$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 15.5% resulting in no impairment loss for December 2022 (June 2022: 15.5%). 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 2022: 0%). The discount rates used reflects the risks specific to the CGU.

The Group has also conducted a sensitivity analysis on the impairment test of the CGU. This was based on changes to key assumptions that are considered by management to be reasonably possible. This included up to a 4% increase in the discount rate, and a 4% reduction in the long-term growth rate. The sensitivity test shows that no impairment would arise under each scenario.

Notes to the condensed consolidated financial statements

for the half-year 31 December 2022

Note 5 Equity						
5.1	Issued capital	Note	31 December 2022 No.	30 June 2022 No.	31 December 2022 \$'000	30 June 2022 \$'000
	Fully paid ordinary shares		428,575,921	428,575,921	43,635	43,635
			6 months to 31 December 2022 No.	12 months to 30 June 2022 No.	6 months to 31 December 2022 \$'000	12 months to 30 June 2022 \$'000
5.1.1	Ordinary shares					
	At the beginning of the period		428,575,921	428,575,916	43,635	43,635
	Shares issued during the period:					
	■ Conversion of cancelled performance shares		-	5	-	-
	At reporting date		428,575,921	428,575,921	43,635	43,635
5.2	Performance equity	Note	31 December 2022 No.	30 June 2022 No.	31 December 2022 \$'000	30 June 2022 \$'000
	Performance equity		11,000,000	11,000,000	244	111
			6 months to 31 December 2022 No.	12 months to 30 June 2022 No.	6 months to 31 December 2022 \$'000	12 months to 30 June 2022 \$'000
5.2.1	Performance equity movement					
	At the beginning of the period		11,000,000	1,555,558	111	-
	Performance equity changes during the period:					
	■ Conversion of cancelled performance shares		-	(1,555,558)	-	-
	■ Issue of performance rights	10.2.1	-	11,000,000	-	111
	■ Amortisation of issued performance rights		-	-	133	-
	At reporting date		11,000,000	11,000,000	244	111

Notes to the condensed consolidated financial statements
for the half-year 31 December 2022**Note 5 Equity (cont.)**

5.3 Options		Note	31 December 2022 No.	30 June 2022 No.	31 December 2022 \$'000	30 June 2022 \$'000
Options			20,000,000	30,000,000	586	779
			6 months to 31 December 2022 No.	12 months to 30 June 2022 No.	6 months to 31 December 2022 \$'000	12 months to 30 June 2022 \$'000
5.3.1 Options equity movement						
At the beginning of the period			30,000,000	333,333	779	1,072
Options changes during the period:						
■ Granted to CEO in accordance with employment agreements	10.3		-	30,000,000	-	564
■ Amortisation of granted options			-	-	127	-
■ Expiry of options			(10,000,000)	(333,333)	(320)	(17)
■ Expired legacy option values			-	-	-	(840)
At reporting date			20,000,000	30,000,000	586	779

5.4 Reserves		Note	31 December 2022 \$'000	30 June 2022 \$'000
Share-based payment reserve:				
■ Performance rights	5.2		244	111
■ Options	5.3		586	779
			830	890

Notes to the condensed consolidated financial statements

for the half-year 31 December 2022

SECTION B. GROUP STRUCTURE

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group as a whole, including information in respect to:

- (a) changes to the structure that occurred during the period as a result of business combinations and the disposal of a businesses;*
- (b) transactions with non-controlling interests; and*
- (c) interests in joint operations.*

Note 6 Business combinations**6.1 Acquisition of Bushby & Co Pty Ltd**

On 22 July 2022, the Company completed a share sale and purchase agreement (SPA) with the owners of Bushby & Co. Pty Ltd (**Bushby & Co**) pursuant to which The Agency acquired all the issued share capital of Bushby & Co. The acquisition has been provisionally accounted for.

6.1.1 Consideration

The consideration for the acquisition will be funded via a financing facility with the Company's primary funder Macquarie Bank and out of existing cash reserves. The consideration for the Acquisition consists of:

- a. a cash deposit of \$210K which was paid on the date of the SPA, followed by a cash payment of \$4,190K at completion, and a cash payment of \$400K which consists of a retention payment payable by The Agency, 90 days after the completion date subject to a retention adjustment;
- b. any management fee uplift in relation to rent roll properties, which (if payable) will be paid by The Agency six months after the completion date;
- c. any incentive payments, which (if payable) will be paid by The Agency in the first two years following completion; and
- d. any exchanged contract commissions in relation to pre-completion property contracts commission, which (if payable) will be paid by The Agency at the end of each calendar month.

6.1.2 Purchase consideration and fair value of net assets acquired:

	Note	\$'000
a. <i>Consideration</i>		
Cash payment, net of cash acquired	6.1.1a	4,400
Retention amount	6.1.1a	312
Management fee uplift, net of adjustments	6.1.1b	120
Deferred incentive consideration	6.1.1c	298
		<u>5,130</u>
b. <i>The provisionally determined fair values of the assets and liabilities of Bushby & Co as at the date of acquisition are as follows:</i>		Fair Value \$'000
Cash		541
Trade and other receivables		160
Other current assets		41
Property, plant, and equipment		133
Intangible assets - <i>Rent roll and trail book</i>		4,910
Trade and other payables		(625)
Net deferred tax liabilities acquired		(1,252)
Provisions		(457)
Fair value of assets and liabilities acquired		<u>3,451</u>
Add: Goodwill		<u>1,679</u>
Net assets acquired		<u>5,130</u>

Notes to the condensed consolidated financial statements
for the half-year 31 December 2022**Note 6 Business combinations (cont.)****6.1 Acquisition of Bushby & Co Pty Ltd (cont.)**

6.1.3	Net cash outflow arising on acquisition:	Note	\$'000
	Consideration	6.1.2a	5,130
	Acquisition costs		74
	Less: Deferred consideration	6.1.2a	(298)
	Balances acquired	6.1.2b	(541)
			<u>4,365</u>

6.1.4 During the half-year to 31 December 2022 the acquisition of Bushby & Co. Pty Ltd, contributed \$1,683K to total expenditure, including \$1,022K to total salaries and employment costs.

6.2 Westvalley Corporation Pty Ltd – Part Sale of Trail Asset

On 5 December 2022 the Group sold a portion of its trail asset (consisting of the trail book, the client list, and database), which was at that date held by its 100% subsidiary Westvalley Corporation Pty Ltd, resulting in a profit on sale of \$1,579K. The proceeds of \$1,641K (plus GST) were received on 9 January 2023, after the reporting date.

SECTION C. 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 7 Commitments

There are no material commitments to the Group as at 31 December 2022 (30 June 2022: Nil).

Note 8 Contingent liabilities

There are no contingent liabilities as at 31 December 2022.

Note 9 Events subsequent to reporting date

Other than the following, 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.

9.1 Part sale of trail asset/waiver of covenant

Post the reporting period the Company received the proceeds from the part sale of trail asset (as per note 6.2). As part of the waiver conditions, the Company delivered a duly executed deposit account agreement and transferred \$650K into the nominated deposit account to cover 12-months' interest costs.

Notes to the condensed consolidated financial statements

for the half-year 31 December 2022

SECTION D. 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	10	Share-based payments	Note	6 months to 31 December 2022 \$	6 months to 31 December 2021 \$
10.1		Share-based payments:			
		■ Recognised in profit and loss:			
		□ Share-based payment expense – Performance rights		132,959	-
		□ Share-based payment expense – Options		126,657	381,751
		Gross share-based payments		259,616	381,751

10.2 Share-based payment arrangements in effect during the period**10.2.1 Issued during the current half-year**

Nil

10.3 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 2022 \$		12 months to 30 June 2022 \$	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the period	30,000,000	\$0.075	30,333,333	\$0.077
■ Granted	-	-	-	-
■ Exercised	-	-	-	-
■ Expired	(10,000,000)	\$0.050	(333,333)	\$0.300
Outstanding at the end of the period	20,000,000	\$0.088	30,000,000	\$0.075
Exercisable at the end of the period	10,000,000	\$0.075	10,000,000	\$0.050

- The weighted average remaining contractual life of options outstanding at half-year end was 1.25 years (30 June 2022: 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.

Notes to the condensed consolidated financial statements
for the half-year 31 December 2022**Note 11 Operating segments****11.1 Segment Financial Performance**

	Real Estate Property Services \$'000	Mortgage Origination Services \$'000	Total Reportable Segments \$'000	Other Segments \$'000	Total \$'000
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 earnings before interest, tax, depreciation, and amortisation (EBITDA)	4,717	104	4,821	-	4,821
■ Unallocated corporate costs					(4,683)
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)
(ii) <i>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)
31 December 2021					
<i>Revenue</i>					
■ External revenues	33,771	1,706	35,477	1	35,478
■ Inter-segment revenues	-	-	-	-	-
Total segment revenue	33,771	1,706	35,477	1	35,478
<i>Reconciliation of segment revenue to Group revenue:</i>					
■ Eliminations					-
Total group revenue and other income					35,478
Segment earnings before interest, tax, depreciation, and amortisation (EBITDA)	5,404	442	5,846	121	5,967
■ Unallocated corporate costs					(2,917)
EBITDA					3,050
<i>Reconciliation of segment loss to Group profit:</i>					
(iii) <i>Allocated items:</i>					
■ Depreciation and amortisation	(2,537)	(21)	(2,558)	(137)	(2,695)
■ Net finance costs	(249)	5	(244)	(476)	(720)
(iv) <i>Unallocated items:</i>					
■ Impairment reversal	-	-	-	400	400
■ Fair value adjustments	-	-	-	745	745
■ Share-based payments	-	-	-	(382)	(382)
Profit before income tax					398

Notes to the condensed consolidated financial statements

for the half-year 31 December 2022

Note 12 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.

12.1 Basis of preparation**12.1.1 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 2022, together with any public announcements made during the half-year.

12.1.2 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 27 February 2023 by the Directors of the Company.

12.1.3 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 \$1,668K (31 December 2021: \$1,248K profit) and a net cash out-flow from operating activities of \$597K (31 December 2021: \$3,363K in-flow). Included in loss for during the half-year was embedded derivative non-cash financing gains (\$758K), gain on sale of assets (\$1,590K), interest and finance costs (\$832K), and depreciation and amortisation (\$3,196K).

As at 31 December 2022, the Company had a working capital deficit of \$2,190K (30 June 2022: \$8,431K 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 3.1.4 and 9.1, MBL agreed to conditionally waive the December 2022 quarter end covenant testing in respect to the interest cover ratio. The Company has had extensive discussions with MBL who have confirmed approval has been obtained to waive the 31 March 2023 quarter covenant testing and will finalise the documentation within the next two weeks. The Directors are confident that MBL will continue to work with the Company over the next 12-month period 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. The Company has obtained recent valuations of the East Coast Rent Rolls and the Bushby Rent Rolls which indicates the market value of these assets are around \$24,485K.

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.

12.1.4 Comparative figures

Where required by AASBs comparative figures have been adjusted to conform to changes in presentation for the current half-year.

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 31 December 2022**Note 12 Statement of significant accounting policies****12.1.5 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.

12.2 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.

Note 13 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:

1. The financial statements and notes, as set out on pages 8 to 24, are in accordance with the *Corporations Act 2001* (Cth) and:
 - (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting*; and
 - (b) give a true and fair view of the financial position as at 31 December 2022 and of the performance for the half-year ended on that date of the Company.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to s303(5) of the *Corporations Act 2001* (Cth) and is signed for and on behalf of the Directors by:



GEOFF LUCAS

Managing Director and CEO

Dated this Monday, 27 February 2023



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 2022, 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 2022 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.



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 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.

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated this 27th day of February 2023
Perth, Western Australia

THE AGENCY
— GROUP AUST LTD