

AF Legal Pty Ltd

ABN: 44 604 485 154

Financial Statements

For the Year Ended 30 June 2016

AF Legal Pty Ltd

ABN: 44 604 485 154

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For the Year Ended 30 June 2016

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AF Legal Pty Ltd

ABN: 44 604 485 154

Directors' Report

30 June 2016

The directors present this report on AF Legal Pty Ltd for the financial year ended 30 June 2016.

1. General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Edward Finn	Managing Director (February 2015-Current)
Qualifications	Bachelor of Laws and Bachelor of Arts (Media & Communications) from the University of Melbourne. Bachelor of Laws and Bachelor of Art (Media & Communications) from the University of Melbourne. Currently holds a Principal Practising Certificate issued by the Victorian Legal Services Board & Commissioner.
Special Responsibilities	As Managing Director of AF Legal Pty Ltd, Edward is responsible for the management, operation and strategic direction of the company.
Alan Alpass	Director (February 2015 - October 2016)
Qualifications	Bachelor of Laws and Bachelor of Jurisprudence (Monash University) Director and Principal Practitioner of AF Legal.
Special Responsibilities	Senior legal consultant to AF Legal presiding over arrange of matters in will and estate disputes and family law, drawing upon more than 40 years of legal experience.

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

Edward Finn (Managing Director) has been the company secretary since 27 February 2015.

Principal activities

AF Legal (also known as Australian Family Lawyers) is an Australian law firm that practises family and relationship law. The firm provides advice to clients in respect of divorce, separation, property and children's matters together with ancillary services such as estate planning and litigation.

No significant changes in the nature of the Company's activity occurred during the financial year.

2. Operating results and review of operations for the year

Operating results

The profit of the Company after providing for income tax amounted to \$ 215,670 (2015: \$ 114,877 unaudited).

Dividends paid or recommended

Dividends paid or declared during or since the end of the financial year are as follows:

- A fully franked dividend of \$ 10,000 was paid during the year.

AF Legal Pty Ltd

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Directors' Report

30 June 2016

2. Operating results and review of operations for the year

Dividends paid or recommended

- A fully franked dividend of \$ 70,000 was declared on 30 June 2016 for payment for the year ended 30 June 2016.

Review of operations

AF Legal is delighted to announce that it generated a profit (\$343k at the EBITDA level) during 2016, its first full year of operations.

This was achieved despite the challenges of commencing a new business, the recruitment of solicitors, the transition to new premises in Melbourne and the associated costs.

Whilst the profit is modest, it is testimony to the strength of the AF legal digital marketing model, and its ability to generate quality 'files' for solicitors independent of any personal networks.

AF legal will continue to refine its marketing model, attract solicitors can best services is business model and look into expansion opportunities in other states.

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Events after the reporting date

In August 2018, AF Legal entered into a non-binding Heads of Agreement with an ASX listed company, which is currently suspended from trading, to implement a proposal under which the listed company would acquire 100% of the share capital of AF Legal for a mixture of cash and share consideration. The proposal would lead to the ASX listed company changing its principal undertaking, and to commence re-trading as AF Legal, upon its reinstatement to the official list of the ASX.

Subject to regulatory (ASIC and ASX) approvals this process would prospectively occur in the first 6 months of the 2019 calendar year.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments and results

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

AF Legal Pty Ltd

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Directors' Report

30 June 2016

Indemnification and insurance of officers and auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of AF Legal Pty Ltd.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2016 has been received and can be found on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: 

Edward Finn

Dated this 30th day of November 2018

MOORE STEPHENS

Moore Stephens Audit (Vic)

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTOR OF AF LEGAL PTY LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

MOORE STEPHENS

MOORE STEPHENS AUDIT (VIC)

ABN 16 847 721 257



RYAN LEEMON

Partner

Audit & Assurance Services

Melbourne, Victoria

30 November 2018

AF Legal Pty Ltd

ABN: 44 604 485 154

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2016

		2016	Four months ended 2015 Unaudited
	Note	\$	\$
Sales revenue	4	2,070,944	245,255
Personnel costs	5	(782,182)	(11,528)
Gross profit		1,288,762	233,727
Marketing expenses		(160,590)	(15,194)
Administrative expenses		(149,113)	(7,973)
Other expenses		(228,062)	(23,938)
Depreciation		(4,125)	(663)
Bad/doubtful debts		(407,714)	(21,672)
Interest expenses		(24,970)	(177)
Profit before income tax		314,188	164,110
Income tax expense	6	(98,518)	(49,233)
		-	-
Profit for the year		215,670	114,877
Total comprehensive income for the year		215,670	114,877

The accompanying notes form part of these financial statements.

AF Legal Pty Ltd

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Statement of Financial Position**As At 30 June 2016**

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash on hand	7	234	100
Trade and other receivables	8	978,857	204,720
Other assets	11	13,736	2,240
TOTAL CURRENT ASSETS		992,827	207,060
NON-CURRENT ASSETS			
Loans to Directors	9	475,002	25,000
Property, plant and equipment	10	24,212	664
Deferred tax assets/(liabilities)	19	14,299	(14,782)
TOTAL NON-CURRENT ASSETS		513,513	10,882
TOTAL ASSETS		1,506,340	217,942
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	326,517	25,461
Borrowings	13	788,128	43,053
Current tax liabilities	19	119,173	34,451
Short-term provisions	14	21,023	-
TOTAL CURRENT LIABILITIES		1,254,841	102,965
NON-CURRENT LIABILITIES			
Long-term provisions	14	852	-
TOTAL NON-CURRENT LIABILITIES		852	-
TOTAL LIABILITIES		1,255,693	102,965
NET ASSETS		250,647	114,977
EQUITY			
Issued capital	15	100	100
Retained earnings	16	250,547	114,877
TOTAL EQUITY		250,647	114,977

The accompanying notes form part of these financial statements.

AF Legal Pty Ltd

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Statement of Changes in Equity

For the Year Ended 30 June 2016

2016

	Ordinary Shares	Retained Earnings	Total
Note	\$	\$	\$
Balance at 1 July 2015	100	114,877	114,977
Profit or loss for the year	-	215,670	215,670
Transactions with owners in their capacity as owners			
Dividends paid or provided for	20	(80,000)	(80,000)
Balance at 30 June 2016	100	250,547	250,647

2015

	Ordinary Shares	Retained Earnings	Total
Note	\$	\$	\$
Profit or loss for the four months period (unaudited)	-	114,877	114,877
Transactions with owners in their capacity as owners			
Issue of shares	100	-	100
Balance at 30 June 2015	100	114,877	114,977

The accompanying notes form part of these financial statements.

AF Legal Pty Ltd

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Statement of Cash Flows
For the Year Ended 30 June 2016

		2016	Four months ended 2015 Unaudited
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		1,482,217	117,795
Payments to suppliers, employees and others		(1,614,174)	(134,344)
Interest paid		(24,970)	(177)
Income taxes paid		(34,451)	-
Net cash provided by/(used in) operating activities	25	(191,378)	(16,726)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant & equipment		(27,673)	(1,327)
Net cash provided by/(used in) investing activities		(27,673)	(1,327)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Related party loan drawings/advances		(525,890)	(25,000)
External loan funding		53,625	3,605
Increase in share capital		-	100
Net cash provided by/(used in) financing activities		(472,265)	(21,295)
Net increase/(decrease) in cash and cash equivalents held		(691,316)	(39,348)
Cash and cash equivalents at beginning of year		(39,348)	-
Cash and cash equivalents at end of financial year	7	(730,664)	(39,348)

The accompanying notes form part of these financial statements.

AF Legal Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2016

The financial report covers AF Legal Pty Ltd as an individual entity. AF Legal Pty Ltd is a for-profit proprietary Company, incorporated and domiciled in Australia.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The functional and presentation currency of AF Legal Pty Ltd is Australian dollars. The amounts presented in the financial statements have been rounded off to the nearest dollar unless stated otherwise.

2 Summary of Significant Accounting Policies

(a) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income is comprised of current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured as the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured as the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax assets and liabilities are measured 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 (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(b) Leases

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(c) Revenue and other income

Revenue comprises Legal fees and disbursement from payments on behalf of the client.

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies

(c) Revenue and other income

benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Rendering of services

Revenue in relation to rendering of services is time (hourly based) and recognised depending on whether the outcome of the services can be estimated reliably. Professional fees represent amounts chargeable to clients for professional services provided during the year inclusive of recoverable expenses. Such income is only recognised upon delivery of services.

Services provided to clients, which at balance date have not been billed, are recognised as income net of accrued non recoverable fees.

Recognition of unbilled services as revenue is based on an assessment of fair value of the service provided as a proportion and total engagement value. Where the right to receive payment is contingent on factors external to the companies' control. Revenue is only recognised (above any engagement fee) when the contingent event occurs.

(d) Trade and other receivables

Trade and other receivables are initially recognised at fair value, and are subsequently reduced for estimated irrecoverable amounts. A provision for impairment and trade receivable (including work in progress) is established when there is objective evidence that the company will not be able to collect all amounts due according to the original term of the engagement.

Collectability is reviewed on an ongoing basis. Debts known to be uncollectable are written off by reducing the carrying amounts directly. A provision is raised where there is objective evidence of non-collectability.

(e) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(f) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Depreciation

Property, plant and equipment is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Fixtures and fittings	20%
Computer Equipment	33.33%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(h) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies

(h) Financial instruments

The Company's trade and other receivables fall into this category of financial instruments.

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Company uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Company's financial liabilities include borrowings, trade and other payables, which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Maturity is usually within 3 months.

For cashflow disclosure, overdrafts are considered cash.

(j) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies

(j) **Employee benefits**

determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Defined contribution schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

(k) **Comparative Amounts**

AF Legal Pty Ltd was registered on 27 February 2015 and as such the comparative disclosure reflect operation of the company for an initial four month period. Comparative disclosures are unaudited.

(l) **New Accounting Standards and Interpretations**

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9 Financial Instrument

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Entity will adopt this standard from 1 July 2018 and is still assessing the impact of its adoption on the financial statements.

AASB 15 Revenue from Contracts with Customer

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance

Notes to the Financial Statements

For the Year Ended 30 June 2016

2 Summary of Significant Accounting Policies

(l) New Accounting Standards and Interpretations

obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Entity will adopt this standard from 1 July 2018 and is still assessing the impact of its adoption on the financial statements.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Entity will adopt this standard from 1 July 2019 and is still assessing the impact of its adoption on the financial statements.

(m) Going concern

The statement of financial position shows a deficiency in working capital in 2016 financial year (current assets less current liabilities) of \$262,014.

The deficiency derives predominantly from the loan receivable from Directors of \$475,002 (2015: \$25,000) being classified as non-current as it is on 7 year Division 7A repayments term, (refer to note 9).

Despite the above circumstances the Director deems the going concern basis of financial statements preparation to be appropriate, noting all obligations are expected to be settled as and when they fall due and external borrowing obligations remain within terms. Further, as detailed at notes 9 and 23, should the contingent share sale take place, the Director's loan will be recovered in full from the current Director despite the non-current classification of the loan at 30 June 2018 (a condition precedent), bridging the working capital deficiency disclosed.

3 Critical Accounting Estimates and Judgments

The director makes estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

Notes to the Financial Statements

For the Year Ended 30 June 2016

3 Critical Accounting Estimates and Judgments

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates - fair value of financial instruments

The Company has certain financial assets and liabilities which are measured at fair value. Where fair value has not able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.

Key estimates - revenue recognition - WIP

The Company undertakes engagements which span a number of reporting periods. Recognition of revenue in relation to these contracts involves a determination of the timing for revenue earned. The assumptions are based on the information available to management, such as cost per hour and amount of hours incur in each engagement at the reporting date, however future changes or additional information may mean the expected revenue recognition pattern has to be amended and/or provided for if recoverability is uncertain (refer note 2c).

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

Key judgments - taxes

Deferred tax assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

4 Revenue and Other Income

Revenue from continuing operations

	2016 \$	2015 Unaudited \$
Sales revenue		
- Professional fees	2,066,832	245,255
Finance income		
- Interest received	4,112	-
Total Revenue	2,070,944	245,255

Notes to the Financial Statements

For the Year Ended 30 June 2016

5 Personnel Costs

Personnel costs include the following specific expenses:

	2016	2015 Unaudited
	\$	\$
Wages and Salaries	457,832	9,615
Employee benefit expenses	71,951	1,000
Professional fees	209,333	-
Superannuation contributions	43,066	913
Total personnel costs	782,182	11,528

6 Income Tax Expense

(a) The major components of tax expense (income) comprise:

Local income tax - current period	119,173	34,451
Deferred tax	(29,081)	14,782
Correction of cumulative error	8,426	-
Income tax expense for continuing operations	98,518	49,233

(b) Reconciliation of income tax to accounting profit:

Prima facie tax payable on profit from ordinary activities before income tax at 28.5% (2015: 30%)	89,544	49,233
Add:		
Tax effect of:		
- Non-deductible expenses	1,287	-
	90,831	49,233
Less:		
Tax effect of:		
- Prior year overprovision and error correction	8,426	-
- Change in tax rate	(739)	-
Income tax expense	98,518	49,233

Weighted average effective tax rate	31 %	30 %
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The increase in the weighted average effective tax rate for 2016 is a result of overprovision of \$8,426.

7 Cash in hand

Cash in hand	234	100
	234	100

Notes to the Financial Statements**For the Year Ended 30 June 2016****7 Cash in hand****Reconciliation of cash**

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

		2016 \$	2015 Unaudited \$
Cash on hand		234	100
Bank overdrafts	13	(730,898)	(39,448)
Balance as per statement of cash flows		(730,664)	(39,348)

8 Trade and Other Receivables**CURRENT**

Trade receivables		995,487	154,534
Provision for impairment	(a)	(151,374)	(21,672)
		844,113	132,862
Other receivables (Work in progress)		121,326	66,551
Other receivables (Unbilled Disbursements)		13,418	5,307
Total current trade and other receivables		978,857	204,720

(a) Impairment of receivables

Reconciliation of changes in the provision for impairment of receivables is as follows:

Balance at beginning of the year	21,672	-
Additional impairment loss recognised	407,714	21,672
Realisation of impairment	(278,012)	-
Balance at end of the year	151,374	21,672

(b) Credit risk

The entity has no significant concentration of credit risk with respect to any single counterparty other than those receivables specifically mentioned above. The main source of credit risk to the entity is considered to be related to class of assets described as "trade and other receivables".

The following table details the Entity's trade receivables exposed to credit risk with ageing analysis and impairment provided for thereon.

Amounts are considered as "past due" when the debt has not been settled within the term and conditions agreed between the Entity and the clients.

Notes to the Financial Statements

For the Year Ended 30 June 2016

8 Trade and Other Receivables

(b) Credit risk

Receivables that are past due are assessed for impairment by ascertaining solvency of the debtor and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Entity. The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	2016	2015 Unaudited
	\$	\$
0-30 days	205,497	160,596
31-60 days	60,531	44,124
61-90 days	95,227	-
91+ days (not past due or not impaired)	617,602	-
	<u>978,857</u>	<u>204,720</u>

9 Loans and Advances

NON-CURRENT

Loans to Directors

	475,002	25,000
	<u>475,002</u>	<u>25,000</u>

Loan to Directors are on Division 7A terms with a minimum interest term applied in accordance with legislation.

As detailed at note 2(m) despite the Director loan being classified as non-current at 30 June 2018, a requirement of the non-binding Heads of Agreement referred to is that all director's loans are required to be fully paid prior to completion. This means that the full balance may be recovered within 12 months should the term detailed at note 23 be met.

10 Property, plant and equipment

PLANT AND EQUIPMENT

Fixtures and Fittings

At cost

Accumulated depreciation

Total furniture, fixtures and fittings

Computer equipment

At cost

Accumulated depreciation

Total computer equipment

Total property, plant and equipment

	15,700	-
	(1,061)	-
	<u>14,639</u>	<u>-</u>
	13,302	1,327
	(3,729)	(663)
	<u>9,573</u>	<u>664</u>
	<u>24,212</u>	<u>664</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

10 Property, plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Fixtures and Fittings \$	Computer Equipment \$	Total \$
Year ended 30 June 2016			
Balance at the beginning of year	-	664	664
Additions	15,700	11,973	27,673
Depreciation expense	(1,061)	(3,064)	(4,125)
Balance at the end of the year	14,639	9,573	24,212

	Fixtures and Fittings \$	Computer Equipment \$	Total \$
Year ended 30 June 2015			
Balance at the beginning of year	-	-	-
Additions	-	1,327	1,327
Depreciation expense	-	(663)	(663)
Balance at the end of the year	-	664	664

11 Other Assets

	2016 \$	2015 \$
CURRENT		
Prepayments	12,056	-
Other assets	1,680	2,240
	13,736	2,240

AF Legal Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2016

12 Trade and Other Payables

	2016	2015 Unaudited
	\$	\$
Current		
Trade payables	152,554	-
Other payables	29,700	2,603
GST payable	99,184	12,858
Accrued expenses	45,079	-
Payables - Related parties	-	10,000
	<u>326,517</u>	<u>25,461</u>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

13 Borrowings

CURRENT

Secured liabilities:

Bank overdraft	730,898	39,448
Credit card	45,940	3,605
Other financial liabilities	11,290	-
Total current borrowings	<u>788,128</u>	<u>43,053</u>

Facilities held with westpac include:

- Overdraft facility (800,000)
- Credit card facility (50,000)

Limit of finance agreement dated 24 December 2015 is \$800,000 limited guarantee and indemnity by Edward Finn. Total unused portions are disclosure in note 25(b).

(a) Defaults and breaches

During the current and prior year, there were no defaults or breaches on any condition contained in binding facilities.

14 Provisions

CURRENT

Annual leave

21,023	-
<u>21,023</u>	<u>-</u>

NON-CURRENT

Long service leave

852	-
<u>852</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 30 June 2016

15 Issued Capital

	2016	2015 Unaudited
	\$	\$
(2015: 100) Ordinary shares	100	100
Total	100	100

(a) Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

The company's debt and capital includes ordinary shares capital and financial liabilities, supported by financial assets.

There are not externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the financial risk and adjusting its capital structure in response to changes in these risks and in the market. These responses include the managements of debt levels, distributions to shareholders and share issues.

There has been no change to capital risk management policies during the year. Gearing ratios are not generally applicable to services companies who customarily repatriate all retained earnings to shareholders to the extent that they are not required for immediate working capital. However the company's strategy is to ensure that its debt is no more than twice its future maintainable EBITDA, generally defined as budgeted EBITDA for the next financial year. The Debt to EBITDA ratio was less than 1 time at June 17 and June 18, based upon budgets for the succeeding financial year.

16 Retained Earnings

Retained earnings (accumulated losses) at the beginning of the financial year	114,877	-
Net profit	215,670	114,877
Distribution to shareholders	(80,000)	-
Retained earnings at end of the financial year	250,547	114,877

Notes to the Financial Statements

For the Year Ended 30 June 2016

17 Capital and Leasing Commitments

The Company has the following commitments relating to operating lease

(a) Finance Leases

	2016	2015
	\$	\$
Minimum lease payments:		
- not later than one year	73,800	-
- between one year and five years	86,100	-
Minimum lease payments	<u>159,900</u>	<u>-</u>
Present value of minimum lease payments	<u>159,900</u>	<u>-</u>

Finance lease is in place for Melbourne office. Lease payments are increased on an annual basis to reflect market rentals.

18 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Company is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Company are:

- Trade receivables
- Cash at bank
- Bank overdraft
- Trade and other payables
- Forward currency contracts

AF Legal Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2016

18 Financial Risk Management

	2016	2015 Unaudited
	\$	\$
Loans and receivables	1,454,093	229,820
Financial liabilities at fair value	(57,230)	(3,605)
Financial liabilities at amortised cost	(1,225,326)	(120,917)
	<u>171,537</u>	<u>105,298</u>

Objectives, policies and processes

The Director has an overall responsibility for the establishment of AF Legal Pty Ltd's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and AF Legal Pty Ltd's activities.

The day-to-day risk management is carried out by AF Legal Pty Ltd's finance function under policies and objectives which have been approved by the Director. Objectives and policies include monitoring the levels of exposure to credit and liquidity risks.

The Director receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as preparing cash flow analyses in relation to its operating, investing and financing activities. At the reporting date, these reports indicate that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

Financial guarantee liabilities are treated as payable on demand since AF Legal Pty Ltd has no control over the timing of any potential settlement of the liabilities. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

Notes to the Financial Statements

For the Year Ended 30 June 2016

18 Financial Risk Management

Liquidity risk

The table below reflects maturity analysis for financial assets.

	Effective Interest Rate		Within 1 Year		Over 1 year		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	%	%	\$	\$	\$	\$	\$	\$
Financial assets - cash flows realisable								
Cash and cash equivalents	-	-	234	-	-	-	234	-
Trade, term and loans receivables	-	-	978,857	204,720	-	-	978,857	204,720
Loans to Director	-	-	-	-	475,002	25,000	475,002	25,000
Financial liabilities								
Financial liabilities	8.52	12.46	(788,128)	(42,953)	-	-	(788,128)	(42,953)
Trade payables	-	-	(326,517)	(25,461)	-	-	(326,517)	(25,461)
Tax liabilities	-	-	(167,911)	(56,008)	-	-	(167,911)	(56,008)
Total anticipated outflows			(303,465)	80,298	475,002	25,000	171,537	105,298

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to clients in the form of outstanding receivables.

The Company has adopted a policy of dealing with creditworthy clients as a means of mitigating the risk of financial loss from defaults. This includes initial monitoring systems to determine the client's capacity to pay. Additionally in accordance with trust guidelines relating to the administration of legal practices, customers where applicable are required to deposit sums into a trust account in advance of work being performed on a matter.

Trade receivables consist of a large number of clients. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Director receives monthly reports summarising the turnover, trade receivables balance and ageing profile of each of all matters.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality.

AF Legal Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2016

19 Tax assets and liabilities

(a) Current Tax Liability

	2016	2015 Unaudited
	\$	\$
Balance at start of the year	(34,451)	-
Income Tax	(119,173)	(34,451)
Tax payments	34,451	-
Current tax liabilities	(119,173)	(34,451)

(b) Deferred Tax Assets

Deferred Tax Asset balance	63,037	6,775
Deferred Tax Liability balance	(48,738)	(21,557)
Balance at 30 June 2016	14,299	(14,782)
Deferred tax assets		
Property, plant and equipment	(6,900)	-
Employee provision	6,233	-
Accruals	13,662	274
Provisions - Provision for doubtful debts	43,142	6,501
Prepayments	(41,838)	(21,557)
Deferred tax	14,299	(14,782)

20 Dividends

The following dividends were declared and paid:

Interim franked ordinary dividend of \$100 per share to be paid on 31 January 2016

Final franked ordinary dividend of \$700 per share

Total

10,000	-
70,000	-
80,000	-

Franked dividends declared or paid during the year were franked at the tax rate of 28.5%.

21 Auditors' Remuneration

	2016	2015
	\$	\$
Remuneration of the auditor (Moore Stephens), for:		
- auditing or reviewing the financial statements	15,000	-
Total	15,000	-

Notes to the Financial Statements

For the Year Ended 30 June 2016

22 Fair Value Measurement

The Company measures the following assets and liabilities at fair value on a recurring basis:

- Financial assets
- Financial liabilities

23 Contingencies

As stated in review of operations above, AF Legal entered into a non-binding Heads of Agreement with an ASX listed company which is currently suspended from trading, to implement a proposal under which the listed company would acquire 100% of the share capital of AF Legal for a mixture of cash and share consideration.

If AF Legal withdraws from the process in an unprescribed circumstance, or does not satisfy certain conditions of its binding condition precedents, AF Legal may be liable for a break fee not exceeding \$75,000 to the extent that the ASX listed company has incurred costs to that level pursuing the opportunity. AF Legal would be entitled to receive a break fee not exceeding \$75,000 in the reverse situation, to the extent that AF Legal incurred costs in pursuing the opportunity and the ASX listed company discontinued negotiations in an unprescribed circumstance or does not satisfy a binding condition precedent.

The parties are presently undertaking mutual due diligence as a precursor to a binding Share Purchase Deed.

24 Related Parties

(a) The Company's main related parties are as follows:

The ultimate parent entity, which exercises control over the Company, is Oscar Churchill Pty Ltd which owns 100% of AF Legal Pty Ltd.

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the entity, is considered key management personnel.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Notes to the Financial Statements

For the Year Ended 30 June 2016

24 Related Parties

(b) Transactions with related parties

The following transactions occurred with related parties:

	2016	2015
Alan Alpass- Director		
Consulting fee	36,307	-
Rent Contribution	3,890	-

(c) Loans to/from related parties

Unsecured loans are made to the shareholder on an arm's length basis. Repayment terms are set for each loan, which is 7 years. Interest payable at the benchmark interest rate and payable by the end of each income year.

	Opening balance	Closing balance	Interest paid/payable
Loans from shareholders			
2016	25,000	475,002	-
2015	-	25,000	-

25 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2016	2015 Unaudited
	\$	\$
Net profit	215,670	114,877
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	4,125	663
- interest capitalised into Director loan	(4,112)	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(774,137)	(138,169)
- (increase)/decrease in other assets	(11,496)	(68,791)
- increase/(decrease) in trade and other payables	301,056	25,461
- increase/(decrease) in income taxes payable	84,722	34,451
- increase/(decrease) in deferred tax liability	(29,081)	14,782
- increase/(decrease) in employee benefits	21,875	-
Cashflows from operations	<u>(191,378)</u>	<u>(16,726)</u>

AF Legal Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2016

25 Cash Flow Information

(b) Borrowing facilities

The following facilities were available at the end of the reporting period:

	2016	2015
	\$	\$
Total facilities		
Westpac Business One loan	800,000	-
Used at reporting date		
Westpac Business One loan	730,381	-
Unused at reporting date		
Westpac Business One loan	69,619	-
	69,619	-

26 Events Occurring After the Reporting Date

The financial report was authorised for issue on 30 November 2018 by the director.

Other than disclosed elsewhere in this report, (particular note 23) no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

27 Statutory Information

The registered office and principal place of business of the company is:

AF Legal Pty Ltd
Mezzanine level, 411 Collins Street
Melbourne Victoria 3000

AF Legal Pty Ltd

ABN: 44 604 485 154

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2016 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the Company;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director
Edward Finn

Dated this 30th day of November 2018

Moore Stephens Audit (Vic)

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AF LEGAL PTY LTD

Opinion

We have audited the accompanying financial report of AF Legal Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Company

In our opinion:

- a. the financial report of AF Legal Pty Ltd is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) 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 are independent of the Company in accordance with the auditor independence requirements with Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

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

Other Matter

The company was not required to prepare an audited financial report for the year ended 30 June 2015. Accordingly the corresponding figures in the statement of profit and loss and other comprehensive income and statement of cash flows have not been audited.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report of the year ended 30 June 2016, 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 accordingly 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.

Responsibilities of Management and Those Charged with Governance for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001, and for such internal control as the directors determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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 the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

This description forms part of our auditor's report.

MOORE STEPHENS

MOORE STEPHENS AUDIT (VIC)

ABN 16 847 721 257



RYAN LEEMON

Partner

Audit & Assurance Services

Melbourne, Victoria

30 November 2018

