



APPENDIX 4E

for the year ended 30 June 2022

AF Legal Group Limited
ABN 82 063 366 487

For personal use only

APPENDIX 4E – PRELIMINARY FINAL REPORT (AUDITED)
AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES
ABN 82 063 366 487
For the year ended 30 June 2022

Results for announcement to the market

Key information	2022 \$'000	2021 \$'000	% Change
Revenue from ordinary activities	18,519	11,009	68.2%
Profit/(Loss) after tax from ordinary activities attributable to owners	(407)	(482)	15.7%
Net profit/(loss) attributable to owners	(407)	(482)	15.7%

Cents per share	2022 cents	2021 cents	% Change
Basic earnings per share (cents)	(0.13)	(0.66)	81.8%
Diluted earnings per share (cents)	(0.13)	(0.66)	81.8%
Refer to Note 6 for further information on earnings per share calculations			

Dividends

No dividends were paid or proposed during the year.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Refer to page 22 of the 30 June 2022 annual report and accompanying notes for AF Legal Group Limited and its controlled entities.

Consolidated Statement of Financial Position

Refer to page 23 of the 30 June 2022 annual report and accompanying notes for AF Legal Group Limited and its controlled entities.

Consolidated Statement of Changes in Equity

Refer to page 24 of the 30 June 2022 annual report and accompanying notes for AF Legal Group Limited and its controlled entities.

Consolidated Statement of Cash Flows

Refer to page 25 of the 30 June 2022 annual report and accompanying notes for AF Legal Group Limited and its controlled entities.

Net tangible assets per share (cents)	2022	2021	% Change
Net tangible assets per share (cents) ¹	4.45	3.96	12.4%

¹ The net tangible assets per share presented above is inclusive of right to use assets and lease liabilities.

Control Gained or Lost over Entities in the Year

During the year, the Group completed the acquisition of 51% shares in Withnall Cavanagh & Co Pty Ltd (“Withnalls Lawyers”) in Darwin for an upfront cash consideration of \$447,287 and shares of \$447,287. The effective date of the acquisition was 1 January 2022. Refer to Note 24 Business Combination included in the annual report for additional information.

Status of Audit

The preliminary report is based on audited consolidated financial statements for year ended 30 June 2022 which have been audited by PKF Brisbane Audit and an unmodified opinion has been issued.



ANNUAL REPORT

for the year ended 30 June 2022

AF Legal Group Limited
ABN 82 063 366 487

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ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

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ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

1. Chairman's Letter



I am delighted to present my first Annual Report as Chairman of AF Legal Group Limited (“AFL” or the “Company”) and its controlled entities (together the “Group”) for the year ending 30 June 2022.

This report is delivered at a time in AFL’s short history on the ASX in which it completes its first 3-year Strategy - “AFL 2.0” – as a specialist Family Law firm with a difference. In that period so much has been achieved. From humble beginnings as a start-up with a mission to disrupt the Family Law legal market to becoming Australia’s only national specialist Family Law firm and the largest. This success has been achieved despite many challenges including two years of the COVID pandemic and some of the most difficult labour force issues seen in professional and other services.

Our position as the leader underpins the resilience of our service offerings despite economic uncertainty and proves that our model and growth prospects are set for further success into the future. The Board and management of AFL have set the blueprint for the next 3 years of our growth.

We have now finished building a scalable platform. Operationally the 2021/2022 year has seen us further invest in technology to round out our NewLaw offering. We have integrated our acquisitions ahead of target onto a single platform. Our digital marketing continues to excel, and we are now seeing more clients arrive at our offices for advice, attributable to the growth of our brand and reputation. For the third year in row, AFL was nominated as a finalist in the Lawyers Weekly Awards as “Law Firm of the Year”. This year, 35,000 Australian’s reached out to us for advice or information about their legal rights in person and through our digital channels. AFL opened new offices in Canberra, Alice Springs, Wollongong, and we recently announced a further office on the Gold Coast bringing our total office footprint on mainland Australia to 19. In addition, we now offer the leading employee value proposition in the highly fragmented family law arena including our new parental leave policy providing 18 weeks paid maternity leave. Our career pathways saw 14 of our legal team promoted to higher senior positions. I congratulate them as their careers grow and prosper in our high performing culture.

Our organic growth rate met our target range, as did growth in Revenue and Profit metrics but our run rate coming into the start of the second half was slowed considerably by the travails of a unique labour market. In my personal career in Professional Services, I have not witnessed a more difficult market for talent recruitment and retention coupled with personal recovery for COVID disruptions and impacts. AFL was not immune from these forces, and I compliment the management team on their hard work in confronting these challenges and delivering growth despite them. I also acknowledge and thank our team of lawyers who are excited by our journey and are loyally committed to our mission.

Where to from here for AFL? With less than a 2% share of a \$1.1billion market, there is scope for more growth ahead. In the 3 Pillars of our next 3-year strategic growth chapter- “AFL 3.0” - investors and stakeholders will see our growth continue organically through our Brand and Digital innovations. We will expand our footprint through the utility of an ‘owner operator’ model where we will co-own law firms with existing owners and key players. This model is unique in the listed law space but has had outstanding success in other ASX professional service companies. We undertook our first co-ownership model in Darwin with Withnalls and it is clear the combination of our market position, digital and platform coupled with the owner’s expertise, is already accelerating success in that jurisdiction. Lastly, the nature of our consumer offering is exposing us to many opportunities to expand into complimentary and adjacent services. We propose to do this in our usual measured and structure way.

The AFL story is a great one – as we end the first 3-year plan of our journey – investors can see that we have created a unique position in a very large market which is ripe for further consolidation. The Board, our executive team, and our outstanding lawyers, take pride in our performance during the year, particularly through helping so many Australians who deal with the elements and emotions of relationship law. The AFL team does so with great empathy, dignity, and superior service.

I thank our shareholders for their continued support and invite your continued patronage of AFL where we are now set for the next 3 exciting years of our “AFL 3.0” growth plan.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Rick Dennis', written over a light blue circular background.

Rick Dennis
Non-Executive Chair

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

2. Directors' Report

The Directors of AF Legal Group Limited (the "Company") submit herewith the Financial Report of the Company, and its controlled entities (referred to herein as the "Group") for the financial year ended 30 June 2022. To comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of the Directors of the Company during or since the end of the financial year and up to the date of this report are:

- Mr. Rick Dennis (appointed on 1 July 2022)
- Mr. Grant Dearlove
- Mr. Edward Finn (resigned 30 August 2021)
- Mr. Glen Dobbie (resigned on 30 June 2022)
- Mr. Kevin Lynch
- Dr. Sarah Kelly OAM (appointed 30 August 2021)

Information on Directors (at the date of this report)

Mr. Rick Dennis, Non-Executive Chair

Date of appointment	1 July 2022
Experience and expertise	Rick is a business executive with over 35 years' experience in financial and corporate advisory working across global markets. Rick is a chartered accountant and is qualified in law and commerce. Rick has a career with Ernst & Young spanning over 30 years and held several senior roles including Queensland Managing Partner, Oceania COO, Asia-Pacific CFO and Deputy COO. He sat on the Asia-Pacific executive.
Qualifications	Rick has a B.Comm, LLB
Other current directorships in listed entities	Apiam Animal Health Limited (ASX: AHX) Motorcycle Holdings Limited (ASX: MTO) Cettire Limited (ASX: CTT) Step One Clothing Limited (ASX: STP)
Former directorships in last 3 years in listed entities	None
Interest in shares and options	Fully paid ordinary shares - Unlisted performance rights -

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2. Director's Report (continued)

Mr. Grant Dearlove, Executive Director

Date of appointment	1 July 2022 30 May 2019 – 30 June 2022 (Executive Chairman)	
Experience and expertise	For 30 years Grant has been a Lawyer and Company Director owning, leading, and growing private and ASX listed and Global companies at 'C' suite level combining both strategic business, investment and legal competencies to deliver shareholder return. Across his career Grant has owned, worked for, and consulted to professional service firms in disciplines spanning legal services, property, franchising, risk, insurance, VET sector education, Tourism, M&A, funds management and outsourcing. In his legal career Grant has been a practising solicitor since 1992. A former equity partner of leading Queensland firm McInnes Wilson Lawyers, Grant forged a career in professional services consulting to National law firms including for 9 years occupying the role of National Legal Partner and Executive of ASX listed Shine Corporate Limited where he led the growth of emerging practice areas including Family Law in the position of Head of Growth and Markets growing new areas of law from \$2 million to over \$50 million in revenue. As a company Director Grant held positions as Managing Director of Colliers International (Residential) for Australia, Managing Director of PRDnationwide, and Managing Director of risk management company Verifact. Grant is a Director of leading stockbroker and wealth manager Forefront Financial Services Pty Ltd – Morgans Milton. He is also a Director and Chair of the FAR Committee of the Central Queensland Primary Health Network, and an Independent Director of Surf Life Saving Queensland, Accoras, and Little Ripper Corporation. Grant was a Non-Executive Director of Oliver Hume Corporation, Chair of its Audit and Risk Committee (Australia's leading residential fund manager and property agency) and Chair of Oliver Hume's Queensland and Agency businesses. Grant was National Chair of the Australian Institute of Management Limited (a 75 year national training membership organisation), Deputy Chair of Invest Logan Pty Ltd (the economic development arm of the Logan City Council), Director of the Countrywide and Sunshine Co-operative Housing Societies, Director of Sunshine Coast Destination Limited (Sunshine Coast Tourism), Non-Executive Director of the litigation funder the International Justice Fund Limited, and National Director of Colliers International and related companies. Grant is a member of the Audit & Risk Committee of AFL.	
Qualifications	Grant has a Bachelor of Laws, Master of Laws, Master of Business Administration, and a Graduate Diploma in Applied Corporate Governance. Grant is a Graduate of the Institute of Company Directors Course. He is a Life Fellow of the Australian Institute of Management and studied leadership of professional service organisations at Harvard University.	
Other current directorships in listed entities	None	
Former directorships in last 3 years in listed entities	None	
Interest in shares and options	Fully paid ordinary shares	3,900,000
	Unlisted performance rights	1,985,000

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2. Director's Report (continued)

Mr. Glen Dobbie, Director

Date of appointment	12 February 2016 Resigned 30 June 2022	
Experience and expertise	Glen is the Managing Partner of Auxano LLP, an investment firm that seeks to provide mid-market businesses with whatever they need to grow. Prior to this role, Glen was formerly the Group Commercial Director at Arowana & Co, where he was primarily responsible for the investment operations of the ASX listed, Arowana International Limited. During his 8 years at Arowana & Co, the firm recorded returns of over 30% per annum and Arowana International Limited's share price rose to \$1.00 from a listing price of \$0.35. Glen has experience in "hands on" operational management across a variety of industries including education, e-commerce, media, infrastructure, engineering, waste management and technology businesses. Glen has been involved in various capital raising activities and held directorships across a range of sectors for listed and unlisted companies as well as private equity funds. Glen is a member of the Audit & Risk and Remuneration and Nomination Committees of AFL and is a certified Gazelles business coach.	
Qualifications	Bachelor of Commerce (Honours) degree from the University of New South Wales where he was a University Co-Op Scholar with the School of Accounting. Glen is also a qualified accountant holding a Graduate Diploma of Chartered Accounting from the Institute of Chartered Accountants Australia.	
Other current directorships in listed entities	None	
Former directorships in listed entities in last 3 years	None	
Interest in shares and options	Fully paid ordinary shares	4,803,786
	Unlisted performance rights	1,620,000

Mr. Kevin Lynch, Non-Executive Director

Date of appointment	22 October 2019	
Experience and expertise	Kevin is an entrepreneurial business executive with over 17 years global experience building and leading companies across new and emerging sectors like technology, digital, e-commerce, education / online learning in APAC, EMEA and the Americas. In addition, Kevin has demonstrated a proven ability to build and create sustainable long-term shareholder value. Kevin started his career in marketing & technology with Enterprise Ireland, the trade board of Ireland, where he advised companies exporting and scaling abroad with a focus on the European market. He then relocated to Australia in 2006 where he helped establish and grow Think Education Group (now Laureate Universities Australia) as Chief Marketing Officer, which was successfully sold to SEEK in 2010 for \$110m. More recently, Mr Lynch was the founding Chief Marketing Officer and later Chief Operating Officer of Open Colleges Group in Australia which disrupted the online learning market, and later sold to Apollo Education Group (AEG) in 2014 for \$225m. Today, Kevin works with, advises and invests in global businesses who challenge the status quo in order to disrupt traditional industries, with a focus on education, sales, marketing, legal and technology.	

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2. Director's Report (continued)

Qualifications	Bachelor of Business (1st class Honours), Marketing and Law from University of Limerick; and a Masters in Marketing (1st class Honours) from Michael Smurfit Business School, University College of Dublin.	
Other current directorships in listed entities	None	
Former directorships in listed entities in last 3 years	None	
Interest in shares and options	Fully paid ordinary shares	975,213
	Unlisted performance rights	350,000

Dr. Sarah Kelly OAM, Non-Executive Director

Date of appointment	30 August 2021	
Experience and expertise	Serving on a range of corporate, government and not-for-profit boards, across a variety of sectors since 2013, Sarah is a highly respected and accomplished business leader and company director and associate professor in law and marketing at the University of Qld. She has over 30 years of commercial experience, including as a commercial lawyer, strategy consultant and researcher. Sarah currently serves as a non-executive director on several boards, including as Deputy Chair of the Brisbane Lions AFL Football Club, Deputy Chair Tourism and Events Qld, and as a Director on the Brisbane 2032 Games Organising Committee. She is a member of the Consular Corps and the Queensland Chapter Leader for the Minerva Network, a national social enterprise concerned with providing mentoring by c-suite women to professional sportswomen. In 2021, she was awarded an Order of Australia Medal for service to tertiary education and sports administration.	
Qualifications	Phd, MBA, LLB (Hons), BCom (University of Qld), AICD	
Other current directorships in listed entities	MSL Solutions Limited (ASX: MSL)	
Former directorships in listed entities in last 3 years	None	
Interest in shares and options	Fully paid ordinary shares	Nil
	Unlisted performance rights	70,000

Company Secretary

Maggie Niewidok

Maggie is an admitted lawyer who works at Automic Group across the Automic Legal and Company Secretarial teams. She works closely with boards of both listed and unlisted public companies.

Maggie holds a double degree, Bachelor of Laws and Bachelor of Commerce majoring in Finance and a Graduate Diploma of Applied Corporate Governance from the Governance Institute.

Meetings of Directors

The Board of Directors of AF Legal Group Limited (Company) and its controlled entities (Group) are responsible for the overall management of the Group, including guidance as to strategic direction, ensuring best corporate governance practice and oversight of management.

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2. Director's Report (continued)

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each director.

Director	Board of directors		Audit and Risk committee	
	* Eligible to Attend	Attended	* Eligible to Attend	Attended
Grant Dearlove	7	7	1	1
Edward Finn	1	1	-	-
Glen Dobbie	7	6	1	1
Kevin Lynch	7	6	1	1
Sarah Kelly	6	6	1	1

* represents the number of meetings convened during the time within which the relevant director was appointed.

Outside of formal Board meetings, the Board meets on a regular basis to review potential opportunities and make decisions on operational matters.

Dividends

No dividends have been paid or declared during or since the end of the financial year. No recommendation for the payment of a dividend has been made.

Environmental Regulations

The Group's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Indemnification of Directors and Officers

The Group has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- except as may be prohibited by the Corporations Act 2001 every Director and Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him or her in his or her capacity as Director or Officer of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The insurance premiums relate to:

- any loss for which the Directors and Officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a Director or Officer of the Company or any related corporation, first made against them jointly or severally during the year of insurance; and
- indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any Director or Officer in their capacity as a Director or Officer of the Company or any related corporation, first made against the Director or Officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual Officer of the Company.

Proceedings on Behalf of the Company

No persons have applied for leave pursuant to s.237 of the Corporations Act 2001 to bring, or intervene in, proceedings on behalf of AF Legal Group Limited.

Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence.

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2. Director's Report (continued)

The following fees for non-audit services were paid / payable to the external auditors or related entities of the external auditors during the year ended 30 June 2022:

	30 June 2022 \$000	30 June 2021 \$000
Taxation compliance service – preparation of tax return and other tax matters	15	27
Tax and financial agreed upon procedures	45	9
Total	60	36

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 23 of the Annual Report.

Significant Changes to the State of Affairs

During the year, the Group completed the acquisition of 51% shares in Withnall Cavanagh & Co Pty Ltd ("Withnalls Lawyers") in Darwin for an upfront cash consideration of \$447,287 and shares of \$447,287. The effective date of the acquisition was 1 January 2022. Refer to Note 24 Business Combination included in the annual report for additional information.

There were no other significant changes in the state of affairs of the Group during the year.

Subsequent Events

On 1 July 2022, Mr. Rick Dennis was appointed as an independent Non-Executive Chairman of the Company. The Current Executive Chair, Mr. Grant Dearlove will remain in his day-to-day role but will hold the title of Executive Director.

On 24 August 2022, the Group announced that it will establish its 19th office in Australia with a new office at Burleigh Heads to service the southern end of the Gold Coast and the Tweed Rivers of New South Wales.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

To date there has been no material impact to performance due to COVID-19. However, management continues to be prudent in the current environment. This will also position the Group to take advantage of opportunities that may become available due to current business conditions (e.g., lateral hires, acquisitions). As the economic environment continues to improve and government restrictions are removed, management are confident that the impacts of social isolation and economic stressors on relationships will improve the prospects of the Group.

2.1 Review of Operations

Principal Activities

The Group's principal activities is a tech enabled law firm that currently specializes in family and relationship law. The Group provides advice to clients in respect of divorce, separation, property and children's matters together with related and ancillary services such as litigation.

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2. Director's Report (continued)

AFL Strategy

AFL's strategy is to become the largest family and relationship law firm in Australia, and to 'roll-out' its tech enabled client acquisition model into other areas of law, overseas geographies, and other professional services sectors.

AFL outlined its 3-year strategy when it completed its Initial Public Offering (IPO) in June 2019. The financial year ending 30 June 2022 concludes the 3-year period. AFL's performance to its strategy is outlined below as its next 3-year strategy, "AFL 3.0".

3 year plan - how did we go?

FY20

- **Launch AFL 2.0 - #1 Priority**
 - Expand into (1) new geographic region
 - Recruit (2) lateral hires
- Complete acquisition integrations
- Implement salesforce CRM and recruit dedicated sales team
- Establish additional services lines

Launch AFL 2.0



FY21

- **Presence in all state and territories in Australia - #1 Priority**
- Consolidate outcomes from AFL 2.0 to turbo charge organic growth
- Recruit (1) lateral hire per office
- Offshore non legal back of house functions
- Roll out new product and channel offerings (eg. online support, affiliates)

Drive top-line



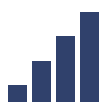
FY22

- Continue organic growth and integrate acquisitions
- Assess larger scale acquisitions
- Assess new jurisdictions
- Expand into adjacent sectors and service lines (delayed)
- Pursue 10% market share of family law market in Australia (on track)

Build out platform



Whats Next? FY23 and beyond... AFL 3.0



SCALABLE PLATFORM



- **Target 10-20% organic growth p.a.**
- Roll out digital client acquisition enhancements to improve conversion and reach
- Increase in clients referrals through business development and national brand campaigns (e.g. above the line Advertising programs - radio, TVC, sponsorship etc)
- End to end legal service model that supports the platform with HR, marketing, finance, IT, innovation etc
- Increase corporate services partners and aggressive B2B database management and referrer engagement



PARTNERSHIP MODEL



- **Roll out "Owner Operator" model**
- Capitalise on launch of new "owner operator" model – first of its kind in listed law firm sector
- Proven model in other listed professional services companies (e.g. Kelly Partners)
- Obtained through either lateral hires or small "tuck in" acquisitions
- Capital city suburban hubs – "hub and spoke" in large pockets within capital cities (e.g. North Melbourne in FY21)
- 25 regions identified as potential office locations (Populations of > 80,000 support family law firms)



NEW AREAS OF LAW



- **Expand growth sandbox**
- Growth "sandbox" can now expand to include opportunities outside of family law but within the personal legal services market (excluding personal injury law)
- "Owner Operator" model can be scaled to expand into areas outside of family law
- Exposure to new areas of law would facilitate internal referrals, new revenue base and provide overall diversification to the platform

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2. Director's Report (continued)

AFL Statutory and Underlying Profitability

Key statutory financial information for the reporting period is summarised below.

Key Information (A\$'000)	FY22 ¹	FY21 ²	% Change	Proforma FY22 ³
Revenue from ordinary activities	18,519	11,009	68.2%	20,464
Profit before interest, tax, depreciation, and amortisation ("EBITDA")	2,082	770	170.6%	2,774
Underlying EBITDA ⁴	3,410	2,092	62.9%	3,956
Underlying EBITDA margin %	18.4%	19.0%	-0.6%	19.3%
Underlying EBITDA pre AASB 16 ⁵	2,318	1,432	61.9%	2,864
Profit after tax from ordinary activities attributable to owners ("NPAT")	(407)	(482)	15.7%	(174)
NPAT before amortisation ("NPATA")	(18)	(162)	88.7%	214
Underlying NPATA ⁶	977	817	19.6%	1,132

Notes:

1. FY22 refers to year ended 30 June 2022
2. FY21 refers to year ended 30 June 2021
3. Proforma FY22 refers to the year ended 30 June 2022 adjusted to include full contribution of the Withnalls acquisition as if it had occurred from 1 July 2021
4. Underlying EBITDA adjusts statutory EBITDA to include the removal of non-recurring or unusual costs
5. Underlying EBITDA pre-AASB 16 adjusts the impact of AASB 16 from Underlying EBITDA
6. Underlying NPATA adjusts statutory NPATA to include the removal of non-recurring or unusual costs (net of tax)

The Directors consider underlying earnings before interest, tax, depreciation and amortisation ("Underlying EBITDA"), Underlying EBITDA pre-AASB 16 and underlying net profit after tax before amortisation ("Underlying NPATA") to reflect the core earnings of the Group. Underlying EBITDA, Underlying EBITDA pre AASB 16 and Underlying NPATA are financial measures not prescribed by Australian Accounting Standards ("AAS") and represents profit under AAS adjusted for non-cash and other items which management consider to be one-off non-recurring in nature.

Underlying EBITDA, Underlying EBITDA pre AASB 16 and Underlying NPATA are key measurements used by management and the board to assess and review business performance.

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

2. Director's Report (continued)

The following table provides a reconciliation between profit after income tax expense and Underlying EBITDA attributable to the owners of AF Legal Group Limited.

	FY22 ¹	FY21 ²	Pro Forma FY22 ³
Statutory NPAT	(407)	(482)	(174)
Non-controlling interest	311	-	534
Depreciation & amortisation	1,684	1,147	1,685
Finance costs	103	119	94
Income tax	391	(13)	594
Statutory EBITDA	2,082	770	2,732
Add: Underlying adjustments			
Share based payments	945	739	945
Transaction / acquisition costs	347	121	347
Pre-acquisition bad debts	16	221	16
One-off growth-related costs	56	121	56
Others	(36)	121	(140)
Underlying EBITDA⁴	3,410	2,092	3,956
Less: Depreciation right of use assets	(1,092)	(661)	(1,092)
Underlying EBITDA pre AASB 16⁵	2,318	1,432	2,864

Notes:

1. FY22 refers to year ended 30 June 2022
2. FY21 refers to year ended 30 June 2021
3. Proforma FY22 refers to the year ended 30 June 2022 adjusted to include full contribution of the Withnalls acquisition as if it had occurred from 1 July 2021
4. Underlying EBITDA adjusts statutory EBITDA to include the removal of non-recurring or unusual costs
5. Underlying EBITDA pre-AASB 16 adjusts the impact of AASB 16 from Underlying EBITDA

The following table provides a reconciliation between NPAT and the Underlying NPATA which is attributable to the owners of AF Legal Group Limited

	FY22 ¹	FY21 ²	Pro Forma FY22 ³
Statutory NPAT	(407)	(482)	(174)
Add: Amortisation	389	320	388
Statutory NPATA	(18)	(162)	214
Add: Non-recurring expenses			
Share based payments	945	739	945
Transaction / acquisition costs	347	121	347
Pre-acquisition bad debts	16	221	16
One-off growth-related costs	56	121	56
Others	(36)	121	(140)
Less: Tax effect of non-recurring expenses	(332)	(344)	(306)
Underlying NPATA⁴	977	817	1,132

Notes:

1. FY22 refers to year ended 30 June 2022
2. FY21 refers to year ended 30 June 2021
3. Proforma FY22 refers to the year ended 30 June 2022 adjusted to include full contribution of the Withnalls acquisition as if it had occurred from 1 July 2021
4. Underlying NPATA adjusts statutory NPATA to include the removal of non-recurring or unusual costs (net of tax)

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2. Director's Report (continued)

These are Directors estimates that have not been subject to external audit. For a comprehensive explanation of trends in underlying performance based on an assessment by the Directors, you are encouraged to read the Investor Presentation which accompanied the Annual Report which was released on 29 August 2022.

2.2 Remuneration Report

The Directors of AF Legal Group Limited present the Remuneration report for the Company and its controlled entities for the year ended 30 June 2022. This report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001. The Report details the remuneration arrangements for the Group's:

- Key management personnel (KMP) including Executive directors; and
- Non-executive Directors (NEDs).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel details;
- Principles of compensation;
- Details of remuneration;
- Service agreements;
- Additional disclosures related to key management personnel; and
- Additional information.

Key Management Personnel Details

The key management personnel of the Group were identified as the following:

- Mr. Rick Dennis, Executive Chairman (appointed 1 July 2022)
- Mr. Grant Dearlove, Executive Director
- Mr. Glen Dobbie, Executive Director (resigned 30 June 2022)
- Mr. Kevin Lynch, Non-Executive Director
- Dr. Sarah Kelly OAM, Non-Executive Director (appointed 30 August 2021)
- Mr. Edward Finn, Executive Director (resigned 30 August 2021)
- Ms. Stace Boardman, Chief Executive Officer (appointed 25 January 2022 formerly Chief Operating Officer)
- Mr. Pratyush Jagdishwala, Chief Financial Officer (appointed 1 February 2022)

The Board and the Remuneration and Nomination Committee assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

The Board policy for determining the nature and amount of remuneration of Non-executive Directors is agreed by the Board of Directors as a whole. Remuneration for executives is determined by the Board's Remuneration and Nomination Committee. The Board and its Remuneration and Nomination Committee has the right to obtain professional advice, where necessary.

The Group securities trading policy applies to all NEDs and executives. The policy prohibits employees from dealing in AF Legal Group Limited securities while in possession of material non-public information relevant to the Group.

The Group would consider a breach of this policy as gross misconduct, which may lead to disciplinary action and potentially dismissal.

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

2. Director's Report (continued)

Principles of Compensation

The Company remunerates its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy, and subject to the determination of the Remuneration and Nomination Committee, the remuneration of senior executives may be comprised of the following:

- Fixed salary, including superannuation, that is determined from a review of the market and reflects core performance requirements and expectations.
- A performance cash bonus designed to reward achievement by individuals of performance objectives; and
- Long term incentives in the form of Performance Rights.

Fixed Remuneration

Fixed remuneration consists of base salary, superannuation and other non-monetary benefits and is designed to reward for:

- The scope of the executive's role;
- The executive's skills, experience and qualifications; and
- Individual performance.

It is set with reference to comparable roles in similar companies.

Short Term Incentive – Performance Cash Bonus

KMP and other senior management are eligible for an Annual Performance Cash Bonus.

In determining whether or not executives are eligible for a Performance Cash Bonus, the Board and the Remuneration and Nomination Committee review the achievement of both Financial and Non-Financial key performance indicators (KPIs) for the financial year compared with executives personal KPIs that had been set for the year.

The achievement of some or all of the KPIs will allow the Remuneration and Nomination Committee to determine the level of Performance Cash Bonus that is paid.

Long-Term Incentive Plan (LTIP)

As approved at the Extraordinary General Meeting (EGM) convened on 8 April 2019, AFL has adopted an LTIP to reward and retain employees. Under the rules of the LTIP, the AFL Board has a discretion to offer any of the following awards to senior management, directors or other nominated key employees:

- Options to acquire Shares;
- Performance rights to acquire Shares; and/or
- Shares, including to be acquired under a limited recourse loan funded arrangement, in each case subject to service-based conditions and/or performance hurdles (collectively, the Awards). The terms and conditions of the LTIP are set out in comprehensive rules.

Board evaluation

During the year the Board as a whole periodically reviewed and evaluated its mandate and performance. It did so on an informal basis. However the Remuneration & Nomination Committee has now commenced a process to implement a formal evaluation process. As an outcome of its evaluation processes, the Board implemented a renewal process, including the appointment of a non-executive Chair, at the end of the 2022 financial year.

Risk Management

During the year the Board periodically considered the company's overall risk management profile and framework. A comprehensive risk register has been documented and the board reviews risk mitigation strategies and actions on a regular basis.

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

2. Director's Report (continued)

Details of remuneration

	Cash salary & fees \$'000	Bonus \$'000	Superannuation \$'000	Employee Leave \$'000	Shares/ Performance rights \$'000	Total \$'000
2022						
Non-Executive Directors						
Kevin Lynch	54	-	-	-	91	144
Sarah Kelly *	30	-	1	-	8	39
Executive Directors						
Grant Dearlove	325	90	-	-	425	840
Glen Dobbie	270	75	-	-	348	693
Edward Finn *	15	-	-	-	-	15
Other Key Management Personnel						
Stace Boardman	226	-	23	14	33	295
Pratyush Jagdishwala *	69	-	7	4	40	120
Total	989	165	30	18	945	2,147

	Cash salary & fees \$'000	Bonus \$'000	Superannuation \$'000	Employee Leave \$'000	Shares/ Performance rights \$'000	Total \$'000
2021						
Non-Executive Directors						
Kevin Lynch	35	13	-	-	68	116
Executive Directors						
Grant Dearlove	180	-	-	-	359	539
Glen Dobbie	150	-	-	-	311	461
Edward Finn *	67	-	1	-	-	68
Other Key Management Personnel						
Stace Boardman	210	8	22	8	-	248
Total	642	21	22	8	739	1,432

* Represents remuneration from date of appointment and/or to date of resignation

The portion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
Non-Executive Directors						
Kevin Lynch	37%	30%	-	11%	63%	59%
Sarah Kelly	80%	-	-	-	20%	-
Executive Directors						
Grant Dearlove	39%	33%	11%	-	50%	67%
Glen Dobbie	39%	33%	11%	-	50%	67%
Edward Finn	100%	100%	-	-	-	-
Other Key Management Personnel						
Stace Boardman	89%	100%	11%	-	-	-
Pratyush Jagdishwala	67%	-	33%	-	-	-

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

2. Director's Report (continued)

Service Agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Rick Dennis
Title:	Non-Executive Chairman
Agreement commenced:	1 July 2022
Term of agreement:	None
Details:	Base remuneration of \$60,000 paid as consultancy fees, to be reviewed annually by the Nomination and Remuneration Committee. 3-month termination notice by either party.
Name:	Grant Dearlove
Title:	Executive Director
Agreement commenced:	10 August 2020
Term of agreement:	None
Details:	Base remuneration of \$325,000 paid as consultancy fees, to be reviewed annually by the Nomination and Remuneration Committee. 3-month termination notice by either party. Discretionary cash bonus as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. Eligible to participate in the Company's LTIP and STIP subject to KPI achievement.
Name:	Kevin Lynch
Title:	Non-Executive Director
Agreement commenced:	22 October 2019
Term of agreement:	None
Details:	Base remuneration of \$35,000 paid as consultancy fees, to be reviewed annually by the Nomination and Remuneration Committee. 3-month termination notice by either party. Eligible to participate in the Company's LTIP and STIP subject to KPI achievement.
Name:	Dr. Sarah Kelly OAM
Title:	Non-Executive Director
Agreement commenced:	30 August 2021
Term of agreement:	None
Details:	Base remuneration of \$35,000, to be reviewed annually by the Nomination and Remuneration Committee. 3-month termination notice by either party. Eligible to participate in the Company's LTIP and STIP subject to KPI achievement.
Name:	Stace Boardman
Title:	Chief Executive Officer
Agreement commenced:	31 August 2021
Term of agreement:	None
Details:	Salary of \$250,000 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 6-month termination notice by either party. Guaranteed ordinary shares of \$33,000 for FY22 and FY23. Defined short-term and long-term incentives on achieving Board approved KPIs subject to approval of Nomination and Remuneration Committee. Restraint period, non-solicitation and non-compete clauses.

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

2. Director's Report (continued)

Name:	Pratyush Jagdishwala
Title:	Chief Financial Officer
Agreement commenced:	1 February 2022
Term of agreement:	None
Details:	Salary of \$187,000 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 3-month termination notice by either party. Guaranteed ordinary shares of \$40,000 for FY22 and FY23. Discretionary cash bonus as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. Eligible to participate in the Company's LTIP and STIP subject to KPI achievement.

Amounts payable to KMP as at 30 June 2022

Name	\$
Grant Dearlove	44,687
Kevin Lynch	3,209
Total	47,896

Share-based compensation

Issue of shares

A total of 2,191,357 shares were issued to directors and other key management personnel during the year ended 30 June 2022. Of the total shares issued, 2,050,000 shares issued on 13 September 2021 were on conversion of performance rights.

Name	Issue date	Shares	Issue price
Grant Dearlove	13 September 2021	975,000	0.27
Glen Dobbie	13 September 2021	800,000	0.27
Kevin Lynch	13 September 2021	250,000	0.27
Stace Boardman	15 September 2021	73,334	0.45
Pratyush Jagdishwala	23 February 2022	93,023	0.43

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

2. Director's Report (continued)

Performance Rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date & exercisable date	Expiry date	Exercise price	Fair value per option at grant date (cents)
Grant Dearlove ¹	675,000	04-12-19	30-06-21	04-12-22	-	20.0
Grant Dearlove ¹	300,000	29-01-21	30-06-21	29-01-24	-	45.0
Grant Dearlove	975,000	29-01-21	30-06-22	29-01-24	-	45.0
Grant Dearlove	505,000	16-12-21	30-06-23	16-12-24	-	40.5
Grant Dearlove	505,000	16-12-21	30-06-24	16-12-24	-	40.5
Glen Dobbie ¹	500,000	04-12-19	30-06-21	04-12-22	-	20.0
Glen Dobbie ¹	300,000	29-01-21	30-06-21	29-01-24	-	45.0
Glen Dobbie	800,000	29-01-21	30-06-22	29-01-24	-	45.0
Glen Dobbie	410,000	16-12-21	30-06-23	16-12-24	-	40.5
Glen Dobbie	410,000	16-12-21	30-06-24	16-12-24	-	40.5
Kevin Lynch ¹	250,000	04-12-19	30-06-21	04-12-22	-	20.0
Kevin Lynch	250,000	29-01-21	30-06-22	29-01-24	-	45.0
Kevin Lynch	50,000	16-12-21	30-06-23	16-12-24	-	40.5
Kevin Lynch	50,000	16-12-21	30-06-24	16-12-24	-	40.5
Sarah Kelly	35,000	16-12-21	30-06-23	16-12-24	-	40.5
Sarah Kelly	35,000	16-12-21	30-06-24	16-12-24	-	40.5

Note:

1. Converted to ordinary shares on 9 September 2021

Performance rights granted carry no dividend or voting rights.

All performance rights were granted over unissued fully paid ordinary shares in the company. The number of performance rights granted was determined having regard to the satisfaction of performance measures and weightings as described above in the section "Principles of compensation". Performance rights vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Performance rights are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such performance rights other than on their potential exercise.

Additional disclosures relating to Key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Name	Balance at start of the year	Additions	Forfeited/other	Balance at the end of the year
Rick Dennis	-	-	-	-
Grant Dearlove	2,925,000	975,000	-	3,900,000
Glen Dobbie	3,503,786	1,300,000	-	4,803,786
Kevin Lynch	725,213	250,000	-	975,213
Sarah Kelly	-	-	-	-
	7,153,999	2,525,000	-	9,678,999

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

2. Director's Report (continued)

Performance Rights

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

Name	Balance at start of the year	Granted	Exercised	Balance at the end of the year
Rick Dennis	-	-	-	-
Grant Dearlove	1,950,000	1,010,000	(975,000)	1,985,000
Glen Dobbie	1,600,000	820,000	(800,000)	1,620,000
Kevin Lynch	500,000	100,000	(250,000)	350,000
Sarah Kelly	-	70,000	-	70,000
	4,050,000	2,000,000	(2,025,000)	4,025,000

For performance rights granted during the year, the valuation inputs used to determine the fair value at the grant date, are as follows:

Performance rights	Class E	Class F
Grant date	16 December 2021	16 December 2021
Milestone date	30 June 2023	30 June 2024
Expiry date	16 December 2024	16 December 2024
Share price at grant date (cents)	40.5	40.5
Exercise price	-	-
Expected volatility	76.4%	126.7%
Dividend yield	-	-
Risk-free interest rate	0.53%	0.93%
Fair value at grant date (cents)	40.5	40.5
Probability assigned to achieve vesting conditions	100%	100%
Fair value for share-based payment expense (cents)	40.5	40.5

The performance rights granted during the year will vest if the EBITDA per share is met or exceeded at the applicable milestone date based as follows:

Milestone date	EBITDA per share (cents) ¹
30 June 2023	7.5
30 June 2024	9.0

1. EBITDA per share targets approved by shareholders at the 2021 Annual General Meeting for the issue of Performance Rights to Directors

EBITDA for the purpose of granting the performance rights means statutory earnings before interest, tax, depreciation and amortisation for the financial year adjusted to include the removal of share-based payment expenses, acquisition related expenses, pre-acquisition related bad debts and other growth-related costs such as once off start-up expenses with the opening of new offices (growth related cost adjustments to be capped at \$200,000 per annum).

Additional information

There were no other transactions conducted between the Group and KMP and their related parties other than the above, that were conducted other than in accordance with normal employee relationships on terms not more favourable than are reasonably expected under arm's length dealings with unrelated persons.

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

2. Director's Report (continued)

End of Remuneration Report (Audited)

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Rick Dennis
29 August 2022

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

3. Corporate Governance Information

Corporate Governance Statement

AF Legal Group Limited (the “Company” or “AFL”) is committed to operating effectively and in the best interests of shareholders. The Company had in place appropriate corporate governance policies and practices for the financial year ended 30 June 2022 and has adopted a Corporate Governance Statement which reports against the ASX Corporate Governance Council’s Principles and Recommendations, and this can be accessed at:

<https://www.australianfamilylawyers.com.au/about-us/corporate-governance>

Gender Diversity

The Company recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity.

A full copy of AFL’s gender diversity policy can be found at:

<https://www.australianfamilylawyers.com.au/about-us/corporate-governance>.

The Board of Directors has set the measurable target that at least 50% of its staff, and 50% of its Senior Management are female.

The Board is pleased to report that

- 54% of its management staff are female
- 64% of its fee earning staff are female
- 75% of all of its staff are female.

On 30 August 2021, the Company appointed Dr. Sarah Kelly OAM as a Non-Executive Director. Dr. Sarah Kelly OAM is the only female on the Board.

4. Auditor's Independence Declaration

PKF Brisbane Audit



AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF AF LEGAL GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

PKF BRISBANE AUDIT

TIM FOLLETT
PARTNER

BRISBANE
29 AUGUST 2022

PKF Brisbane Audit ABN 33 873 151 348

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Liability limited by a scheme approved under Professional Standards Legislation.

PKF Brisbane Pty Ltd. is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

5. Financial Report

AF Legal Group Limited and its controlled entities

ABN 82 063 366 487

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Revenue	3	18,605	11,123
Expenses			
Cost of sales		(1,613)	(709)
Employee expenses		(9,430)	(5,488)
Administrative expenses	5	(2,621)	(1,822)
Other expenses	4	(2,018)	(1,713)
Share based payment expense	6	(945)	(739)
Depreciation expense		(1,294)	(804)
Amortisation expense		(389)	(343)
Total expenses		(18,310)	(11,618)
Profit/(Loss) before income tax		295	(495)
Income tax (expense)/benefit	7	(391)	13
Profit/(Loss) for the year after income tax		(96)	(482)
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income/(loss) for the year		(96)	(482)
Profit/(Loss) for the year attributable to:			
Non-controlling interest	26	311	-
The owners of AF Legal Group Ltd		(407)	(482)
Total comprehensive income/(loss) for the year attributable to:			
Non-controlling interest		311	-
The owners of AF Legal Group Ltd		(407)	(482)
Total comprehensive income/(loss) for the year		(96)	(482)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share (cents)	9	(0.13)	(0.66)
Diluted earnings/(loss) per share (cents)	9	(0.13)	(0.66)

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

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

AF Legal Group Limited and its controlled entities

ABN 82 063 366 487

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 \$'000	2021 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	3,749	4,658
Trade and other receivables	11	4,403	2,814
Other current assets	12	951	698
TOTAL CURRENT ASSETS		9,103	8,170
NONCURRENT ASSETS			
Deferred tax assets	8(a)	907	774
Right to use assets	13	1,490	881
Plant and equipment	14	437	455
Intangible assets	15	11,507	10,408
TOTAL NONCURRENT ASSETS		14,341	12,517
TOTAL ASSETS		23,444	20,687
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	2,161	2,777
Current tax liabilities	8(c)	738	530
Deferred consideration	17	1,375	813
Lease liabilities	18	376	825
Borrowings	19	116	52
Provisions	20	264	-
Employee benefits	21	731	336
TOTAL CURRENT LIABILITIES		5,761	5,333
NONCURRENT LIABILITIES			
Deferred tax liabilities	8(b)	987	515
Lease liabilities	18	1,142	179
Deferred consideration	17	500	1,125
Provisions	20	30	-
Employee benefits	21	119	241
TOTAL NONCURRENT LIABILITIES		2,778	2,059
TOTAL LIABILITIES		8,539	7,392
NET ASSETS		14,905	13,295
EQUITY			
EQUITY ATTRIBUTABLE TO THE OWNERS OF AF LEGAL GROUP LTD			
Issued capital	22	129,507	128,307
Reserves	23	1,140	823
Retained earnings		(116,242)	(115,835)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF AF LEGAL GROUP LTD		14,405	13,295
Non-controlling interests	26	500	-
Total equity		14,905	13,295

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

AF Legal Group Limited and its controlled entities

ABN 82 063 366 487

Consolidated Statement of Changes in Equity

As at 30 June 2022

	Issued share capital \$'000	Share based payment reserve \$'000	Accumulated losses \$'000	Total equity attributable to the owners of AF Legal Group Ltd \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2020	122,905	369	(115,353)	7,921	-	7,921
Loss for the year	-	-	(482)	(482)	-	(482)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	(482)	(482)	-	(482)
Transactions with owners in their capacity as owners and other transfers:						
Issue of shares	5,704	(285)	-	5,420	-	5,420
Performance rights converted to ordinary shares	-	739	-	739	-	739
Share issue costs	(303)	-	-	(303)	-	(303)
Total transactions with owners and other transfers	5,403	454	-	5,856	-	5,856
Balance at 30 June 2021	128,307	823	(115,835)	13,294	-	13,294
Balance at 1 July 2021	128,307	823	(115,835)	13,294	-	13,294
Loss for the year	-	-	(407)	(407)	311	(96)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	(407)	(407)	311	(96)
Transactions with owners in their capacity as owners and other transfers:						
Issue of shares for acquisition (note 22)	572	-	-	572	-	572
Performance rights converted to ordinary shares (note 22)	555	(555)	-	-	-	-
Issue of performance rights	-	872	-	872	-	872
Issue of shares to employees	73	-	-	73	-	73
Total transactions with owners and other transfers	1,200	317	-	1,517	-	1,517
Non-controlling interest on acquisition	-	-	-	-	189	189
Balance at 30 June 2022	129,507	1,140	(116,242)	14,405	500	14,905

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

AF Legal Group Limited and its controlled entities

ABN 82 063 366 487

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		19,416	12,419
Payments to suppliers and employees		(17,712)	(11,071)
Net interest received		(119)	(119)
Income tax paid		(484)	(78)
Net cash from operating activities	27	1,040	1,151
Cash flows from investing activities			
Payments for purchase of fixed assets		(235)	(125)
Payments for business combinations	24	(447)	(1,733)
Payments of deferred consideration		(63)	(349)
Payments for purchase of intangible assets		(210)	(332)
Net cash used in investing activities		(955)	(2,539)
Cash flows from financing activities			
Proceeds from issue of shares		-	5,517
Payment of share issue costs		-	(303)
Payments of lease liabilities	18	(1,058)	(754)
Proceeds from borrowings		64	31
Net cash from/(used in) financing activities		(994)	4,491
Net increase/(decrease) in cash and cash equivalents		(909)	3,103
Cash and cash equivalents at the beginning of the financial year		4,658	1,555
Cash and cash equivalents at the end of the financial year	10	3,749	4,658

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

AF Legal Group Limited and its controlled entity

ABN 82 063 366 487

Notes to Financial Statements

For the year ended 30 June 2020

1. Significant Accounting Policies

AF Legal Group Limited (the “Company”) is a public company listed on the Australian Securities Exchange (trading under the code “AFL”) and its controlled entities (the “Group”), incorporated in Australia and operating in Australia. The Company’s ordinary shares are publicly traded on the Australian Securities Exchange.

The separate financial statements of the parent entity, AF Legal Group Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The consolidated financial statements were authorised for issue on 29 August 2022 in accordance with a resolution of the Directors of the Company.

Basis of Preparation

This financial report is a general-purpose financial report that has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”). The consolidated financial statements also comply with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies

The accounting policies and methods of computation adopted in this financial report are consistent with those adopted and disclosed in the Group’s annual report for the financial year ended 30 June 2021, unless stated otherwise.

The financial report is presented in Australia dollars and is prepared on a going concern basis.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the entity controlled by AF Legal Group Limited at the end of the reporting period. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the group has:

- powers over the investee that give it the ability to direct the relevant activities of the investee,
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

Where the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has the power over an investee, including:

- the contractual arrangement with the other vote holders of the investee,
- rights arising from other contractual arrangements, and
- the group’s voting rights and potential voting rights.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. Where controlled entities have entered or left the group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

Notes to the Financial Statements (continued)

1. Significant Accounting Policies (continued)

a) Principles of Consolidation (Continued)

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the Group have been eliminated in full.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Business Combinations

A business combination is accounted for by applying the acquisition method from the date that control is attained. The cost of the acquisition is measured by assessing the fair value of the aggregate consideration transferred at the acquisition date. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss. Deferred consideration is a financial liability.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

Goodwill

Goodwill is initially measured at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i. the consideration transferred;
- ii. any non-controlling interest; and
- iii. the acquisition date fair value of any previously held equity interest; over the fair value of net identifiable assets acquired at acquisition date.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest forms the cost of the investment in the separate financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Acquired goodwill is allocated to the Group's cash generating units that are expected to benefit from the combination, representing the lowest level at which goodwill is monitored for internal management purposes. Goodwill is tested for impairment annually (refer to note 15) for impairment considerations.

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Notes to the Financial Statements (continued)

1. Significant Accounting Policies (continued)

(b) Revenue and Other Income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognised:

Legal fees

This is comprised of revenue from the provision of legal fees in accordance with contracted arrangements. In family law matters, contracts with clients generally comprise a single distinct performance obligation, being the provision of services in the pursuit of a successful claim, and the transaction price is allocated to this single performance obligation. Revenues from these activities are recognised over time being the term of the contracts, based on the level of effort incurred by the Group in providing the services. No revenue is recognised above what is deemed as recoverable. Legal fees consist of billed (receivables) and unbilled (work in progress) revenue.

Interest revenue

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. Interest revenue is derived from cash at bank.

(c) Work In Progress

Work in progress is a contract asset, representing costs incurred and profit recognised on client cases that are in progress and have not yet been invoiced at the end of the reporting date. The recoverability of these amounts is assessed by management and any amounts in excess of the net recoverable value are provided for. Historical experience and knowledge of the client cases has been used to determine the net realisable value of work in progress at balance date and also the classification between current and non-current.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the Statement of Financial Position.

(e) Trade and Other Receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment in accordance with the expected credit loss requirements of AASB 9 Financial Instruments.

(f) Income Tax

The income tax expense/(income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense/(income) charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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Notes to the Financial Statements (continued)

1. Significant Accounting Policies (continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(g) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries and other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

Employee benefits not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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Notes to the Financial Statements (continued)

1. Significant Accounting Policies (continued)

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification had not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

(i) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(j) Trade and Other Payables

Trade payables and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue costs or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

(l) Intangibles other than Goodwill

Intellectual property

Intellectual property has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate cost of the intellectual property over the estimated useful life of the intellectual property which is 5 years.

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Notes to the Financial Statements (continued)

1. Significant Accounting Policies (continued)

Website

Costs associated with website maintenance are recognised as an expense as incurred. Costs that are directly attributable to the design and testing of identifiable and unique website products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the website so that it will be available for use
- Management intends to complete the website and use or sell it
- There is an ability to use or sell the website
- It can be demonstrated how the website will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the website are available, and
- The expenditure attributable to the website during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the website include employee costs and an appropriate portion of relevant overheads.

Capitalised costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Amortisation is calculated using the straight-line method to allocate cost of the website over the estimated useful life of the website which is 5 years.

(m) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(n) Segment Reporting

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. One business segment has been identified (family law) and operations are only located in one geographical segment being Australia.

(o) Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using either the diminishing value or prime cost method to allocate the cost of property, plant and equipment, net of their residual values, over their estimated useful lives.

Computer equipment	2 to 5 years
Leasehold improvements	4 to 5 years
Office equipment	10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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Notes to the Financial Statements (continued)

1. Significant Accounting Policies (continued)

(p) Leases

Group as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract would be considered to contain a lease if it allows the Group the right to control the use of an identified asset over the contracted lease period and receive the economic benefit. The lease contract would also require the Group to acquire this right in exchange for consideration.

Lease liabilities

A lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date discounted using the Group's incremental borrowing rate. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option.

Right-of-use assets

A right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset less any incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. In addition, the right-of-use assets may be periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(r) Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

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Notes to the Financial Statements (continued)

1. Significant Accounting Policies (continued)

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(t) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

(u) Comparative Amendments

Comparative figures in the statement of profit or loss and other comprehensive income and in the statement of financial position have been reclassified to conform to the current year presentation.

2. Critical Accounting Judgements and Key Accounting Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavorably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using BlackScholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 6 for further information.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital, and growth rates of the estimated future cash flows. Refer to Note 15 for further information.

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Notes to the Financial Statements (continued)

2. Critical Accounting Judgements and Key Accounting Estimates and Assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 11, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security, and economic environment.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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Notes to the Financial Statements (continued)

3. Revenue

	2022	2021
	\$'000	\$'000
Legal fees	18,519	11,009
Interest income	1	1
Government grant – cash boost	-	78
Other income	85	36
Total revenue	18,605	11,123

4. Other expenses

	2022	2021
	\$'000	\$'000
Office costs	412	253
Legal and professional fees	1,042	722
Insurance	185	171
Interest expense	103	120
Doubtful debts expense	106	270
Others	170	177
Total other expenses	2,018	1,713

5. Administration expenses

	2022	2021
	\$'000	\$'000
ASX, registries and company secretarial fees	161	125
Accounting and tax fees	30	94
Audit fees	71	55
Directors' fees	108	35
Marketing and advertising	1,072	816
Business development	150	20
Computer and software expenses	808	551
Premises expenses	221	125
Total administration expenses	2,621	1,822

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6. Share based payment expense

	2022 \$'000	2021 \$'000
Share based payment expense	945	739

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant performance rights over ordinary shares in the company to certain key management personnel of the Group. The performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Set out below are summaries of performance rights granted under the plan.

2022

Name	Exercise price (\$)	Bal. at start of the year	Granted	Exercised	Bal. at end of the year
Grant Dearlove	-	1,950,000	1,010,000	(975,000)	1,985,000
Glen Dobbie	-	1,600,000	820,000	(800,000)	1,620,000
Kevin Lynch	-	500,000	100,000	(250,000)	350,000
Sarah Kelly	-	-	70,000		70,000
	-	4,050,000	2,000,000	(2,025,000)	4,025,000

2021

Name	Exercise price (\$)	Bal. at start of the year	Granted	Exercised	Forfeited	Bal. at end of the year
Grant Dearlove	-	1,350,000	1,275,000	(675,000)	-	1,950,000
Glen Dobbie	-	1,000,000	1,100,000	(500,000)	-	1,600,000
Edward Finn	-	1,200,000	-	-	(1,200,000)	-
Kevin Lynch	-	500,000	250,000	(250,000)	-	500,000
	-	4,050,000	2,625,000	(1,425,000)	(1,200,000)	4,050,000

For performance rights granted during the year, the valuation inputs used to determine the fair value at the grant date, are as follows:

Performance rights	Class E	Class F
Grant date	16 December 2021	16 December 2021
Milestone date	30 June 2023	30 June 2024
Expiry date	16 December 2024	16 December 2024
Share price at grant date (cents)	40.5	40.5
Exercise price	-	-
Expected volatility	76.4%	126.7%
Dividend yield	-	-
Risk-free interest rate	0.53%	0.93%
Fair value at grant date (cents)	40.5	40.5
Probability assigned to achieve vesting conditions	100%	100%
Fair value for share-based payment expense (cents)	40.5	40.5

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7. Income tax expense/(benefit)

	2022 \$'000	2021 \$'000
Current tax	146	-
Deferred tax	213	(8)
Adjustments for current tax of prior periods	(94)	117
Adjustments for deferred tax of prior periods	126	(122)
	391	(13)
Deferred income tax expense/(income) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(134)	(210)
(Decrease)/increase in deferred tax liabilities	473	80
	339	(130)
Numerical reconciliation of income tax expense to prima facie tax payable		
Total profit/(loss) before income tax	295	(495)
Tax at the Australian tax rate of 25% (2021: 26%)	74	(129)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	285	173
Adjustment for current tax of prior periods	(94)	117
Adjustment for deferred tax of prior periods	126	(122)
Other adjustments	-	(52)
Income tax expense/(benefit)	391	(13)

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8. Deferred and current tax

	2022 \$'000	2021 \$'000
(a) Deferred tax assets		
The balance comprises temporary difference attributable to:		
Doubtful debts	148	61
Blackhole expenditure	99	129
Accruals	21	79
Provisions	212	144
Other assets on acquisition	-	110
Unpaid superannuation	47	-
Lease liability	380	251
Total deferred tax assets	907	774
(b) Deferred tax liabilities		
The balance comprises temporary difference attributable to:		
Prepayments	(126)	(7)
Work in progress	(382)	(110)
Right of use assets	(372)	(220)
Intangible assets	(66)	(112)
Property, plant & equipment	(41)	(30)
Others	-	(34)
Total deferred tax liabilities	(987)	(515)
Net deferred tax assets/(liabilities)		
Deferred tax assets expected to be recovered within 12 months	907	774
Deferred tax liabilities expected to be settled within 12 months	(922)	(372)
Deferred tax liabilities expected to be settled after more than 12 months	(66)	(142)
	(80)	259
Movement in deferred tax		
Opening balance	259	125
Opening balance adjustment (acquired)	-	18
Credited/(charged) to the statement of comprehensive income	(339)	112
Others	-	4
	(80)	259
(c) Current tax		
Current tax liabilities	738	530

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Notes to the Financial Statements (continued)

9. Earnings per share

	2022	2021
	Cents	Cents
Basic and diluted earnings/(loss) per share		
From continuing operations	(0.13)	(0.66)
Total basic earnings/(loss) per share	(0.13)	(0.66)
From continuing operations	(0.13)	(0.66)
Total diluted earnings/(loss) per share	(0.13)	(0.66)
Loss attributable to the owners of the Group	\$'000	\$'000
Loss from continuing operations	(96)	(482)
Net loss attributable to the owners of the Group	(96)	(482)
Weighted average number of ordinary shares for the purposes of:	Nos.	Nos.
Basic earnings/(loss) per share	76,330,891	72,864,868
Diluted earnings/(loss) per share	76,330,891	72,864,868

10. Cash and cash equivalents

	2022	2021
	\$'000	\$'000
Cash at bank	3,749	4,658
Total cash and cash equivalents	3,749	4,658

11. Trade and other receivables

	2022	2021
	\$'000	\$'000
Trade receivables	3,468	2,614
Provision for doubtful debts	(593)	(242)
	2,875	2,372
Work in progress	1,528	442
Total trade and other receivables	4,403	2,814

		Past due but not impaired				
\$'000	Gross amount	Past due and impaired	<30 days	30-60 days	61-90 days	90+ days
2022	3,468	593	830	347	227	1,471
2021	2,614	242	906	139	74	1,253

See Note 1 (e) and Note 2 for the Group's accounting policy in relation to the provision for doubtful debts and Note 28 regarding credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables.

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12. Other current assets

	2022 \$'000	2021 \$'000
Security deposit	86	206
Prepayments	503	128
Vendor loan	317	-
Other receivables	45	364
Total other current assets	951	698

Vendor loan relates to amount receivable from the vendor of Withnalls Lawyers and will be set-off against the dividends declared and paid from that entity.

13. Right of use assets

	2022 \$'000	2021 \$'000
Building – right of use	3,448	1,876
Less: Accumulated depreciation	(1,958)	(995)
Total right-of-use assets	1,490	881

The Group leases various premises under non-cancellable operating leases expiring between 1 to 5 years, in some cases, options to extend. All leases have annual CPI escalation clauses. The above commitments do not include commitments for any renewal options on leases.

14. Plant and equipment

	2022 \$'000	2021 \$'000
Furniture and fittings		
Cost	277	379
Less: Accumulated depreciation	(172)	(31)
Written down value	105	348
Leasehold improvements		
Cost	104	-
Less: Accumulated depreciation	-	-
Written down value	104	-
Computer equipment		
Cost	377	195
Less: Accumulated depreciation	(149)	(88)
Written down value	228	107
Total plant and equipment	437	455

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Notes to the Financial Statements (continued)

14. Plant and Equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Furniture & fittings \$'000	Leasehold improvements \$'000	Computer equipment \$'000	Total \$'000
Cost				
Balance as at 1 July 2020	40	-	99	138
Purchase during the year	29	-	96	125
Business combinations	311	-	-	311
Balance as at 30 June 2021	379	-	195	574
Balance as at 1 July 2021	379	-	195	574
Purchases during the year	54	-	185	236
Measurement period adjustment	(156)	-	-	(156)
Business combinations	-	104	-	104
Balance as at 30 June 2022	277	104	376	758
Accumulated depreciation				
Balance as at 1 July 2020	22	-	48	70
Depreciation expense	9	-	40	49
Balance as at 30 June 2021	31	-	88	119
Balance as at 1 July 2021	31	-	88	119
Depreciation expense	141	-	62	202
Balance as at 30 June 2022	172	-	149	321
Written down value				
As at 30 June 2021	348	-	108	455
As at 30 June 2022	105	104	228	437

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Notes to the Financial Statements (continued)

15. Intangible assets

	2022 \$'000	2021 \$'000
Goodwill	10,431	9,152
Intellectual property		
Cost	1,211	1,211
Less: Accumulated depreciation	(747)	(505)
Written down value	464	706
Website		
Cost	881	672
Less: Accumulated depreciation	(269)	(123)
Written down value	612	549
Total intangible assets	11,507	10,408

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Note	Goodwill \$'000	Intellectual Property \$'000	Website \$'000	Total \$'000
Balance as at 1 July 2020		5,465	949	318	6,732
Additions		-	-	332	332
Business combinations		3,687	-	-	3,687
Amortisation expense		-	(242)	(101)	(343)
Balance as at 30 June 2021		9,152	706	549	10,408
Balance as at 1 July 2021		9,152	706	549	10,408
Additions		-	-	210	210
Measurement period adjustment		581	-	-	582
Business combination	24	698	-	-	698
Amortisation expense		-	(242)	(147)	(389)
Balance as at 30 June 2022		10,431	464	612	11,507

The provisional goodwill associated with the acquisition of Watts McCray was finalised during the year resulting in an increase in goodwill recognised by \$580,296. The goodwill has been adjusted during the year in accordance with the requirements of AASB 3 Business Combinations. The increase in goodwill was a result of increase in provision for doubtful debts by \$150,000, decrease in value of plant & equipment by \$130,296 and an increase in trade and other payables of \$300,000 in relation to the assessment of make good costs.

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

15. Intangible assets (continued)

The impact to the profit and loss and other comprehensive income as a result of these adjustments in the current reporting period is considered immaterial to disclose.

Impairment tests for goodwill

The total amount of goodwill has been allocated to identified CGU's, being geographical regions.

	2022 \$'000	2021 \$'000
Sydney and Melbourne	9,311	8,740
Brisbane	412	412
Darwin	698	-
	10,431	9,152

As a result of the Withnalls Lawyers acquisition in Darwin, a Darwin CGU was established during the year. This was the only change in CGU designation during the year.

The recoverable amount of goodwill is based on value-in-use calculations which use cash flow projections based on financial budgets approved by management covering a five-year period. Future cash flows are projected over a five-year period and use an implied annual growth rate of 5% (2021: 10%) and are discounted using the Group's weighted average cost of capital of 10.8% (2021: 9.3%). Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2% (2021: 2%) which does not exceed the long-term average growth rate for the industry in which each CGU operates. Impairment testing was conducted as at 30 June 2022.

The coronavirus pandemic (COVID-19) has had an adverse economic impact within Australia and globally, however it is not possible to accurately determine the future nature, extent or duration of the impact on the Group, material or otherwise, at the date of signing the financial statements. The Directors of the Group have considered the potential impacts of COVID-19 and do not believe that, based on the information currently available, it has a significant impact in the assessment of impairment at balance date.

No impairment losses were recorded in the current year.

16. Trade and other payables

	2022 \$'000	2021 \$'000
Trade payables	805	507
GST payable	558	734
Accrued expenses	239	256
Payroll payables	559	1,030
Other payables	-	252
Total trade and other payables	2,161	2,777

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17. Deferred consideration

	2022 \$'000	2021 \$'000
Current	1,375	813
Non-current	500	1,125
	1,875	1,938
Change in deferred consideration payable during the year		
Balance at 1 July	1,938	274
Additions through business combinations	-	2,025
Settled during the year	(63)	(361)
Balance at 30 June	1,875	1,938

18. Lease liabilities

	2022 \$'000	2021 \$'000
Current	376	825
Non-current	1,142	179
	1,518	1,004
Change in lease liabilities during the year		
Balance at 1 July	1,004	770
Additions	1,548	503
Additions through business combinations	-	526
Interest expense	(78)	(41)
Lease repayments	(980)	(754)
Balance at 30 June	1,518	1,004

During the year, the Group signed the following leases:

- 5-year lease for an office at 326 William Street in the Melbourne CBD. The lease commenced on 15 July 2022 for 5 years with a 5-year renewal option.
- 5-year lease for an office at 570 George Street in Sydney CBD. The lease is expected to commence on 1 October 2022 for 5 years with a 5-year renewal option.

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19. Borrowings

	2022 \$'000	2021 \$'000
Insurance premium funding	116	52
Total borrowings	116	52

The interest rate on insurance premium funding is 6.57% (2021: 4.92%)

The Group has secured a \$10m corporate markets loan facility to fund future acquisitions. The facility is for a term of 3 years to 31 May 2025. No funds have been drawn down at 30 June 2022 or as at the date of the report.

20. Provisions

	2022 \$'000	2021 \$'000
Current		
Make-good provision	264	-
Non-current		
Make-good provision	30	-
Total Provisions	294	-

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

21. Employee benefits

	2022 \$'000	2021 \$'000
Current		
Annual leave entitlement	537	336
Long service leave entitlement	194	-
	731	336
Non-current		
Long service leave entitlement	119	241
Total Employee benefits	851	577

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

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22. Issued capital

	2022 Shares	2022 \$'000	2021 Shares	2021 \$'000
Ordinary shares fully paid	76,330,891	129,507	72,864,868	128,307

Movement in ordinary share capital:

Details	Date	Shares	Issue price (\$)	\$'000
Balance	30 June 2021	72,864,868	-	128,307
Shares issued on acquisition of Kordos Law	5 July 2021	209,697	0.60	125
Shares issued on exercise of performance rights	9 Sep 2021	2,025,000	0.27	555
Shares issued to employees	15 Sep 2021	73,334	0.45	33
Shares issued on acquisition of Withnalls Lawyers	31 Jan 2022	1,064,969	0.42	447
Shares issued to employees	23 Feb 2022	93,023	0.43	40
Balance	30 June 2022	76,330,891	-	129,507

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

23. Equity – reserves

	2022 \$'000	2021 \$'000
Share based payments reserve	1,140	823

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

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24. Business combination

The Group completed the acquisition of 51% shares in Withnall Cavanagh & Co Pty Ltd (“Withnalls Lawyers”) in Darwin for an upfront cash consideration of \$447,287 and shares of \$447,287. The effective date of the acquisition was 1 January 2022.

\$'000

Purchase consideration	
Cash paid	447
Shares issued	447
Total consideration	895

Assets and liabilities

Cash and cash equivalents	(99)
Trade and other receivables ⁽ⁱ⁾	661
Related party loans	317
Property, plant & equipment	104
Current tax liabilities	(167)
Trade and other payables	(127)
Employee provisions	(303)
Non-controlling interest	(189)

Identifiable assets acquired and liabilities assumed **197**

Goodwill – provisional⁽ⁱⁱ⁾ **698**

(i) The directors believe that an adequate provision for impairment has been provided, and that the receivables acquired are recoverable on that basis.

(ii) The goodwill is attributable to the high profitability of the acquired businesses and the significant synergies that are expected to arise after the Group's acquisitions in the year.

No amount of the goodwill is deductible for tax purposes.

In accordance with the accounting principles of Business Combinations, the financial results reported herein contain the results for the full reporting period and the results of Withnalls Lawyers from the point of acquisition only, since 1 January 2022. In the 6 months to June 2022, Withnalls Lawyers contributed a statutory profit of \$323,350 to the Group's results. Had the results relating to Withnalls Lawyers acquisition been consolidated from 1 July 2021, contributed statutory profit would have been \$655,307.

However, the above results are not representative of the underlying trading performance of Withnalls Lawyers as the prior year results reflect the performance of an entity whose accounts did not reflect the underlying performance of the business. They are therefore not considered relevant to an assessment of underlying or comparative performance.

25. Contingent liabilities and contingent assets

In the opinion of the Directors, there are no material contingent liabilities or contingent assets as at 30 June 2022 and as at the date of this report.

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26. Interest in subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of subsidiary	Country of incorporation	Ownership interest	
		2022	2021
AF Legal Pty Ltd	Australia	100%	100%
Watts McCray (NSW) Pty Ltd	Australia	100%	100%
Withnall Cavanagh & Co. Pty Ltd	Australia	51%	-
AF Legal (Wollongong) Pty Ltd	Australia	75%	-

Summarised financial information of the subsidiary with non-controlling interests that are material to the consolidated entity are set out below:

	2022 \$'000	2021 \$'000
Summarised statement of financial position		
Current assets	1,246	-
Non-current assets	1,163	-
Total assets	2,409	-
Current liabilities	632	-
Non-current liabilities	757	-
Total liabilities	1,389	-
Net assets	1,020	-
Summarised statement of profit or loss and other comprehensive income		
Profit after income tax expense	634	-
Other comprehensive income	-	-
Total comprehensive income	634	-
Other financial information		
Profit attributable to non-controlling interests	311	-
Accumulated non-controlling interests at the end of reporting period	500	-

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27. Cash Flow information

	2022 \$'000	2021 \$'000
Reconciliation of loss for the year to cash flows from operating activities		
Loss after income tax for the year	(96)	(482)
Non-cash and non-operating activities		
Depreciation and amortisation	1,294	1,147
Doubtful debt expense	106	270
Changes in assets and liabilities, net of the effects of acquisition of subsidiaries		
(Increase)/decrease in assets		
Trade and other receivables	(1,014)	219
Increase/(decrease) in liabilities		
Trade and other payables	761	(284)
Employee provisions	30	51
Tax liabilities	(41)	231
Net cash inflows from operating activities	1,040	1,151

28. Financial instruments

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Market risk;
- Credit risk;
- Liquidity risk; and
- Capital risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this note and the financial report.

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market Risk Management

(a) Interest Rate Risk

The Group's main interest rate risk arises from cash and cash equivalents and loans. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and investing options and the mix of fixed and variable interest rates. The Group is only exposed to interest rate risk on cash and cash equivalents, lease liabilities and borrowings at 30 June 2022. As at the reporting date, the following assets and liabilities were exposed to Australian variable and fixed interest rates:

28. Financial instruments (continued)

	Weighted Average Interest Rate %	2022 \$'000	Weighted Average Interest Rate %	2021 \$'000
Variable Interest				
Cash and cash equivalents	0.01%	3,749	0.01%	4,658
Fixed interest				
Borrowings	6.57%	116	4.92%	52
Lease liabilities	6.00%	1,518	6.00%	1,004

(b) Currency Risk

The Group currently has no assets or liabilities in foreign currency and consequently has no material exposures to currency risk.

Credit Risk Management

The main exposure to credit risk in the Group is represented by receivables (debtors and WIP) owing to the Group. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of those assets as disclosed in the statement of financial position and notes to the financial statements.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Audit Committee annually. The Group measures credit risk on a fair value basis.

Liquidity Risk Management

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk management is the responsibility of the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and the liquidity management requirements.

Capital Risk Management

The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Group consists of equity, comprising issued capital and reserves, net of accumulated losses.

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29. Key management personnel compensation

Refer to the remuneration report contained in the Directors report for details of the remuneration paid to payable to each member of the Group's key management personnel (KMP) for year ended 30 June 2022.

The total remuneration paid to KMP of the Company and the Group during the year are as follows:

	2022 \$'000	2021 \$'000
Short-term employee benefits	1,154	663
Post-employment benefits	30	22
Other long-term benefits	18	8
Share based payments	945	739
Total KMP compensation	2,147	1,432

Short-term employee benefits include fees and benefits paid to the non-executive Chair and non-executive directors as well as salary, bonuses, paid leave benefits paid.

Post-employment benefits are the current years estimated costs of providing for the Group's superannuation contributions made during the year.

Other long-term benefits present long service leave benefits accruing during the year.

30. Related party transactions

Transactions with Related Parties

There have been no other transactions with related parties during the financial year.

Transactions with Key Management Personnel

There were no other transactions conducted between the Group and KMP and their related parties other than the above, that were conducted other than in accordance with normal employee relationships on terms not more favourable than are reasonably expected under arm's length dealings with unrelated persons.

31. Parent entity disclosures

	2022 \$'000	2021 \$'000
Loss for the year	(3,372)	(1,932)
Other comprehensive income	-	-
Total comprehensive loss for the year	(3,372)	(1,932)

Financial position of the parent at year end

Current assets	246	424
Total assets	12,110	12,816
Current liabilities	1,624	1,635
Total liabilities	2,802	2,970

Total equity of the parent entity comprising of

Contributed equity	129,507	128,308
Reserves	1,140	823
Accumulated losses	(121,338)	(119,283)

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32. Auditors' remuneration

	2022 \$'000	2021 \$'000
Audit and review of the financial reports	71	55
Taxation services	15	27
Tax and financial agreed upon procedures	45	-
Total auditors remuneration	131	82

33. Events after the reporting period

On 1 July 2022, Mr. Rick Dennis was appointed as an independent Non-Executive Chairman of the Company. The Current Executive Chair, Mr. Grant Dearlove will remain in his day-to-day role but will hold the title of Executive Director.

On 24 August 2022, the Group announced that it will establish its 19th office in Australia with a new office at Burleigh Heads to service the southern end of the Gold Coast and the Tweed Rivers of New South Wales.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

34. Company details

Principal Place of Business

Level 2, 326 William Street
Melbourne VIC 3000

Registered Office

c/o Automic Pty Ltd
Level 5
126 Phillip Street
Sydney NSW 2000

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

6. Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Rick Dennis
Chairman

29 August 2022
Sydney

ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2022

7. Independent Auditors Report

PKF Brisbane Audit



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AF LEGAL GROUP LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of AF Legal Group Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of AF Legal Group Limited is in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the consolidated entity 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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1. Carrying amount of intangible assets

Why significant

As at 30 June 2022 the carrying value of intangible assets is \$11,507,000 (2021: \$10,408,000), as disclosed in Note 15.

The consolidated entity's accounting policy in respect of intangible assets is outlined in Note 1.

The carrying amount of intangible assets is a key audit matter due to:

- the significance of the balance (representing 49% of the consolidated entity's total assets);
- the significant audit effort required to test the consolidated entity's impairment assessment; and
- the level of judgement applied in evaluating management's assessment of impairment.

As outlined in Notes 1 and 15, management assessed the carrying amount of intangible assets through impairment testing utilising a value in use discounted cash flow model in which significant judgements are applied in determining key assumptions. These assumptions include the assessment of the growth rate, discount rate and forecasted results. The judgements made in determining the underlying assumptions in the model have a significant impact on the carrying amount of intangible assets, and accordingly the amount of any impairment charge, to be recorded in the current financial year.

How our audit addressed the key audit matter

In assessing this key audit matter our work included, but was not limited to, the following procedures:

- evaluating management's methodology for determining the carrying amount of intangible assets by comparing the value in use model with generally accepted valuation methodology and accounting standard requirements;
- conducting sensitivity analysis on key assumptions such as the growth rate, discount rate and forecasted results, within reasonable foreseeable ranges, in which we found that the recoverable amount remained in excess of the carrying value of net assets of each cash-generating unit ('CGU');
- challenging the key assumptions used in management's value in use model by:
 - assessing forecasted results and growth rates set by management in comparison to historical results and future approved budgets
 - evaluating the discount rate set by management in comparison to market and industry information available
 - assessing the impact of the COVID-19 pandemic on all key assumptions
- assessing the appropriateness of changes in key assumptions during the year; and
- assessing the appropriateness of the related disclosures in Note 15.

2. Business combinations – including allocation of goodwill

Why significant

During the year, the consolidated entity acquired 51% shareholding in Withnall Cavanagh & Co Pty Ltd ("Withnall Lawyers") in Darwin. The effective date of the acquisition was 1 January 2022.

As disclosed in Note 24, as part of the business combination, the consolidated entity recognised provisional goodwill of \$698,000 and a non-controlling interest of \$189,000 from the acquisition.

Business combinations – including allocation of goodwill is a key audit matter due to:

- the significant audit effort required to test the consolidated entity's acquisition during the year; and
- the level of judgement applied in evaluating management's assessment of goodwill.

How our audit addressed the key audit matter

In assessing this key audit matter our work included, but was not limited to, the following procedures:

- review of purchase documentation including contracts and business sale agreements;
- obtaining a detailed understanding of the acquired business;
- assessing the appropriateness of the valuation methodology of the net assets acquired;
- reviewing management's fair value assessment of the assets and liabilities acquired;
- reviewing management's assessment of the fair value of the consideration paid including shares issued;
- assessment of the non-controlling interest recognised in the acquisition;
- assessment of management's goodwill allocation as part of the business acquisition; and
- assessing the appropriateness of the disclosures in relation to both the business combination and intangible assets acquired included in Notes 1 & 24.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such

7. Independent Auditor's Report (continued)



internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

7. Independent Auditor's Report (continued)



We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AF Legal Group Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

PKF BRISBANE AUDIT

A handwritten signature in black ink, appearing to read 'Tim Follett', is written over a blue ink signature line.

TIM FOLLETT
PARTNER

BRISBANE
29 August 2022

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8. Shareholder Information

The shareholder information set out below was applicable as at 18 August 2022.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

Holding Ranges	Holders	Total Units	% of Issued Share Capital
1 - 1,000	121	21,933	0.03%
1,001 - 5,000	162	444,962	0.58%
5,001 - 10,000	187	1,675,256	2.19%
10,001 - 100,000	321	12,573,283	16.47%
100,001 and above	102	61,615,457	80.72%
Totals	893	76,330,891	100.00%

Equity security holders

Twenty largest quoted equity security holders.

The names of the twenty largest security holders of quoted equity securities are listed below:

Name	Balance	%
WESTFERRY OPERATIONS PTY LTD <THE WESTFERRY FUND A/C>	6,250,000	8.19%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,837,196	6.34%
MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	4,794,094	6.28%
AUXANO ASIA PTE LTD	4,125,000	5.40%
MRS JULIANNE PATRICIA DEARLOVE <DEARLOVE FAMILY INV A/C>	3,900,000	5.11%
BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	1,828,914	2.40%
BNP PARIBAS NOMS PTY LTD <DRP>	1,783,443	2.34%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,552,529	2.03%
GANG-GANG PTY LTD <PIPPA A/C>	1,400,000	1.83%
MR LEWIS O'BRIEN <L J O'BRIEN FAMILY A/C>	1,377,962	1.81%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,373,309	1.80%
RANAN INVESTMENT PL	1,200,000	1.57%
CITICORP NOMINEES PTY LIMITED	1,127,743	1.48%
VANESSA MARIE FARMER	1,064,969	1.40%
DMX CAPITAL PARTNERS LIMITED	1,050,000	1.38%
ACKC SUPER PTY LTD <CAMPBELL FAMILY S/F A/C>	1,000,000	1.31%
L&K HOLDING COMPANY PTY LTD <THE LYNCH FAMILY A/C>	899,644	1.18%
MR PRATYUSH BHUPENDRA JAGDISHWALA & MRS URVI PRATYUSH JAGDISHWALA <JAGDISHWALA FAMILY A/C>	836,935	1.10%
RORTY CRANKLE PTY LIMITED	761,500	1.00%
JET INVEST PTY LTD <RJC INVESTMENT A/C>	680,000	0.89%
Total	41,843,238	54.82%
Total Issued Capital	76,330,891	100.00%

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Substantial holders

Substantial holders in the company are set out below:

Name	Balance	%
WESTFERRY OPERATIONS PTY LTD <THE WESTFERRY FUND A/C>	6,250,000	8.19%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,837,196	6.34%
MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	4,794,094	6.28%
AUXANO ASIA PTE LTD	4,125,000	5.40%
MRS JULIANNE PATRICIA DEARLOVE <DEARLOVE FAMILY INV A/C>	3,900,000	5.11%
Total	23,906,290	31.32%

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

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9. Corporate Directory

Board of Directors

Mr. Rick Dennis	Non-Executive Chairman
Mr. Grant Dearlove	Executive Director
Mr. Kevin Lynch	Non-Executive Director
Dr. Sarah Kelly OAM	Non-Executive Director

Company Secretary

Maggie Niewidok

Principal Place of Business

Level 2, 326 William Street
Melbourne VIC 3000

Registered Office

c/o Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000

Auditors

PKF Brisbane Audit
Level 6, 10 Eagle Street
Brisbane QLD 4000

Share Registry

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000

Solicitors

Automic Legal Pty Ltd

Bankers

Westpac Banking Corporation
National Australia Bank

Securities Exchange Listing

Company's ordinary shares are listed on the Australian Securities Exchange Limited (ASX). The Company's ASX code for fully paid ordinary shares is "AFL".

Website

<https://australianfamilylawyers.com.au>

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10. Corporate Governance Statement

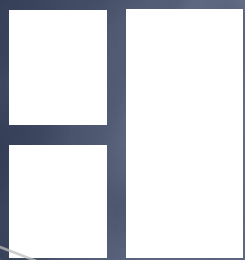
AF Legal Group Limited (the “Company” or “AFL”) is committed to operating effectively and in the best interests of shareholders. The Company had in place appropriate corporate governance policies and practices for the financial year ended 30 June 2021 and has adopted a Corporate Governance Statement which reports against the ASX Corporate Governance Council’s Principles and Recommendations and this can be accessed at:

<https://www.australianfamilylawyers.com.au/about-us/corporate-governance>

Date and time of Annual General Meeting

11am, Monday, 14 November 2022
Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000

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