



A / F L E G A L

AF Legal Group Limited
and its controlled entities
 ABN 82 063 366 487

Appendix 4E
 For the financial year ended
 30 June 2023

The following information should be read in conjunction with the attached Annual Report.

Results for announcement to the market

Key information	2023 \$'000	2022 \$'000	% Change
Revenue from ordinary activities	18,881	16,983	11.2%
Profit/(Loss) after tax from ordinary activities	(7,593)	(96)	N/A
Profit/(Loss) after tax from ordinary activities attributable to owners	(8,102)	(407)	N/A

Refer to Chairman's Letter and Directors Report in the Annual Report and separate results announcement and presentation for commentary on the results.

Earnings per share	2023 cents	2022 cents	% Change
Basic earnings per share (cents)	(10.31)	(0.53)	N/A
Diluted earnings per share (cents)	(10.31)	(0.53)	N/A

Refer to Note 9 for further information on earnings per share calculations

Dividends

Dividends were paid during the year to the shareholders of Withnalls Cavanagh & Co Pty Ltd of \$7,171.88 per share on 100 shares on issue, the total dividend being \$717,188 paid out to shareholders as follows: AF Legal Pty Ltd \$365,765 and Non-controlling interests \$351,422.

Net tangible assets per share (cents)

	2023	2022	% Change
Net tangible assets per share (cents) (1)	3.39	4.45	-23.8%

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

Control Gained or Lost over Entities in the Year

Not applicable.

Status of Audit

The report is based on audited consolidated financial statements for year ended 30 June 2023 which have been audited by PKF Brisbane Audit.



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for the financial year
ended 30 June 2023

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I am pleased to present the 2023 Annual Report for AF Legal Group Limited ("AFL" or the "Company") and its controlled entities (together the "Group") for the year ending 30 June 2023.

Whilst 2023 marked a period of significant change for AFL, we have not waived in our commitment to becoming Australia's leading national specialist family law firm.

I am naturally disappointed to announce a statutory Net Loss After Tax attributable to the owners of AF Legal Group Limited of (\$8.1 million) for 2023. As announced to the market in February 2023, our results were affected by several one-off expenses and charges due to the adoption of a more cautious approach to provisioning of debtors and work in progress, as well as recording a significant impairment charge against goodwill to more appropriately reflect its carrying value. These adjustments were one-off and distort the underlying performance of the business during FY23 and are detailed further in the *Discussion on Results* section below.

Our normalised Net Profit Before Tax attributable to the owners of AF Legal Group Limited of \$159k reflects that the company operated profitably during the year, with a marked improvement evident in the second half on the back of improved revenue levels and the absence of a number of costs present in the first half and earlier. With a positive operating cash inflow of just over \$1 million, zero debt and a 'clean' balance sheet, we are in a healthy position going into 2024.

During FY23, we undertook a board renewal process leading into and following the 2022 annual general meeting, and we were delighted to welcome Peter Johns to the board. Through entities associated with Peter, he is the largest shareholder in the company, and we have endeavoured to approach our shareholder communications this year with greater transparency through financial reporting which focuses on net earnings attributable to AFL. We remain committed to more regular and transparent reporting to shareholders in the future.

Grant Dearlove resigned from the board prior to the 2022 AGM, and we thank Grant for his service to the company, particularly for setting the vision and strategy for AFL, and for steering the group through the unique challenges experienced during the Covid pandemic.

We were delighted in July 2023, to announce the appointment of Chris McFadden as Group CEO and Stace Boardman as Group COO and CFO. Chris and Stace are both passionate about the importance of our people, and the board and management have elevated the priority of building a truly people first culture within AFL. We have already taken positive steps in this regard, including implementing several new policies and a revised incentive programme for our fee earners. I am confident that we will position ourselves as an employer of choice in the continuing competitive market for professional talent.

The year saw further development of our modern working environment to support a flexible hybrid workforce. This included the addition of four new leased offices with common AFL branding and modern fit outs with reduced floor space, but built for productive concentration, collaboration and business development. We finalised the migration of all teams onto a new single more secure integrated IT, communications and CRM cloud focused platform. This platform enables our team to work from anywhere and gives our business development team the ability to track the full life cycle of our clients from lead to matter settlement. Pleasingly, savings have been realised with the cost per new client file reducing by 20% through continual improvement of our digital acquisition model and growing brand recognition. Over 16,000 people reached out for help during FY23.

It was also very encouraging to see a 40% increase in positive client reviews received, including over 160 5-star Google reviews. There was similarly a pleasing lift in the AFL presence in the national media, evidencing an increase of 30% especially aided by the release of our AFL Relationships Report in Q4. Drafted in-house, the report has cemented our teams as leaders on all Family Law commentary across Australia. A complimentary copy of this report which is entitled, *AFL Australian Relationships Report: Love, Marriage, and Divorce in the Modern Nation* is available for free download at <https://www.australianfamilylawyers.com.au/relationship-divorce-marriage-statistics>

Chairman's Letter



Whilst we continue to consider strategic acquisitions, our medium-term focus is on driving organic growth through our focus on the attraction and retention of quality people and delivery of exceptional client service. We have also undertaken a review of our cost base and have removed overhead where it makes sense. This positions our company well for 2024 and beyond.

Yours sincerely,

Rick Dennis
Non-Executive Chair

Discussion on results

Earnings

Net profit after tax attributable to the owners of AF Legal Group Limited ("NPAT attributable") for the financial year ended 30 June 2023, including the full year contribution from the Withnalls acquisition (acquired Jan-22), was a total group loss of \$8.1 million (FY22: loss of \$0.41 million)

Key elements within the result include:

Revenues

Group Revenue at \$18.9 million increased by +11.2% from the comparative period, with growth strengthening in the second half of FY23 to +20.1% which was significantly stronger than first half of FY23 (+2.5%). Average Weekly Revenue for Q4 was \$388k per week, a new high for our organisation, with H2 FY23 average of \$387k (H1 FY23 \$339k & FY22 \$327k)

Net profit before tax attributable to the owners of AF Legal Group Limited ("NPBT attributable")

Group NPBT attributable for the financial year was a loss of \$8.26 million (FY22: NPBT attributable loss of \$43k).

As disclosed in our Half-year accounts for the period ended 31 December 2022, H1 FY23 saw several one-off expenses and charges which adversely impacted our results. These were fully disclosed in these accounts but in summary, these one-off expenses, and charges included:

Goodwill impairment charge	\$6.569m
FY22 executive bonuses	\$0.353m
Business acquisition costs re GTC merger	\$0.273m
Share based payments	\$0.100m
New branch start-up costs	\$0.120m
Debtor/WIP provision adjustments	\$0.750m
Website asset useful life revision	\$0.250m
Total H1 Normalising Adjustments	\$8.415 million

H2 FY23 saw no further normalising adjustments other than some minor phasing adjustments which help to reflect actual timing of accrued profit. They have been made following a final and thorough review of legacy accounting practices within the firm. The Board is intent on ensuring that in FY24 the presentation of results is more consistent and transparent. These are included in the table below to arrive at a normalised and phased view of FY23 by half (H1 FY23 & H2 FY23), also including further detail in relation to H2 FY23 in the form of the Q3 FY23 & Q4 FY23 numbers. Also included for reference are the full year FY22 numbers along with H2 FY22:

\$'000	FY23	H2 FY23	Q4 FY23	Q3 FY23	H1 FY23	H2 FY22	FY22
Revenue (excl. disbursements)	18,881	10,054	5,046	5,008	8,827	8,369	16,983
Average Weekly Revenue [AWR] (excl. disbursements)	363	387	388	385	339	322	327
AWR Growth on H1 FY23		13.9%	14.3%	13.5%			
AWR Growth on H2 FY22		20.1%	20.6%	19.7%	5.5%		
Growth on FY22	11.2%						
NPBT	(7,556)	972	486	486	(8,528)	(698)	295
NPBT attributable to the owners of AF Legal Group Limited	(8,256)	551	211	340	(8,807)	(1,036)	(43)
Normalisation adjustments*	8,415				8,415	629	976
Phasing adjustments**	-	71	198	(127)	(71)		
Normalised NPBT	859	1,043	684	359	(184)	(69)	1,271
Normalised NPBT attributable to the owners of AF Legal Group Limited	159	622	409	213	(463)	(407)	932

*Normalisation adjustments are as disclosed previously for H1 FY23. FY22 Normalisation adjustments for FY22 are as previously declared adjusted for the impact of the FY22 Executive Bonuses which impacted the H1 FY23 result

** Phasing adjustments are corrections for minor timing errors found during the final round of extensive balance sheet and financial report reviews which took place progressively over H2 FY23 following the appointment of Chris McFadden as CFO.

This normalised and correctly phased view shows a marked improvement across H2 FY23 with a Normalised NPBT attributable profit of \$622k, which represents a significant uplift on the loss of (\$463k) for H1 FY23 and also the loss of (\$407k) for H2 FY22. The Normalised NPBT attributable for the financial year was a profit of \$159k. Normalised NPBT attributable is a non-IFRS measure.

Statement of financial position

Net assets at \$7.0 million were down by \$7.9 million on the prior year (2022: \$14.9 million) but up slightly on the H1 FY23 position of \$6.9 million which was significantly impacted by the \$7.6 million in balance sheet write downs outlined above (primarily Goodwill \$6.6m, Debtors/WIP \$0.75m and Website useful life revision \$0.25m).

Noteworthy year on year balance sheet movements include:

- Cash balance down by \$1.7m – refer to Cash Flow comments below
- Right of use assets up \$2.2m – 4 new long term office leases with three significant 5-year leases
- Intangibles down by \$7.1m – Goodwill impairment \$6.6m, Website useful life revision \$0.25m
- Deferred tax assets up by \$1.0m
- Trade and other payables up by \$0.7m
- Non-current lease liabilities up by \$1.8m – new leases (Current lease liabilities up \$0.4m)

Cash Flow

Operating cash flow was much stronger in the second half, reflective of the improved performance outlined above, with an inflow of \$1.03 million for the second half. On top of modest first half inflow of \$35k this delivered a \$1.065 million inflow for the year (FY22: \$1.04 million).

The overall outflow from investing activities of \$1.2 million was primarily due to increased fixed asset payments relating to the new leased properties (\$0.58m) and payments for website related intangible assets (\$0.18m). Additionally, there were payments of \$0.43m as previously disclosed in relation to the Kordos and Watts McCray deferred consideration.

The overall outflow from financing activities of \$1.565 million was primarily due to the payment of lease liabilities (\$1.1m), dividend payments to non-controlling interests (\$0.35m) and some minor repayment of borrowings related to insurance premium funding (\$0.18m). This is now concluded, and we pleasingly end the year with zero borrowings. Overall, this delivered a net cash outflow for FY23 of \$1.7 million.

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 2023. 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 1 July 2022)
 Dr. Sarah Kelly OAM
 Mr. Peter Johns (appointed 15 November 2022)
 Mr. Grant Dearlove (resigned 14 November 2022)
 Mr. Kevin Lynch (ceased 14 November 2022)

Information on Directors (at the date of this report):

Mr. Rick Dennis, <i>Non-Executive Chair</i>		
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 also sat on the Asia-Pacific executive.	
Qualifications	B.Com, LLB	
Other current directorships in listed entities	Apium Animal Health Limited (ASX: AHX) Motorcycle Holdings Limited (ASX: MTO) Cettire Limited (ASX: CTT) Step One Clothing Limited (ASX: STP) Energy Resources of Australia Limited (ASX: ERA)	
Former directorships in last 3 years in listed entities	None	
Interest in shares and options	Fully paid ordinary shares	-
	Unlisted performance rights	-

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 is Professor and Head of the QUT Graduate School of Business. 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 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	None	
Former directorships in listed entities in last 3 years	MSL Solutions Limited (ASX: MSL)	
Interest in shares and options	Fully paid ordinary shares	Nil
	Unlisted performance rights	70,000

Mr. Peter Johns, Non-Executive Director

Date of appointment	15 November 2022		
Experience and expertise	Peter is a director and majority owner of Westferry Investment Group. He has been a fund manager since 2016 and currently runs The Westferry Fund which has over \$20m invested primarily in small companies. Prior to this Peter spent 15 years practising as a lawyer in Australia and the UK, in both private practice and the public sector. This culminated in his role as Counsel Assisting the Qld State Coroner which saw him oversee investigations and appear at inquests into numerous complex matters.		
Qualifications	BEcon, LLB (Hons) (University of Queensland)		
Other current directorships in listed entities	Dawney & Co Limited (NSX: DWY)		
Former directorships in listed entities in last 3 years	East 72 Holdings Limited (NSX: E72 delisted)		
Interest in shares and options	Fully paid ordinary shares	10,845,300	
	Unlisted performance rights		Nil

Mr. Grant Dearlove, former Executive Director

Date of appointment	1 July 2022 30 May 2019 – 30 June 2022 (Executive Chairman) Resigned 14 November 2022	
Experience and expertise	For 30 years Grant has been a Lawyer and Company Director owning, leading, and growing private and ASX listed at 'C' suite level combining both strategic business, investment and legal competencies to deliver shareholder return. Grant has been a practising solicitor since 1992. A former equity partner of McInnes Wilson Lawyers, Grant forged a career in professional services consulting to National law firms including 9 years as National Legal Partner and Executive of ASX listed Shine Corporate Limited. As a company Director Grant held positions as Managing Director of Colliers International (Residential) for Australia, Managing Director of PRD Nationwide, and 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 Accoras. Grant is Chairman of Oliver Hume Australia Foundation Fund (Series 6) Pty Ltd, Oliver Hume Australia Foundation Fund (Series 7) Pty Ltd and Oliver Hume Property Funds Altona North Management (Series 3) Pty Ltd. In addition, Grant is advisory Board Chairman of Bennett +Bennett Surveyors and Town Planners Grant was a member of the Audit & Risk Committee of AFL.	
Qualifications	Bachelor of Laws, Master of Laws, Master of Business Administration, Graduate Diploma in Applied Corporate Governance. Graduate of the Institute of Company Directors Course, Life Fellow of the Australian Institute of Management.	
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	3,345,000
	Unlisted performance rights	1,010,000

Mr. Kevin Lynch, former Non-Executive Director

Date of appointment	22 October 2019 Ceased 14 November 2022	
Experience and expertise	Kevin is a business executive with over 17 years global experience building and leading companies across new and emerging sectors including technology, digital, e-commerce, education / online learning in APAC, EMEA and the Americas. Kevin started his career in marketing & technology with Enterprise Ireland, the trade board of Ireland. He then relocated to Australia in 2006 and helped establish and grow Think Education Group (now Laureate Universities Australia) as Chief Marketing Officer, which was sold to SEEK. Kevin was also the CMO then COO of Open Colleges Group in Australia which was later sold to Apollo Education Group.	
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	1,225,213
	Unlisted performance rights	100,000

Company Secretary

Ms. Maggie Niewidok (Resigned 7 November 2022)

Ms. Priyamvada (Pia) Rasal (Appointed 7 November 2022)

Over 12 years, Ms Priyamvada (Pia) Rasal has gained experience in diverse sectors and in company secretarial consultancies across multiple geographies (Melbourne, Perth, and Mumbai) in governance, corporate secretarial and legal roles. She works with Automic Group and has managed a portfolio of private companies, public companies, ASX listed entities and non-profit organizations as a Company Secretary. Ms Rasal is an Associate Member of the Chartered Governance Institute (UK) and the Governance Institute of Australia. Ms Rasal holds a bachelor's degree in law and commerce from India.

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.

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		Nominations and Remuneration committee	
	** Eligible to Attend	Attended	** Eligible to Attend	Attended	** Eligible to Attend	Attended
Rick Dennis	11	11	3	3	1	1
Sarah Kelly	12	12	3	3	1	1
Peter Johns	5	5	2	2	*	*
Grant Dearlove	7	7	1	1	1	1
Kevin Lynch	7	7	1	1	1	1

* indicates not a member of the relevant committee

** represents the number of meetings held during the period 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

Dividends were paid during the year to the shareholders of Withnalls Cavanagh & Co Pty Ltd of \$7,171.88 per share on 100 shares on issue, the total dividend being \$717,188 paid out to shareholders as follows: AF Legal Pty Ltd \$365,765 and Non-controlling interests \$351,422.

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.

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 2023:

	30 June 2023 \$'000	30 June 2022 \$'000
Taxation compliance service – preparation of tax return and other tax matters	23	15
Tax and financial agreed upon procedures	16	45
Total	39	60

Director's Report



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 24 of the Annual Report.

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.

Significant Changes to the State of Affairs

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

Subsequent Events

On 12 July 2023 the Board announced changes to the AF Legal Group Limited Senior Executive Team. Chris McFadden was appointed as the Chief Executive Officer, with Stace Boardman appointed as the Chief Financial Officer and Chief Operating Officer of AFL. It was further outlined that Grant Dearlove will continue in his role as Legal Practice Director and Consultant for the Group but will step back from an operational role with the Company.

No other matter or circumstance has arisen since 30 June 2023 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.

On behalf of the directors

Rick Dennis

The Directors of AF Legal Group Limited present the Remuneration report for the Company and its controlled entities for the year ended 30 June 2023. 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, Non-Executive Chairman (appointed 1 July 2022)
- Dr. Sarah Kelly OAM, Non-Executive Director (appointed 30 August 2021)
- Mr. Peter Johns, Non-Executive Director (appointed 15 November 2022)
- Mr. Grant Dearlove, Consultant (from 14 November 2022) – formerly Consultant and Executive Director (resigned 14 November 2022)
- Mr. Kevin Lynch, Non-Executive Director (ceased 14 November 2022)
- Mr. Glen Dobbie, Consultant (1 July 2022 to 29 November 2022), Consultant and Director (resigned 30 June 2022)
- Mr. Pratyush Jagdishwala, Chief Financial Officer (1 February 2022 to 31 January 2023)
- Ms. Stace Boardman, Chief Financial Officer & Chief Operating Officer (appointed 1 July 2023) – formerly Chief Executive Officer (25 January 2022 to 17 April 2023)
- Mr. Christopher McFadden, Chief Executive Officer (appointed 1 July 2023) – previously Chief Financial Officer & Chief Operating Officer (appointed 1 March 2023)

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.

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.

Remuneration Report



Details of remuneration

	Cash salary & fees	Bonus	Superannuation	Shares/ Performance rights	Total
2023	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-Executive Directors</i>					
Rick Dennis ¹	63	-	-	-	63
Sarah Kelly	32	-	3	-	35
Peter Johns ²	22	-	-	-	22
Kevin Lynch ²	28	-	-	-	28
<i>Executive Directors</i>					
Grant Dearlove ³	-	-	-	-	-
<i>Other Key Management Personnel</i>					
Grant Dearlove ³	325	163	-	-	488
Glen Dobbie ⁴	218	135	-	-	353
Pratyush Jagdishwala ²	132	55	19	-	206
Stace Boardman ⁵	278	-	20	48	346
Christopher McFadden ²	196	-	20	11	227
Total	1,294	353	62	59	1,768

	Cash salary & fees	Bonus	Superannuation	Shares/ Performance rights	Total
2022	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Non-Executive Directors</i>					
Kevin Lynch	50	-	-	91	141
Sarah Kelly ²	30	-	1	8	39
<i>Executive Directors</i>					
Grant Dearlove	325	90	-	425	840
Glen Dobbie ⁴	270	75	-	348	693
Edward Finn ²	15	-	-	-	15
<i>Other Key Management Personnel</i>					
Stace Boardman	239	-	23	33	295
Pratyush Jagdishwala ²	97	-	7	40	144
Total	1,026	165	31	945	2,167

¹ Rick Dennis' remuneration includes an amount of \$3,000 for consultancy services rendered relating to the proposed merger with GTC Legal, as announced to ASX on 15 November 2022

² Represents remuneration from date of appointment and/or to date of resignation

³ Grant Dearlove resigned as a Director on 14 November 2022 but continued as a KMP member (Consultant) for the balance of financial year 2023

⁴ Glen Dobbie resigned as a Director on 30 June 2022 but continued as a KMP member (Consultant) in financial year 2023 until 29 November 2022

⁵ Stace Boardman FY23 remuneration includes \$30k in unused annual leave on initial termination (17 April 2023) and \$56k in consulting fees (17 April to 30 June 2023) all prior to her being re-employed as CFO/COO from 1 July 2023

Remuneration Report



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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors</i>						
Rick Dennis	100%	-	-	-	-	-
Sarah Kelly	100%	80%	-	-	-	20%
Peter Johns	100%	-	-	-	-	-
Kevin Lynch	100%	37%	-	-	-	63%
<i>Executive Directors</i>						
Grant Dearlove **	-	39%	-	11%	-	51%
Glen Dobbie ***	-	39%	-	11%	-	51%
Edward Finn	-	100%	-	-	-	-
<i>Other Key Management Personnel</i>						
Grant Dearlove **	67%	-	33%	-	-	-
Glen Dobbie ***	62%	-	38%	-	-	-
Pratyush Jagdishwala	73%	67%	27%	33%	-	-
Stace Boardman****	86%	89%	-	-	14%	11%
Christopher McFadden	95%	-	-	-	5%	-

¹ Rick Dennis' remuneration includes an amount of \$3,000 for consultancy services rendered relating to the proposed merger with GTC Legal, as announced to ASX on 15 November 2022

² Represents remuneration from date of appointment and/or to date of resignation

³ Grant Dearlove resigned as a Director on 14 November 2022 but continued as a KMP member (Consultant) for the balance of financial year 2023

⁴ Glen Dobbie resigned as a Director on 30 June 2022 but continued as a KMP member (Consultant) in financial year 2023 until 29 November 2022

⁵ Stace Boardman FY23 remuneration includes \$30k in unused annual leave on initial termination (17 April 2023) and \$56k in consulting fees (17 April to 30 June 2023) all prior to her being re-employed as CFO/COO from 1 July 2023

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.

Remuneration Report



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:	Mr. Peter Johns
Title:	Non-Executive Director
Agreement commenced:	15 November 2022
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.
Name:	Christopher McFadden
Title:	Chief Executive Officer Previously Chief Financial Officer & Chief Operating Officer (1 March – 30 June 2023), and Interim Chief Financial Officer (11 November 2022 – 1 March 2023)
Agreement commenced:	11 July 2023
Term of agreement:	None
Details:	Salary of \$399,600 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 24-week termination notice by employer and 12-week by employee. 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.

Remuneration Report



Name:	Stace Boardman
Title:	Chief Financial Officer & Chief Operating Officer Previously Consultant (17 April – 30 June 2023), and Chief Executive Officer (30 August 2021 – 17 April 2023)
Agreement commenced:	11 July 2023
Term of agreement:	None
Details:	Salary of \$321,900 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 24-week termination notice by employer and 12-week by employee. 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.
Name:	Grant Dearlove
Title:	Consultant & Legal Practice Director (from 14 November 2022) Consultant & Executive Director (resigned 14 November 2022)
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. 6-month termination notice by group and 3-month by consultant. Eligible to participate in the Company's LTIP and STIP subject to KPI achievement.
Name:	Kevin Lynch
Title:	Non-Executive Director (ceased 14 November 2022)
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.
Name:	Glen Dobbie
Title:	Consultant (1 July 2022 to 29 November 2022) Director & Consultant (ceased 30 June 2022)
Agreement commenced:	10 August 2020
Term of agreement:	None
Details:	Base remuneration of \$270,000 paid as consultancy fees, to be reviewed annually by the Nomination and Remuneration Committee. 12-month termination notice by group and 3-month by consultant. Eligible to participate in the Company's LTIP and STIP subject to KPI achievement.

Remuneration Report



Amounts payable to KMP as at 30 June 2023

Name	\$
Glen Dobbie	113,000
Total	113,000

Share-based compensation

Issue of shares

A total of 2,190,927 shares were issued to directors (including former directors) and other key management personnel during the year ended 30 June 2023. The 2,050,000 shares issued to directors (including former directors) were on conversion of performance rights.

Name	Issue date	Shares	Issue price
Grant Dearlove	16 December 2022	975,000	0.450
Glen Dobbie	16 December 2022	800,000	0.450
Kevin Lynch	16 December 2022	250,000	0.450
Stace Boardman	2 September 2022	102,167	0.323
Stace Boardman	2 September 2022	38,760	0.387

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	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	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	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
Christopher McFadden	1,180,000	01-03-23	30-06-24	01-03-27	-	11.5

¹ converted to ordinary shares on 16 December 2022

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	-	-	-	-
Sarah Kelly	-	-	-	-
Peter Johns	6,250,000	4,595,300	-	10,845,300
Christopher McFadden	-	-	-	-
Stace Boardman	84,692	140,927	-	225,619
Grant Dearlove	3,900,000	975,000	(1,530,000)	3,345,000
Glen Dobbie	4,625,000	800,000	-	5,425,000
Pratyush Jagdishwala	1,176,935	-	-	1,176,935
Kevin Lynch	975,213	250,000	-	1,225,213
	17,011,840	6,761,227	(1,530,000)	22,243,067

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	Additions	Exercised	Balance at the end of the year
Rick Dennis	-	-	-	-
Sarah Kelly	70,000	-	-	70,000
Peter Johns	-	-	-	-
Christopher McFadden	-	1,180,000	-	1,180,000
Stace Boardman	-	-	-	-
Grant Dearlove	1,985,000	-	(975,000)	1,010,000
Glen Dobbie	1,620,000	-	(800,000)	820,000
Kevin Lynch	350,000	-	(250,000)	100,000
	4,025,000	1,180,000	(2,025,000)	3,180,000

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 G
Grant date	1 March 2023
Milestone date	30 June 2024
Expiry date	1 March 2027
Share price at grant date (cents)	11.5
Exercise price	-
Expected volatility	74%
Dividend yield	-
Risk-free interest rate	4.1%
Fair value at grant date (cents)	11.5
Probability assigned to achieve vesting conditions	100%
Fair value for share-based payment expense (cents)	11.5

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

Milestone date	NPBT attributable per share (cents)
30 June 2024	3.0
30 June 2025	3.5
30 June 2026	4.0

NPBT attributable hurdle for the purpose of granting the performance rights means achieving Profit Before Tax attributable to AFL shareholders of 3.0c per share in FY24, which equates to \$2.35m before tax.

- To avoid doubt:
 - The 3.0c per share target is calculated before any deductions are made for either the CEO and/or the CFO/COO's STI and LTI.
 - This needs to be achieved without including profit from the 49% of Withnalls that the company does not own.
 - It also allows the back out of early losses for new ventures like Wollongong and Gold Coast.
- FY25 hurdle = 3.5c (up 16.7%)
- FY26 hurdle = 4.0c (up 14/3%)

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.

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

Remuneration Report



End of Remuneration Report (Audited)

On behalf of the directors

A blue ink signature of Rick Dennis, consisting of several overlapping loops and a final horizontal stroke.

Rick Dennis

31 August 2023

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 2023 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://australianfamilylawyers.com.au/investors/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://australianfamilylawyers.com.au/wp-content/uploads/2019/04/AF-Legal-Group-Diversity-Policy.pdf>.

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:

- 59% of its management staff are female
- 79% of its fee earning staff are female
- 76% 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 a Board of 3 (33%).

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 2023, 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
31 AUGUST 2023

PKF Brisbane Audit ABN 33 873 151 348

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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.

Consolidated Statement of Profit or Loss And Other Comprehensive Income



For the year ended 30 June 2023

		2023	2022
	Note	\$'000	\$'000
Revenue	3	18,881	16,983
Expenses			
Cost of sales		84	9
Employee expenses		(11,276)	(9,430)
Administrative expenses	5	(3,020)	(2,621)
Other expenses	4	(3,591)	(2,018)
Share based payment expense	6	(84)	(945)
Depreciation expense		(1,242)	(1,294)
Amortisation expense		(739)	(389)
Impairment expense	15	(6,569)	-
Total expenses		(26,437)	(16,688)
Profit/(Loss) before income tax		(7,556)	295
Income tax (expense)/benefit	7	(37)	(391)
Profit/(Loss) for the year after income tax		(7,593)	(96)
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income/(loss) for the year		(7,593)	(96)
Profit/(Loss) for the year attributable to:			
Non-controlling interest	25	509	311
The owners of AF Legal Group Ltd		(8,102)	(407)
Total comprehensive income/(loss) for the year attributable to:			
Non-controlling interest		509	311
The owners of AF Legal Group Ltd		(8,102)	(407)
Total comprehensive income/(loss) for the year		(7,593)	(96)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share (cents)	9	(10.31)	(0.53)
Diluted earnings/(loss) per share (cents)	9	(10.31)	(0.53)

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

Consolidated Statement of Financial Position



As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	10	2,052	3,749
Trade and other receivables	11	4,476	4,403
Other current assets	12	896	951
Total current assets		7,424	9,103
Non-current assets			
Deferred tax assets	8(a)	1,907	907
Right to use assets	13	3,683	1,490
Plant and equipment	14	649	437
Intangible assets	15	4,382	11,507
Total non-current assets		10,621	14,341
Total assets		18,045	23,444
Liabilities			
Current liabilities			
Trade and other payables	16	2,880	2,161
Current tax liabilities	8(c)	243	738
Deferred consideration	17	1,194	1,375
Lease liabilities	18	792	376
Borrowings	19	-	116
Provisions	20	-	264
Employee benefits	21	801	731
Total current liabilities		5,910	5,761
Non-current liabilities			
Deferred tax liabilities	8(b)	1,458	987
Lease liabilities	18	2,904	1,142
Deferred consideration	17	250	500
Provisions	20	310	30
Employee benefits	21	171	119
Total non-current liabilities		5,093	2,778
Total liabilities		11,003	8,539
Net assets		7,042	14,905
Equity			
Equity attributable to the owners of AF Legal Group Ltd			
Issued capital	22	129,873	129,507
Reserves	23	240	1,140
Retained earnings		(123,729)	(116,242)
Total equity attributable to the owners of AF Legal Group Ltd		6,384	14,405
Non-controlling interests	25	658	500
Total equity		7,042	14,905

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

Consolidated Statement of Changes in Equity



For the year ended 30 June 2023

	Issued share capital	Share based payment reserve	Accumulated losses	Total equity attributable to the owners of AF Legal Group Ltd	Non- controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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
Balance at 1 July 2022	129,507	1,140	(116,242)	14,405	500	14,905
Loss for the year	-	-	(8,102)	(8,102)	509	(7,593)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	(8,102)	(8,102)	509	(7,593)
Performance rights converted to ordinary shares (note 22)	293	(911)	615	(3)	-	(3)
Issue of performance rights	-	11	-	11	-	11
Issue of shares to employees	73	-	-	73	-	73
Total transactions with owners and other transfers	366	(900)	615	81	0	81
Dividends paid	-	-	-	-	(351)	(351)
Balance at 30 June 2023	129,873	240	(123,729)	6,384	658	7,042

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

Consolidated Statement of Cash Flows



For the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers		23,191	19,416
Payments to suppliers and employees		(21,923)	(17,712)
Net interest received		(2)	(119)
Income tax paid		(200)	(484)
Net cash from operating activities	26	1,065	1,040
Cash flows from investing activities			
Payments for purchase of fixed assets		(582)	(235)
Payments for business combinations		-	(447)
Payments of deferred consideration		(432)	(63)
Payments for purchase of intangible assets		(183)	(210)
Net cash used in investing activities		(1,197)	(955)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Payment of dividends		(351)	-
Payments of lease liabilities		(1,098)	(1,058)
Payment of borrowings		(116)	-
Proceeds from borrowings		-	64
Net cash used in financing activities		(1,565)	(994)
Net increase/(decrease) in cash and cash equivalents		(1,697)	(909)
Cash and cash equivalents at the beginning of the financial year		3,749	4,658
Cash and cash equivalents at the end of the financial year	10	2,052	3,749

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

For the year ended 30 June 2023

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 31 August 2023 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 2022, unless stated otherwise.

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

For the year ended 30 June 2023

1. Significant Accounting Policies (Continued)

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.

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.

For the year ended 30 June 2023

1. Significant Accounting Policies (Continued)

a) Principles of Consolidation (Continued)

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.

For the year ended 30 June 2023

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.

For the year ended 30 June 2023

1. Significant Accounting Policies (Continued)

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 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.

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.

For the year ended 30 June 2023

1. Significant Accounting Policies (Continued)

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 independently 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.

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.

For the year ended 30 June 2023

1. Significant Accounting Policies (Continued)

h) Employee Benefits (continued)

Share-based payments (continued)

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.

For the year ended 30 June 2023

1. Significant Accounting Policies (Continued)

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.

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 3 years.

For the year ended 30 June 2023

1. Significant Accounting Policies (Continued)

l) 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.

m) 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.

n) Property, Plant, Equipment

Property, 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.

Plant and 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 property, 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.

o) 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.

For the year ended 30 June 2023

1. Significant Accounting Policies (Continued)

o) Leases (continued)

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.

p) 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.

q) 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.

Notes to the Financial Statements



For the year ended 30 June 2023

1. Significant Accounting Policies (Continued)

r) 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.

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.

s) 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 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

t) 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.

Revenue and Cost of sales have been reclassified for 2022 to agree to the movement of disbursements into COS and out of Revenue as has been done for 2023 to better reflect true revenue.

For the year ended 30 June 2023

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.

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 Black Scholes 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.

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.

For the year ended 30 June 2023

2. Critical Accounting Judgements and Key Accounting 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.

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.

Notes to the Financial Statements



For the year ended 30 June 2023

3. Revenue

	2023	2022
	\$'000	\$'000
Legal fees	18,826	16,905
Interest income	1	1
Other income	54	77
Total revenue	18,881	16,983

4. Other expenses

	2023	2022
	\$'000	\$'000
Office costs	488	412
Legal and professional fees	1,260	1,042
Insurance	295	185
Interest expense	228	103
Doubtful debts expense	959	106
Others	361	170
Total other expenses	3,591	2,018

5. Administration expenses

	2023	2022
	\$'000	\$'000
ASX, registries and company secretarial fees	149	161
Accounting and tax fees	259	30
Audit fees	78	71
Directors' fees	110	108
Marketing and advertising	1,003	1,072
Transaction costs	300	150
Computer and software expenses	621	808
Premises expenses	500	221
Total administration expenses	3,020	2,621

For the year ended 30 June 2023

6. Share based payment expense

	2023	2022
	\$'000	\$'000
Share based payment expense	84	945

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.

2023

Name	Exercise price (\$)	Bal. at start of the year	Granted	Exercised	Bal. at end of the year
Grant Dearlove	-	1,985,000	-	(975,000)	1,010,000
Glen Dobbie	-	1,620,000	-	(800,000)	820,000
Kevin Lynch	-	350,000	-	(250,000)	100,000
Sarah Kelly	-	70,000	-	-	70,000
Christopher McFadden	-	-	1,180,000	-	1,180,000
	-	4,025,000	1,180,000	(2,025,000)	3,180,000

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

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 G
Grant date	1 March 2023
Milestone date	30 June 2024
Expiry date	1 March 2027
Share price at grant date (cents)	11.5
Exercise price	-
Expected volatility	74%
Dividend yield	-
Risk-free interest rate	4.1%
Fair value at grant date (cents)	11.5
Probability assigned to achieve vesting conditions	100%
Fair value for share-based payment expense (cents)	11.5

Notes to the Financial Statements



For the year ended 30 June 2023

7. Income tax expense/(benefit)

	2023	2022
	\$'000	\$'000
Current tax	396	146
Deferred tax	(623)	213
Adjustments for current tax of prior periods	169	(94)
Adjustments for deferred tax of prior periods	95	126
	37	391
Deferred income tax expense/(income) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	999	(134)
(Decrease)/increase in deferred tax liabilities	(471)	473
	528	339
Numerical reconciliation of income tax expense to prima facie tax payable		
Total profit/(loss) before income tax	(7,556)	295
Tax at the Australian tax rate of 25% (2022: 25%)	(1,890)	74
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	1,663	285
Adjustment for current tax of prior periods	169	(94)
Adjustment for deferred tax of prior periods	95	126
Other adjustments	-	-
Income tax expense/(benefit)	37	391

Notes to the Financial Statements



For the year ended 30 June 2023

8. Deferred and current tax

	2023	2022
	\$'000	\$'000
(a) Deferred tax assets		
The balance comprises temporary difference attributable to:		
Doubtful debts	336	148
Blackhole expenditure	100	99
Accruals	25	21
Provisions	320	212
Intangible assets	71	-
Unpaid superannuation	51	47
Tax Losses	80	-
Lease liability	924	380
Total deferred tax assets	1,907	907
(b) Deferred tax liabilities		
The balance comprises temporary difference attributable to:		
Prepayments	(132)	(126)
Work in progress	(308)	(382)
Right of use assets	(921)	(372)
Intangible assets	-	(66)
Property, plant & equipment	(97)	(41)
Others	-	-
Total deferred tax liabilities	(1,458)	(987)
Net deferred tax assets/(liabilities)		
Deferred tax assets expected to be recovered within 12 months	765	907
Deferred tax assets expected to be recovered after more than 12 months	1,141	-
Deferred tax liabilities expected to be settled within 12 months	(440)	(922)
Deferred tax liabilities expected to be settled after more than 12 months	(1,018)	(66)
	(448)	(80)
Movement in deferred tax		
Opening balance	(80)	259
Opening balance adjustment (acquired)	(95)	-
Credited/(charged) to the statement of comprehensive income	623	(339)
Others	-	-
	448	(80)
(c) Current tax		
Current tax liabilities	243	738

Notes to the Financial Statements



For the year ended 30 June 2023

9. Earnings per share

	2023	2022
	Cents	Cents
Basic and diluted earnings/(loss) per share		
From continuing operations	(10.31)	(0.53)
Total basic earnings/(loss) per share	(10.31)	(0.53)
From continuing operations	(10.31)	(0.53)
Total diluted earnings/(loss) per share	(10.31)	(0.53)
Loss attributable to the owners of the Group	\$'000	\$'000
Loss from continuing operations	(8,102)	(407)
Net loss attributable to the owners of the Group	(8,102)	(407)
Weighted average number of ordinary shares for the purposes of:	Nos.	Nos.
Basic earnings/(loss) per share	78,561,418	76,330,891
Diluted earnings/(loss) per share	78,561,418	76,330,891

10. Cash and cash equivalents

	2023	2022
	\$'000	\$'000
Cash at bank	2,052	3,749
Total cash and cash equivalents	2,052	3,749

11. Trade and other receivables

	2023	2022
	\$'000	\$'000
Trade receivables	4,585	3,468
Provision for doubtful debts	(1,342)	(593)
	3,243	2,875
Work in progress	1,233	1,528
Total trade and other receivables	4,476	4,403

\$'000	Gross amount	Past due and impaired	Past due but not impaired			
			<30 days	30-60 days	61-90 days	90+ days
2023	4,585	1,342	1,686	299	200	1,058
2022	3,468	592	830	347	227	1,472

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.

Notes to the Financial Statements



For the year ended 30 June 2023

12. Other current assets

	2023	2022
	\$'000	\$'000
Security deposit	102	86
Prepayments	529	503
Vendor loan	197	317
Other receivables	68	45
Total other current assets	896	951

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

	2023	2022
	\$'000	\$'000
Building – right of use	6,660	3,448
Less: Accumulated depreciation	(2,977)	(1,958)
Total right-of-use assets	3,683	1,490

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

	2023	2022
	\$'000	\$'000
Furniture and fittings		
Cost	294	277
Less: Accumulated depreciation	(234)	(172)
Written down value	60	105
 Leasehold improvements		
Cost	168	104
Less: Accumulated depreciation	(22)	-
Written down value	146	104
 Computer equipment		
Cost	733	377
Less: Accumulated depreciation	(290)	(149)
Written down value	443	228
 Total plant and equipment	649	437

Notes to the Financial Statements



For the year ended 30 June 2023

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	Leasehold improvements	Computer equipment	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
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
Balance as at 1 July 2022	277	104	376	758
Purchases during the year	17	64	357	438
Measurement period adjustment	-	-	-	-
Business combinations	-	-	-	-
Balance as at 30 June 2023	294	168	733	1,195
Accumulated depreciation				
Balance as at 1 July 2021	31	-	88	119
Depreciation expense	141	-	62	202
Balance as at 30 June 2022	172	-	149	321
Balance as at 1 July 2022	172	-	149	321
Depreciation expense	62	22	141	225
Balance as at 30 June 2023	234	22	290	546
Written down value				
As at 30 June 2022	105	104	228	437
As at 30 June 2023	60	146	443	649

Notes to the Financial Statements



For the year ended 30 June 2023

15. Intangible assets

	2023	2022
	\$'000	\$'000
Goodwill		
Opening Balance	10,431	9,152
Measurement period adjustment	-	582
Goodwill from business combination	-	697
Impairment	(6,569)	-
Net carrying amount	3,862	10,431
Intellectual Property		
Opening Balance	464	706
Less: Amortisation expense	(242)	(242)
Net carrying amount	222	464
Website		
Opening Balance	612	549
Additions	183	210
Less: Amortisation expense	(497)	(147)
Net carrying amount	298	612
Total intangible assets	4,382	11,507

Reconciliations

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

	Goodwill	Intellectual Property	Website	Total
	Note	\$'000	\$'000	\$'000
Balance as at 1 July 2021		9,152	706	549
Additions		-	-	210
Measurement period adjustment		581	-	-
Business combination		698	-	-
Amortisation expense		-	(242)	(147)
Balance as at 30 June 2022		10,431	464	612
Balance as at 1 July 2022		10,431	464	612
Additions		-	-	183
Measurement period adjustment		-	-	-
Impairment		(6,569)	-	-
Amortisation expense		-	(242)	(497)
Balance as at 30 June 2023		3,862	222	298

For the year ended 30 June 2023

15. Intangible assets (continued)

The provisional goodwill associated with the acquisition of Withnall Cavanagh & Co Pty Ltd ("Withnall Lawyers") in Darwin was finalised during the year resulting in no change to the goodwill recognised as at 30 June 2022.

Impairment tests for goodwill

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

	2023	2022
	\$'000	\$'000
Sydney and Melbourne	2,752	9,311
Brisbane	412	412
Darwin	698	698
Total	3,862	10,431

The consolidated entity tests whether goodwill and other intangible assets have suffered any impairment on an annual basis, or more frequently, if required. As a result of the preliminary loss for H1 FY23 within the consolidated entity, a detailed impairment review of each cash-generating unit ("CGU") was performed as at 31 December 2022, as detailed in Note 7 of the accounts for the half-year ended 31 December 2022. As detailed below, an impairment charge of \$6.57m was recognised. Due to impairment indicators noted, a further detailed impairment review was conducted as at 30 June 2023, with details of assumptions used as below.

The recoverable amounts of each CGU were determined based on value-in-use calculations, covering forecasts for the current year, followed by an extrapolation of expected post tax cash flows for the unit out to the end of FY28 (the forecast period) using growth rates deemed appropriate by management. FY28 also includes a terminal value. The present value of the expected cash flows was determined by applying a suitable discount rate.

The various assumptions used are outlined below:

Assumptions

Budget period	1 year from 1 Jul 23
Forecast period	4 years from 1 Jul 24
Growth Rate	5.0%
Maintenance Capex. Growth rate	10.0%
WACC	13.4%
Terminal Growth Rate	2.0%

The growth rate reflects management's conservative view of longer-term average growth rates. The projected revenue growth rates are considered appropriate based on experience and forecast of the growth of the market for family legal services. The discount rate or weighted average cost of capital ("WACC") reflects appropriate adjustments relating to market risk and specific risk factors.

For the year ended 30 June 2023

Impairment

At 31 December 2022 Sydney and Melbourne recoverable amount of \$2.75 million was then compared to the carrying value of goodwill for the Sydney and Melbourne CGU being \$9.31 million, which ultimately necessitated the need for the \$6.57 million impairment charge to goodwill for the Sydney and Melbourne CGU as presented in note 7 in the 31 December 2022 half year financial report. The impairment had primarily arisen due to the lower cashflow forecasts attributed to this CGU. The impairment had impacted the one business segment in which the consolidated entity operates being family law and the one geographical segment being Australia.

The exercise was repeated as at 30 June 2023 based on a FY24 budget, (FY24 Budget is based on latest approved budget by the Board), where the Sydney and Melbourne recoverable amount was then compared to the carrying value of goodwill for the Sydney and Melbourne CGU being, which ultimately necessitated no need for any additional impairment charge beyond the goodwill impairment of \$6.57 million taken at 31 December 2022 for the Sydney and Melbourne CGU.

The ongoing profitable position of Brisbane and Darwin resulted in no impairment for these CGUs at 31 December 2022. At 30 June 2023, based on the FY24 budget, the full impairment testing utilising value-in-use calculations for the Brisbane and Darwin recoverable amounts were then compared to the carrying value of goodwill for the Brisbane and Darwin CGUs, which ultimately necessitated no need for any impairment charges to goodwill for the Brisbane and Darwin CGUs.

Sensitivities

Management have made judgements and estimates in respect of impairment testing. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease.

The key sensitivities that management has considered are as follows:

- Growth rate decreases by 2.5%
- WACC increases by 2.5%
- Terminal growth rate decreases by 2.5%

16. Trade and other payables

	2023	2022
	\$'000	\$'000
Trade payables	897	805
GST payable	302	558
Accrued expenses	521	239
Payroll payables	1,160	559
Other payables	-	-
Total trade and other payables	2,880	2,161

Notes to the Financial Statements



For the year ended 30 June 2023

17. Deferred consideration

	2023	2022
	\$'000	\$'000
Current	1,194	1,375
Non-current	250	500
Total deferred consideration	1,444	1,875
Change in deferred consideration payable during the year		
Balance at 1 July	1,875	1,938
Additions through business combinations	-	-
Settled during the year	(431)	(63)
Balance at 30 June	1,444	1,875

Notes to the Financial Statements



For the year ended 30 June 2023

18. Lease liabilities

	2023	2022
	\$'000	\$'000
Current	792	376
Non-current	2,904	1,142
Total lease liabilities	3,696	1,518
Change in lease liabilities during the year		
Balance at 1 July	1,518	1,004
Additions	3,276	1,548
Additions through business combinations	-	-
Interest expense	(225)	(78)
Lease repayments	(873)	(980)
Balance at 30 June	3,696	1,518

During the year, the Group signed the following leases:

- Office lease at 326 William Street, Melbourne. The lease commenced on 15 July 2022 for 5 years with a 5-year renewal option.
- Office lease at 570 George Street in Sydney. The lease is commenced on 1 October 2022 for 5 years with a 5-year renewal option.
- Office lease at 9 George Street in Parramatta. The lease commenced on 1 November 2022 for 5 years with a 3-year renewal option.
- Office lease at 251 Adelaide Terrace Perth. The lease commenced on 1 June 2023 for 2 years with a 2-year renewal option.

19. Borrowings

	2023	2022
	\$'000	\$'000
Insurance premium funding	-	116
Total borrowings	-	116

The interest rate on insurance premium funding in 2022 was 6.57%

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 2023 or as at the date of the report.

Notes to the Financial Statements



For the year ended 30 June 2023

20. Provisions

	2023	2022
	\$'000	\$'000
Current		
Make-good provision	-	264
Non-current		
Make-good provision	310	30
Total Provisions	310	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

	2023	2022
	\$'000	\$'000
Current		
Annual leave entitlement	589	537
Long service leave entitlement	212	194
	801	731
Non-current		
Long service leave entitlement	171	119
Total Employee benefits	972	851

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.

Notes to the Financial Statements



For the year ended 30 June 2023

22. Issued capital

	2023	2023	2022	2022
	Shares	\$'000	Shares	\$'000
Ordinary shares fully paid	78,561,418	129,873	76,330,891	129,507

Movement in ordinary share capital:

Details	Date	Shares	Issue price (\$)	\$'000
Balance	30 June 2022	76,330,891	-	129,507
Issue of shares to employees as per Long Term Incentive Plan	2 Sep 2022	102,167	0.323	33
Issue of shares to employees as per Long Term Incentive Plan	2 Sep 2022	103,360	0.387	40
Issue of shares on exercise of performance rights	16 Dec 2022	2,025,000	0.145	293
Balance	30 June 2023	78,561,418	-	129,873

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

	2023	2022
	\$'000	\$'000
Share based payments reserve	240	1,140

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

24. Contingent liabilities and contingent assets

In the opinion of the Directors, there are no material contingent liabilities or contingent assets as at 30 June 2023 and as at the date of this report.

For the year ended 30 June 2023

25. 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	
		2023	2022
AF Legal Pty Ltd	Australia	100%	100%
Watts McCray (NSW) Pty Ltd	Australia	100%	100%
Withnalls Cavanagh & Co. Pty Ltd	Australia	51%	51%
AF Legal (Wollongong) Pty Ltd	Australia	75%	75%
AF Legal (Gold Coast) 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:

	2023	2022
	\$'000	\$'000
<i>Summarised statement of financial position</i>		
Current assets	2,587	1,246
Non-current assets	675	1,163
Total assets	3,262	2,409
Current liabilities	1,044	632
Non-current liabilities	949	757
Total liabilities	1,993	1,389
Net assets	1,269	1,020
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Profit after income tax expense	987	634
Other comprehensive income	-	-
Total comprehensive income	987	634
<i>Other financial information</i>		
Profit attributable to non-controlling interests	509	311
Accumulated non-controlling interests at the end of reporting period	658	500

Notes to the Financial Statements



For the year ended 30 June 2023

26. Cash Flow information

	2023	2022
	\$'000	\$'000
Reconciliation of loss for the year to cash flows from operating activities		
Loss after income tax for the year	(7,593)	(96)
Non-cash and non-operating activities		
Depreciation and amortisation	1,981	1,294
Impairment	6,569	-
Doubtful debt expense	959	106
Changes in assets and liabilities:		
Trade and other receivables	(543)	(1,014)
Trade and other payables	(445)	720
Provisions	137	30
Net cash inflows from operating activities	1,065	1,040

For the year ended 30 June 2023

27. 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 2023. As at the reporting date, the following assets and liabilities were exposed to Australian variable and fixed interest rates:

	Weighted Average Interest Rate %	2023 \$'000	Weighted Average Interest Rate %	2022 \$'000
<i>Variable Interest</i>				
Cash and cash equivalents	0.01%	2,052	0.01%	3,749
<i>Fixed interest</i>				
Borrowings	-	-	6.57%	116
Lease liabilities	6.00%	3,696	6.00%	1,518

b) Currency Risk

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

For the year ended 30 June 2023

28. Financial instruments (continued)

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.

For the year ended 30 June 2023

28. 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 2023.

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

	2023	2022
	\$'000	\$'000
Short-term employee benefits	1,647	1,191
Post-employment benefits	62	31
Share based payments	59	945
Total KMP compensation	1,768	2,167

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.

29. 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.

Notes to the Financial Statements



For the year ended 30 June 2023

30. Parent entity disclosures

	2023	2022
	\$'000	\$'000
Loss for the year	(9,861)	(3,372)
Other comprehensive income	-	-
Total comprehensive loss for the year	(9,861)	(3,372)

Financial position of the parent at year end

Current assets	67	246
Total assets	10,910	11,614
Current liabilities	1,121	1,624
Total liabilities	5,872	2,802

Total equity of the parent entity comprising of

Contributed equity	129,873	129,507
Reserves	240	1,140
Accumulated losses	(125,076)	(121,338)

31. Auditors' remuneration

	2023	2022
	\$'000	\$'000
Audit and review of the financial reports	66	60
Taxation services	23	15
Tax and financial agreed upon procedures	16	45
Total auditors remuneration	100	131

During the year the following fees were paid or payable for services provided by the auditor of the parent entity (PKF Brisbane Audit) and its related practises.

32. Events after the reporting period

On 12 July 2023 the Board announced changes to the AF Legal Group Limited Senior Executive Team. Chris McFadden was appointed as the Chief Executive Officer, with Stace Boardman appointed as the Chief Financial Officer and Chief Operating Officer of AFL. It was further outlined that Grant Dearlove will continue in his role as Legal Practice Director and Consultant for the Group but will step back from an operational role with the Company.

No other matter or circumstance has arisen since 30 June 2023 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.

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 2023 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
31 August 2023
Sydney

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 2023, 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 2023 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 the matter below, our description of how our audit addressed the matter is provided in that context.

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Carrying amount of intangible assets

Why significant

As at 30 June 2023 the carrying value of intangible assets is \$4,382,000 (2022: \$11,507,000), as disclosed in Note 15. For the year ended 30 June 2023 an impairment loss of \$6,569,000 was recognised, 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 related balances;
- 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 impairment loss 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 to consider whether the consolidated entity's methodology for assessing impairment is in accordance with AASB 136: *Impairment of Assets*:

- evaluating management's methodology for determining the recoverable 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.
- challenging and assessing the reasonableness of 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 appropriateness of changes in key assumptions during the year; and
- assessing the appropriateness and adequacy of the related disclosures in Note 15.

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 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 Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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.

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.

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 2023. 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 2023 complies with section 300A of the *Corporations Act 2001*.

PKF BRISBANE AUDIT



TIM FOLLETT
PARTNER

BRISBANE
31 August 2023

Shareholder Information



The shareholder information set out below was applicable as at 18 August 2023

Distribution of equitable securities

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

<u>Holding Ranges</u>	<u>Holders</u>	<u>Total Units</u>	<u>% of Issued Share Capital</u>
1 - 1,000	121	20,947	0.03%
1,001 - 5,000	132	375,677	0.48%
5,001 - 10,000	165	1,507,730	1.92%
10,001 - 100,000	265	10,442,212	13.29%
100,001 and above	104	66,214,852	84.28%
Totals	787	78,561,418	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:

<u>Name</u>	<u>Balance</u>	<u>%</u>
WESTFERRY OPERATIONS PTY LTD <WESTFERRY LEGAL SERVICES A/C>	8,000,000	10.18%
MRS ROSHEENI CHRISTINA DOBBIE	5,425,000	6.91%
MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	4,055,764	5.16%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,714,480	4.73%
MRS JULIANNE PATRICIA DEARLOVE <DEARLOVE FAMILY INV A/C>	3,345,000	4.26%
DMX CAPITAL PARTNERS LIMITED	2,325,000	2.96%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,158,312	2.75%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,861,680	2.37%
SMITHSTOCK PTY LTD <WARIALDA 1 UNIT A/C>	1,830,995	2.33%
WESTFERRY OPERATIONS PTY LTD <THE WESTFERRY FUND A/C>	1,807,030	2.30%
MR LEWIS O'BRIEN <L J O'BRIEN FAMILY A/C>	1,442,962	1.84%
RANAN INVESTMENT PL	1,200,000	1.53%
L&K HOLDING COMPANY PTY LTD <THE LYNCH FAMILY A/C>	1,149,644	1.46%
VANESSA MARIE FARMER	1,064,969	1.36%
BNP PARIBAS NOMS PTY LTD <DRP>	1,039,629	1.32%
WESTFERRY OPERATIONS PTY LTD <THE WESTFERRY FUND A/C>"	1,038,270	1.32%
MR EWAN ROBERT GRENFELL WINDSOR & MRS FRANCES EMILY WINDSOR <WINDSOR FAMILY A/C>	1,000,000	1.27%
MR PRATYUSH BHUPENDRA JAGDISHWALA & MRS URVI PRATYUSH JAGDISHWALA <JAGDISHWALA FAMILY A/C>"	836,935	1.07%
NATIONAL NOMINEES LIMITED	800,000	1.02%
RORTY CRANKLE PTY LIMITED	761,500	0.97%
Total	44,857,170	57.10%
Total Issued Capital	78,561,418	100.00%

Shareholder Information



Substantial holders

Substantial holders in the company are set out below:

Name	Balance	%
WESTFERRY OPERATIONS PTY LTD <WESTFERRY LEGAL SERVICES A/C> & <THE WESTFERRY FUND A/C.	10,845,300	13.80%
MRS ROSHEENI CHRISTINA DOBBIE	5,425,000	6.91%
MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	4,055,764	5.16%
Total	20,326,064	25.87%

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.

Board of Directors

Mr. Rick Dennis
Dr. Sarah Kelly OAM
Mr. Peter Johns

Non-Executive Chairman
Non-Executive Director
Non-Executive Director

Company Secretary

Pia Rasal

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://aflegal.com.au>

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 2023 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://australianfamilylawyers.com.au/investors/corporate-governance/>

Date and time of Annual General Meeting

10:00am on Tuesday, 14 November 2023