

Acumentis Group Limited

A.C.N. 102 320 329

Results for announcement to the market

ASX Preliminary Final Report

Appendix 4E

30 June 2021

Lodged with the ASX under Listing Rule 4.3A



Review of Operations

Financial Results

The results for the year ended 30 June 2021 reflect the business continuing its rebuilding following the cyber-attacks in 2019 with a 15% uplift in revenue from continuing operations to \$43.6M.

Effective 1 April 2021, the Company acquired the business and assets of Saunders & Pitt, a Tasmanian based valuation business, which expanded the Company's operations and added \$410K to revenue.

The Company delivered an operating profit from continuing operations of \$2.6M compared to an operating loss of \$2.5M for the previous financial year reflecting a \$5.1M turn-around.

The Company generated \$5.5M from operating cashflows and \$4.1M after payment of leases. This allowed the Company to retire a further \$1.3M of term debt during the year.

As a result of the cessation of providing services under a material government contract, the customer relationship intangible asset and goodwill associated with that business line have been fully written down resulting in non-recurring, non-cash impairment charges of \$11.9M.

Whilst the Company was successful in sub-letting its surplus leased office space in the Sydney CBD, the lower rental achieved resulted in a further impairment of the right of use asset of \$131K.

The result for the year ended 30 June 2021 includes the following significant items:

Income

- | | |
|------------------------------|-----------|
| • Government grants received | 2,320,041 |
|------------------------------|-----------|

Expenses

- | | |
|--|------------|
| • Impairment of customer relationship intangible asset | 10,000,000 |
| • Impairment of goodwill | 1,904,038 |
| • Redundancy and termination costs | 244,975 |
| • Cyber-attack non-recurring response costs | 201,721 |
| • Impairment of right of use assets | 131,083 |

Business Overview

As the Company completed its recovery from the 2019 cyber-attacks, it has achieved significant revenue growth via reinstatement of financial institution valuation panels, geographical expansion and diversification of services.

Based on year on year revenues, the Company has seen 15% growth in its residential valuations business, 64% growth in its commercial valuations business, 37% growth in its regional valuations business and 79% growth in its advisory service business. We anticipate further growth across these business lines through the coming financial year flowing from our continued investment in people, IT systems, marketing and geographic expansion.

The statutory services (government) business saw a decline of 14% and due to the cessation of providing services under a material government contract this business line has been restructured in June 2021 to reduce its cost base and focus on the provision of high quality services to existing and new Federal & State Government clients.

Effective 1 July 2021, the Company acquired the remaining 57.8% of Acumentis (WA) Holdings Pty Ltd, its Western Australian associated company and will consolidate the results of this business in FY2022. This business will add \$7-8M of revenue to the consolidated results. The business is already tightly integrated utilising the same valuation management and IT systems and makes use of Acumentis' shared services.



Review of Operations

Cash at Bank

Acumentis has maintained positive cash balances through the majority of the year ended 30 June 2021 and had \$3.7M of available cash as at 30 June 2021. Taking into account term loans totalling \$2.6M, Acumentis is in a net positive cash position and has access to a \$1.7M overdraft facility.

Dividends

The board does not recommend a final dividend for the year ended 30 June 2021.

Outlook

With the acquisition “Saunders & Pitt” in Tasmania, the balance of Acumentis (WA) Holdings Pty Ltd, the continued geographic expansion in Southern NSW and regional Victoria and the establishment of sub-contract arrangements with Acumentis branded entities in South Australia and south west Western Australia, Acumentis is now able to provide services to its clients across the whole of Australia via a single wholly owned entity.

We continue to see high levels of demand for our services driven by buoyant lending activity for both new loans and refinancing. This is supported by historically low interest rates which we anticipate will remain low for the foreseeable future. We expect the strong property market to continue in the medium term and demand for our services to remain high. However, should the current COVID outbreaks continue for an extended period, then revenues could be adversely impacted.

With the geographical and services expansion, and the acquisition of the balance of our WA affiliate, we are well positioned to achieve ongoing revenue growth in FY2022. We are planning further significant investment to support the business growth and deliver future profitability.

We anticipate that our revenues will continue to grow through FY2022 towards our medium term expectation of \$60M+ per annum. FY2022 operating margins are expected to be similar to FY2021 (before the one off impairment charges), however, profits are likely to be lower in the first half due to the ongoing investment in the business.



Summary Results for the year ended 30 June 2021

The following is a summary of the financial results for the year ended 30 June 2021.

Results for announcement to the market

	Year ended 30 June 2021 \$000s	Year ended 30 June 2020 \$000s	Increase/ (Decrease) \$000s	% Change
Revenue				
Continuing operations	43,639	37,970	5,669	14.9%
Businesses acquired during the year	410	-	410	100.0%
Government grant income	2,320	1,315	1,005	76.4%
	46,369	39,285	7,084	18.0%
Profit before tax				
Continuing operations	2,615	(2,532)	5,147	203.3%
Businesses acquired during the year	(106)	-	(106)	(100.0%)
Acquisition costs expensed	(5)	-	(5)	(100.0%)
Impairment of intangibles	(11,904)	-	(11,904)	(100.0%)
Impairment of right of use assets	(131)	(497)	366	73.6%
	(9,531)	(3,029)	(6,502)	(214.7%)
Income tax benefit / (expense)	(157)	474	(631)	(133.1%)
Net (Loss) / Profit after tax from continuing operations	(9,688)	(2,555)	(7,133)	(279.2%)

Comparison of Half-Year Profits	Current Period \$000s	Previous Period \$000s
Consolidated net (loss) / profit after tax attributable to members: reported for the 1 st Half yearly report	1,033	(3,454)
Consolidated net (loss) / profit after tax attributable to members reported for the 2 nd Half year	(10,721)	899
Total	(9,688)	(2,555)

Dividends	Amount per security	Franked amount per security
Interim dividend	-	-
Final dividend	-	-

Dividend payment date n/a
Ex-dividend date n/a
Record date for determining entitlement to final dividend n/a

Annual Report and Annual General Meeting

Acumentis expects to send its Annual Report and Notice of Annual General Meeting to shareholders during the week commencing 27 September 2021.

Acumentis expects to hold its 2021 Annual General Meeting as a virtual event on 28 October 2021.



Preliminary Consolidated Statement of Profit or Loss
and Other Comprehensive Income for the Year Ended 30 June 2021

	Notes	30 June 2021 \$000s	30 June 2020 \$000s
Revenue from rendering of services		44,043	36,666
Government grant income		2,320	1,315
Other income		4	1,304
Total revenue		46,367	39,285
Expenses from continuing operations			
Employment expenses		31,732	29,122
Software, printing & stationery expenses		2,494	2,694
Marketing expenses		486	374
Communication expenses		682	710
Insurance expenses		2,402	2,271
Administration expenses		1,060	1,418
Occupancy expenses		575	771
Depreciation and amortisation expenses		2,072	2,078
Impairment of right of use assets		131	497
Impairment of intangible assets		11,904	-
Other expenses from ordinary activities		2,398	1,817
		55,936	41,752
Results from operating activities		(9,569)	(2,467)
Finance income		7	18
Finance expense		(329)	(494)
Share of net profit / (loss) of associates accounted for using the equity method	8	360	(86)
Loss before tax		(9,531)	(3,029)
Income tax (expense) / benefit	4	(157)	474
Loss for the year attributable to owners of the parent		(9,688)	(2,555)
Total other comprehensive income (net of tax)		-	-
Total comprehensive loss for the year attributable to owners of the parent		(9,688)	(2,555)
Basic earnings per share (cents per share)	2	(6.19)	(1.76)
Diluted earnings per share (cents per share)	2	(6.19)	(1.76)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.



Preliminary Consolidated Statement of Financial Position
as at 30 June 2021

	Notes	30 June 2021 \$000s	30 June 2020 \$000s
Current Assets			
Cash and cash equivalents		3,686	1,830
Term deposits		14	25
Trade and other receivables		4,557	4,673
Other assets		1,018	895
Total Current Assets		9,275	7,423
Non-Current Assets			
Deferred tax assets		2,675	2,818
Term deposits		794	795
Property, plant & equipment	5	712	800
Right of use assets	6	2,572	2,580
Intangible assets	7	14,237	25,562
Investments accounted for using the equity method	8	1,194	1,113
Total Non-Current Assets		22,184	33,668
Total Assets		31,459	41,091
Current Liabilities			
Trade and other payables		3,232	2,196
Borrowings	9	1,300	1,300
Lease liabilities	10	1,279	1,158
Current tax liabilities		-	-
Employee benefits		4,285	4,255
Total Current Liabilities		10,096	8,909
Non-Current Liabilities			
Borrowings	9	1,300	2,600
Lease liabilities	10	2,178	2,364
Employee benefits		385	471
Provisions		182	182
Total Non-Current Liabilities		4,045	5,617
Total Liabilities		14,141	14,526
Net Assets		17,318	26,565
Equity			
Contributed equity	11	44,887	44,477
Accumulated losses		(27,600)	(17,912)
Other reserves	12	31	-
Total Equity		17,318	26,565

The above Statement of Financial Position should be read in conjunction with the accompanying notes.



Preliminary Consolidated Statement of Cashflows
for the year ended 30 June 2021

	Notes	30 June 2021 \$000s	30 June 2020 \$000s
Cash Flows from Operating Activities			
Receipts from customers		48,455	41,483
Government grants received		2,320	629
Payments to suppliers and employees		(45,221)	(42,826)
Interest received		7	18
Interest paid		(329)	(495)
Dividends received		279	-
Decrease in security deposits		12	98
Income tax refund received / (paid)		-	498
Net cash flows provided by Operating Activities		5,523	(595)
Cash Flows from Investing Activities			
Purchase of property, plant & equipment	5	(363)	(324)
Purchase of intangible assets		(490)	(870)
Purchase of investments			
- Acquisition of associated entity	8	-	(628)
- Acquisition of other unincorporated businesses	13	(107)	-
Net cash flows used in Investing Activities		(960)	(1,822)
Cash Flows from Financing Activities			
Shares issued net of costs	11	-	5,010
Borrowings received		-	2,120
Repayment of borrowings		(1,300)	(3,469)
Repayment of lease liabilities		(1,407)	(1,230)
Dividends paid		-	-
Net cash flows used in Financing activities		(2,707)	2,431
Net increase / (decrease) in cash held		1,856	14
Cash at beginning of financial year		1,830	1,816
Cash at end of financial year		3,686	1,830

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.



Preliminary Statement of Changes in Equity
for the Year Ended 30 June 2021

	Notes	Share Capital \$000's	Retained Earnings \$000's	Other Reserves \$000's	Total Equity \$000's
Consolidated					
Balance at 1 July 2019		39,293	(15,006)	-	24,287
Change in accounting policy		-	(351)	-	(351)
Total comprehensive (loss) attributable to members of the parent entity		-	(2,555)	-	(2,555)
Shares issued		5,184	-	-	5,184
Dividends to shareholders		-	-	-	-
Balance at 30 June 2020		44,477	(17,912)	-	26,565
Balance at 1 July 2020		44,477	(17,912)	-	26,565
Total comprehensive income attributable to members of the parent entity		-	(9,688)	-	(9,688)
Shares issued	11	410	-	-	410
Share-based payment expense	12	-	-	31	31
Dividends to shareholders		-	-	-	-
Balance at 30 June 2021		44,887	(27,600)	31	17,318

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



Notes to the Preliminary Financial Statements
for the Year Ended 30 June 2021

1. Dividends

Final dividend resolved to be paid	-
Date the dividend is payable	n/a
Ex-dividend date	n/a
Record date	n/a
Last date for receipt of election notice to participate in the dividend reinvestment plan	n/a

	Current Year	Prior Year
Interim dividend	-	-
Final dividend	-	-
	-	-

2. Earnings Per Share

	30 June 2021 Cents	30 June 2020 Cents
Basic earnings per share	(6.19)	(1.76)
Diluted earnings per share	(6.19)	(1.76)
	Number	Number
Weighted average number of shares used in the		
- calculation of basic EPS	156,499,848	144,844,867
- calculation of diluted EPS	156,499,848	144,844,869

Whilst there are 2,500,000 options on issue as at 30 June 2021 (2020: 2,500,000), these are anti-dilutive, reducing the loss per share, and accordingly have not been included in the calculation of diluted EPS.

The amount used in the numerator in calculating basic and diluted EPS is the total comprehensive income attributable to owners of the parent reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

3. Net Tangible Asset Backing

	30 June 2021	30 June 2020
Net tangible asset backing per share	\$0.02	\$0.01



Notes to the Preliminary Financial Statements
for the Year Ended 30 June 2021

4. Income Tax

Income tax expense / (credit) for the year consists of the following:

	30 June 2021 \$000s	30 June 2020 \$000s
Loss from continuing operations before tax	(9,531)	(3,029)
Prima facie income tax calculated at 26% (2020: 27.5%)	(2,478)	(833)
Effect of non-deductible intangible impairment	3,095	-
Effect of non-deductible expenses	15	10
Effect of non-assessable Government grant income	(13)	(14)
Effect of (non-assessable) / non-deductible share of (profits) / losses of associate	(94)	24
	525	(813)
Adjustments for prior years	(12)	176
Restatement of future tax benefit:		
- from 26% to 30% ¹	(356)	-
- from 27.5% to 26% ²	-	163
Net income tax expense / (benefit)	157	(474)

1 - to reflect expected FY22 revenues exceeding \$50M and the entity no longer qualifying for lower tax rate

2 - to reflect reduction in tax rate from 1 July 2020 for entities qualifying for lower tax rate

5. Property, plant & equipment

	Office Equipment \$000	Furniture and Fittings \$000	Leasehold Improvements \$000	Total \$000
Cost				
Balance at 1 July 2019	1,983	615	433	3,031
Additions – cash	156	9	159	324
Additions – non cash	-	-	54	54
Disposals	-	(3)	(84)	(87)
Balance at 30 June 2020	2,139	621	562	3,322
Balance at 1 July 2020	2,139	621	562	3,322
Additions – cash	317	34	12	363
Disposals	(1,063)	(81)	(128)	(1,272)
Balance at 30 June 2021	1,393	574	446	2,413
Accumulated Depreciation				
Balance at 1 July 2019	1,539	387	225	2,151
Depreciation charge for the year	267	83	108	458
Disposals	-	(3)	(84)	(87)
Balance at 30 June 2020	1,806	467	249	2,522
Balance at 1 July 2020	1,806	467	249	2,522
Depreciation charge for the year	246	65	86	397
Disposals	(1,047)	(57)	(114)	(1,218)
Balance at 30 June 2021	1,005	475	221	1,701
Carrying Amounts				
1 July 2019	444	228	208	880
30 June 2020	333	154	313	800
1 July 2020	333	154	313	800
30 June 2021	388	99	225	712



Notes to the Preliminary Financial Statements
for the Year Ended 30 June 2021

6. Right of Use Assets

	Buildings \$000	Office Equipment \$000	Total \$000
Cost			
Balance at 1 July 2019	-	-	-
Change of accounting policy	6,794	142	6,936
Additions	62	-	62
Disposals	(402)	-	(402)
Balance at 30 June 2020	6,454	142	6,596
Balance at 1 July 2020	6,454	142	6,596
Additions	1,334	-	1,334
Acquisition of other unincorporated businesses	51	-	51
Disposals	(566)	(142)	(708)
Balance at 30 June 2021	7,273	-	7,273
Accumulated Depreciation			
Balance at 1 July 2019	-	-	-
Change of accounting policy	2,719	61	2,780
Depreciation charge for the year	1,091	48	1,139
Impairment charge	497	-	497
Disposals	(400)	-	(400)
Balance at 30 June 2020	3,907	109	4,016
Balance at 1 July 2020	3,907	109	4,016
Acquisition of other unincorporated businesses	20	-	20
Depreciation charge for the year	1,184	33	1,217
Impairment charge	131	-	131
Disposals	(541)	(142)	(683)
Balance at 30 June 2021	4,701	-	4,701
Carrying Amounts			
1 July 2019	-	-	-
30 June 2020	2,547	33	2,580
1 July 2020	2,547	33	2,580
30 June 2021	2,572	-	2,572



Notes to the Preliminary Financial Statements
for the Year Ended 30 June 2021

7. Intangible Assets

	30 June 2021 \$000s	30 June 2020 \$000s
Goodwill	12,529	13,884
Customer relationships	-	10,000
Computer software	1,467	1,436
Trademarks	241	242
	14,237	25,562
Movement in goodwill		
Balance at 1 July	13,884	13,884
Acquisition of other unincorporated businesses	549	-
Impairment charge	(1,904)	-
Balance at 30 June	12,529	13,884
Movement in customer relationships		
Balance at 1 July	10,000	10,000
Impairment charge	(10,000)	-
Balance at 30 June	-	10,000
Movement in computer software		
Balance at 1 July	1,436	1,247
Additions	490	617
Amortisation	(458)	(428)
Disposals	(1)	-
Balance at 30 June	1,467	1,436
Movement in trademarks		
Balance at 1 July	242	42
Additions	-	242
Disposals	(1)	(42)
Balance at 30 June	241	242

8. Investments Accounted for Using the Equity Method

	30 June 2021 \$'000	30 June 2020 \$'000
Balance at 1 July	1,113	571
Additional investment	-	628
Share of net profit / (loss) of associates accounted for using the equity method	360	(86)
Dividends received	(279)	-
Balance at 30 June	1,194	1,113



Notes to the Preliminary Financial Statements
for the Year Ended 30 June 2021

9. Borrowings

	30 June 2021 \$'000	30 June 2020 \$'000
Current		
Bank loans	1,300	1,300
Non-current		
Bank loans	1,300	2,600

10. Lease Liabilities

	30 June 2021 \$'000	30 June 2020 \$'000
Current		
Leases – right of use assets	1,279	1,158
Non-Current		
Leases – right of use assets	2,178	2,364

11. Contributed Equity

	30 June 2021 \$'000	30 June 2020 \$'000
Issued and paid-up capital		
159,005,153 (2020: 155,679,930) ordinary shares, fully paid	44,887	44,477
Movements during the period:		
Proceeds from rights issue	-	5,644
Share issue costs	-	(634)
Net cash inflow	-	5,010
Shares issued as part consideration for acquisition (note 12)	410	-
Future tax benefit	-	174
Net credit to equity	410	5,184

12. Other Reserves

	30 June 2021 \$'000	30 June 2020 \$'000
Share-based payments		
Balance at 1 July	-	-
Performance rights expense	31	-
Balance at 30 June	31	-



Notes to the Preliminary Financial Statements
for the Year Ended 30 June 2021

13. Acquisitions

Effective 31 March 2021, Acumentis Group Limited acquired the business and assets of Saunders & Pitt, an unincorporated valuation and advisory business in Tasmania. Details of the purchase consideration, the net assets acquired, and goodwill were as follows:

	2021 \$000
Purchase consideration:	
Cash paid	107
Ordinary shares issued	400
(an additional \$10,000 of shares were issued to settle advisor expenses)	
	507
The assets and liabilities recognised as a result of the acquisition were as follows:	
Right of use assets – office leases	31
Deferred tax assets	14
Employee benefits	(51)
Lease liabilities (right of use assets)	(36)
Net identifiable assets acquired	(42)
Goodwill	549
	507
Net cash outflow from acquisition	
Cash paid	107

The goodwill is attributable to the workforce and the profitability of the acquired business. It will not be deductible for tax purposes.

14. Changes to accounting policies

There have been no changes in accounting policies in the current financial year.

15. Going Concern

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

16. Compliance Statement

This report is based on financial statements to which the following applies:

☐

The financial statements have been audited.

☐

The financial statements have been subject to review.

☒

The financial statements are in the process of being audited or subject to review.

☐

The financial statements have not yet been audited or reviewed.

The Company has a formally constituted Audit Committee.