

AF Legal Pty Ltd

ABN: 44 604 485 154

Financial Statements

For the Year Ended 30 June 2018

AF Legal Pty Ltd

ABN: 44 604 485 154

Contents

For the Year Ended 30 June 2018

	Page
Financial Statements	
Directors' Report	1
Auditor's Independence Declaration	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	30
Independent Audit Report	31

AF Legal Pty Ltd
ABN: 44 604 485 154

Directors' Report
30 June 2018

The director presents his report on AF Legal Pty Ltd for the financial year ended 30 June 2018.

1. General information

Information on directors

The name of the person who has been a director during the year and to the date of this report is:

Edward Finn	Managing Director (February 2015-Current)
Qualifications	Bachelor of Laws and Bachelor of Arts (Media & Communications) from the University of Melbourne. Admitted to practise as a Solicitor in 2012 by the Victorian Legal Services Board & Commissioner. 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.

The Director has 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 \$ 731,969 (2017: \$ 101,580 loss).

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 \$ 60,000 was paid during the year.
- A fully franked dividend of \$ 177,000 was declared on 30 June 2018 for payment for the year ended 30 June 2018.

Review of operations

The 2018 financial year saw a period of significant growth of Fee Earners (Solicitors), Revenues and Profitability for AF Legal, as demonstrated by the operating result. This was achieved by strong improvement in its Melbourne practice, and from the commencement of its Sydney office in February 2017. Improvement also arose from the refinement and continued optimisation of AF Legal's digital marketing model.

AF Legal Pty Ltd

ABN: 44 604 485 154

Directors' Report

30 June 2018

2. Operating results and review of operations for the year

Review of operations

This highlights what distinguishes AF Legal from its competitors, the use of cost effective digital marketing techniques to acquire clients. This is distinct from traditional, referral-based law firms which often rely on referrals generated by senior lawyers – predominately key partners – to originate new clients.

During the year a number of 'one-off' expenses were incurred that impacted upon reported profitability. These included significant corporate advisory costs relating to a potential restructuring initiative discussed later in this report, and one-off recruitment costs relating to the expansion into Sydney. It is noted that reported EBITDA, i.e Profit Before Tax adjusted for Depreciation and Interest expenses was \$1.069m. Whilst not subject to audit procedures or verification, management estimates that the exclusion of the items above translates to an underlying EBITDA in excess of \$1.3m.

The second half of 2018 saw further improvements in run rate profitability which are anticipated to continue throughout 2019.

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 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.

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.

Indemnification and insurance of officers and auditors

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.

AF Legal Pty Ltd

ABN: 44 604 485 154

Directors' Report

30 June 2018

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 2018 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)

Level 18, 530 Collins Street
Melbourne Victoria 3000
+61 (0)3 9608 0100

Level 1, 219 Ryrie Street
Geelong Victoria 3220
+61 (0)3 5215 6800

victoria@moorestephens.com.au

www.moorestephens.com.au

**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 2018, 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 2018**

		2018	2017
	Note	\$	\$
Revenue	4	4,209,608	2,070,887
Personnel costs	5	(2,123,021)	(1,348,062)
Gross profit		2,086,587	722,825
Marketing expenses		(330,935)	(205,901)
Administrative expenses		(373,118)	(264,142)
Other expenses		(282,597)	(216,310)
Depreciation		(12,287)	(10,047)
Bad/doubtful debts		(30,005)	(72,844)
Interest Expenses		(81,470)	(64,102)
Profit before income tax		976,175	(110,521)
Income tax (expense)/benefit	6	(244,206)	8,941
Profit/(loss) for the year		731,969	(101,580)
Total comprehensive income/(loss) for the year		731,969	(101,580)

The accompanying notes form part of these financial statements.

AF Legal Pty Ltd

ABN: 44 604 485 154

Statement of Financial Position
As At 30 June 2018

		2018	2017
	Note	\$	\$
ASSETS			
CURRENT ASSETS			
Cash on hand	7	457	5,147
Trade and other receivables	8	1,151,190	630,845
Other assets	11	51,287	37,489
TOTAL CURRENT ASSETS		1,202,934	673,481
NON-CURRENT ASSETS			
Loan to Directors	9	1,054,949	751,516
Property, plant and equipment	10	27,214	24,301
Deferred tax assets/(liabilities)	19	10,360	(18,717)
TOTAL NON-CURRENT ASSETS		1,092,523	757,100
TOTAL ASSETS		2,295,457	1,430,581
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	431,489	406,336
Borrowings	13	1,287,694	1,154,725
Current tax liabilities/(receivable)	19	124,170	(27,268)
Short-term provisions	14	96,756	40,305
TOTAL CURRENT LIABILITIES		1,940,109	1,574,098
NON-CURRENT LIABILITIES			
Long-term provisions	14	7,312	3,416
TOTAL NON-CURRENT LIABILITIES		7,312	3,416
TOTAL LIABILITIES		1,947,421	1,577,514
NET ASSETS		348,036	(146,933)
EQUITY			
Issued capital	15	100	100
Retained earnings	16	347,936	(147,033)
TOTAL EQUITY		348,036	(146,933)

The accompanying notes form part of these financial statements.

AF Legal Pty Ltd

ABN: 44 604 485 154

**Statement of Changes in Equity
For the Year Ended 30 June 2018**

2018

	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2017	100	(147,033)	(146,933)
Profit or loss for the year	-	731,969	731,969
Transactions with owners in their capacity as owners			
Dividends paid or provided for	-	(237,000)	(237,000)
Balance at 30 June 2018	100	347,936	348,036

2017

	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2016	100	250,547	250,647
Profit or loss for the year	-	(101,580)	(101,580)
Transactions with owners in their capacity as owners			
Dividends paid or provided for	-	(296,000)	(296,000)
Balance at 30 June 2017	100	(147,033)	(146,933)

The accompanying notes form part of these financial statements.

AF Legal Pty Ltd

ABN: 44 604 485 154

Statement of Cash Flows

For the Year Ended 30 June 2018

		2018	2017
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		4,013,515	2,634,576
Payments to suppliers and employees		(3,427,206)	(2,253,237)
Interest paid		(81,470)	(64,102)
Income taxes paid		(121,845)	(113,156)
Net cash provided by/(used in) operating activities	25	<u>382,994</u>	<u>204,081</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for property, plant & equipment		<u>(15,200)</u>	<u>(10,136)</u>
Net cash provided by/(used in) investing activities		<u>(15,200)</u>	<u>(10,136)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Related party loan drawings/advances		(505,453)	(555,629)
External loan funding		<u>163,926</u>	<u>15,698</u>
Net cash provided by/(used in) financing activities		<u>(341,527)</u>	<u>(539,931)</u>
Net increase/(decrease) in cash and cash equivalents held		26,267	(345,986)
Cash and cash equivalents at beginning of year		<u>(1,076,650)</u>	<u>(730,664)</u>
Cash and cash equivalents at end of financial year	7	<u><u>(1,050,383)</u></u>	<u><u>(1,076,650)</u></u>

The accompanying notes form part of these financial statements.

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

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 benefits associated with the transaction will flow to the Company and specific criteria relating to the type of

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

2. Summary of Significant Accounting Policies

(c) Revenue and other income

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.

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

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%
Low Value Asset Pool	18.50%

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.

AF Legal Pty Ltd

ABN: 44 604 485 154

**Notes to the Financial Statements
For the Year Ended 30 June 2018**

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.

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 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

Notes to the Financial Statements
For the Year Ended 30 June 2018

2. Summary of Significant Accounting Policies

(j) **Employee benefits**

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**

Comparatives are consistent with prior years, unless otherwise stated.

(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 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.

**Notes to the Financial Statements
For the Year Ended 30 June 2018**

2. Summary of Significant Accounting Policies

(l) New Accounting Standards and Interpretations

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 (current assets less current liabilities) of \$737,175 (2017: \$873,617).

The deficiency derives predominantly from the loan receivable from Directors of \$1,054,944 (2017: \$751,516) being classified as non-current as it is on Division 7A repayments terms over 7 years, (refer to note 9).

Despite the above circumstances the Director deems the going concern basis of financial statement 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.

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.

Notes to the Financial Statements
For the Year Ended 30 June 2018

3. Critical Accounting Estimates and Judgments

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 been 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 operation

	2018 \$	2017 \$
Sales revenue		
- Professional fees	4,174,628	2,054,002
Finance income		
- Interest received	34,980	16,885
Other revenue		
Total Revenue	4,209,608	2,070,887

AF Legal Pty Ltd

ABN: 44 604 485 154

**Notes to the Financial Statements
For the Year Ended 30 June 2018**

5. Personnel Costs

Personnel costs include the following specific expenses:

	2018	2017
	\$	\$
Wages and Salaries	1,407,257	874,354
Employee benefit expenses	149,429	190,006
Professional fees	430,896	202,174
Superannuation contributions	135,439	81,528
Total personnel costs	2,123,021	1,348,062

6. Income Tax Expense

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

	2018	2017
	\$	\$
Current tax	298,400	(58,402)
Deferred tax	(29,077)	32,514
Correction of cumulative error	-	(8,170)
Under/(over) provision in respect of prior years	(25,117)	25,117
Total income tax expense	244,206	(8,941)

(b) Reconciliation of income tax to accounting profit:

	2018	2017
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2017: 27.5%)	268,448	(30,393)
Add:		
Tax effect of:		
- non-deductible expenses	875	4,505
	269,323	(25,888)
Less:		
Tax effect of:		
- PY (overprovision)/underprovision	(25,117)	16,947
Income tax expense	244,206	(8,941)
 Weighted average effective tax rate	 25 %	 (8)%

The decrease in the weighted average effective tax rate for 2018 is a result of overprovision of \$25,117.

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

7. Cash on hand

	2018	2017
	\$	\$
Cash in hand	457	5,147
	<u>457</u>	<u>5,147</u>

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:

	Note		
Cash on hand		457	5,147
Bank overdrafts	13	(1,050,840)	(1,081,797)
Balance as per statement of cash flows		<u>(1,050,383)</u>	<u>(1,076,650)</u>

8. Trade and Other Receivables

CURRENT

Trade receivables		1,037,805	501,982
Provision for impairment	(a)	(7,126)	-
		<u>1,030,679</u>	<u>501,982</u>
Other receivables (Work in progress)		108,748	114,381
Other receivables (Unbilled Disbursements)		11,763	14,482
Total current trade and other receivables		<u>1,151,190</u>	<u>630,845</u>

(a) Impairment of receivables

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

Balance at beginning of the year	-	151,374
Additional impairment loss recognised	30,005	72,844
Realisation of impairment	(22,879)	(224,218)
Balance at end of the year	<u>7,126</u>	<u>-</u>

(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.

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

8. Trade and Other Receivables

(b) Credit risk

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.

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.

	2018	2017
	\$	\$
0-30 days	502,122	325,191
31-60 days	163,394	115,156
61-90 days	101,674	35,487
91+ days (not past due or not impaired)	384,000	155,011
	<u>1,151,190</u>	<u>630,845</u>

9. Loans and Advances - Non-Current

	2018	2017
	\$	\$
Loans to Directors	1,054,949	751,516
	<u>1,054,949</u>	<u>751,516</u>

(a) 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.

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

10. Property, plant and equipment

PLANT AND EQUIPMENT

	2018	2017
	\$	\$
Fixtures and Fittings		
At cost	26,608	17,440
Accumulated depreciation	(8,172)	(4,201)
Total furniture, fixtures and fittings	<u>18,436</u>	<u>13,239</u>
Computer equipment		
At cost	26,475	21,686
Accumulated depreciation	(18,760)	(10,624)
Total computer equipment	<u>7,715</u>	<u>11,062</u>
Low value asset pool		
At cost	1,242	-
Accumulated depreciation	(179)	-
Total low value asset pool	<u>1,063</u>	<u>-</u>
Total property, plant and equipment	<u><u>27,214</u></u>	<u><u>24,301</u></u>

(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	Low Value Asset Pool	Total
	\$	\$	\$	\$
Year ended 30 June 2018				
Balance at the beginning of year	13,239	11,062	-	24,301
Additions	9,168	4,790	1,242	15,200
Depreciation expense	(3,971)	(8,137)	(179)	(12,287)
Balance at the end of the year	<u><u>18,436</u></u>	<u><u>7,715</u></u>	<u><u>1,063</u></u>	<u><u>27,214</u></u>

	Fixtures and Fittings	Computer Equipment	Low Value Asset Pool	Total
	\$	\$	\$	\$
Year ended 30 June 2017				
Balance at the beginning of year	14,639	9,573	-	24,212
Additions	1,907	8,229	-	10,136
Depreciation expense	(3,307)	(6,740)	-	(10,047)
Balance at the end of the year	<u><u>13,239</u></u>	<u><u>11,062</u></u>	<u><u>-</u></u>	<u><u>24,301</u></u>

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

11. Other Assets

	2018	2017
	\$	\$
CURRENT		
Prepayments	50,167	36,369
Other assets	1,120	1,120
	<u>51,287</u>	<u>37,489</u>

12. Trade and Other Payables

	2018	2017
	\$	\$
Current		
Trade payables	132,920	51,432
Other payables	38,406	28,831
GST payable	154,069	252,474
Accrued expenses	106,094	73,599
	<u>431,489</u>	<u>406,336</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

	2018	2017
	\$	\$
CURRENT		
Secured liabilities:		
Bank overdraft	1,050,840	1,081,797
Credit card	46,998	40,565
Business loan	150,151	-
Other financial liabilities	39,705	32,363
Total current borrowings	<u>1,287,694</u>	<u>1,154,725</u>

Facilities held with Westpac include:

- Overdraft facility (1,200,000)
- Banker' undertaking facility (84,476)
- Business loan (400,000 facility)
- Credit card facility (50,000)

Limit of finance agreement dated 2 June 2018 is \$1,684,476 includes the overdraft facility, the Banker' undertaking and the business loan limited guarantee and indemnity by Edward Finn. Total unused portions are disclosure in note 25(b).

AF Legal Pty Ltd

ABN: 44 604 485 154

**Notes to the Financial Statements
For the Year Ended 30 June 2018**

13. Borrowings

(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

	2018	2017
	\$	\$
CURRENT		
Annual leave	69,784	36,786
Provision Straight Line Rental	17.(b) 26,972	3,519
	<u>96,756</u>	<u>40,305</u>
NON-CURRENT		
Long service leave	<u>7,312</u>	<u>3,416</u>
	<u>7,312</u>	<u>3,416</u>

15. Issued Capital

	2018	2017
	\$	\$
(2017: 100) Ordinary shares	100	100
Total	<u>100</u>	<u>100</u>

(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

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

15. Issued Capital

(b) Capital Management
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.

13. - -

16. Retained Earnings

	2018	2017
	\$	\$
Retained earnings (accumulated losses) at the beginning of the financial year	(147,033)	250,547
Net profit/(loss)	731,969	(101,580)
Distribution to shareholders	(237,000)	(296,000)
Retained earnings at end of the financial year	347,936	(147,033)

17. Capital and Leasing Commitments

The Company has the following commitments relating to operating leases:

(a) Finance Leases

	2018	2017
	\$	\$
Minimum lease payments:		
- not later than one year	185,586	126,382
- between one year and five years	409,866	520,130
Minimum lease payments	595,452	646,512
Present value of minimum lease payments	595,452	646,512

Operating leases are in place for Melbourne and Sydney offices. Lease payments are increased on an annual basis to reflect market rentals.

(b) Straight lining of leases

Lease agreement for Melbourne office signed on 25 July 2017 states a rent abatement period commencing on 18 April 2017 and expiring on 17 April 2020 of \$114,846.

Post abatement rental payments	107,821	19,721
Straight lining	(134,793)	(23,240)
	(26,972)	(3,519)

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

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

	2018	2017
	\$	\$
Loans and receivables	2,206,139	1,382,361
Financial assets at fair value	457	5,147
Financial liabilities at fair value	(1,287,694)	(1,154,725)
Financial liabilities at amortised cost	(633,632)	(434,705)
	<u>285,270</u>	<u>(201,922)</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.

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

18. Financial Risk Management

Objectives, policies and processes

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.

The table/s below reflect maturity analysis for financial assets.

	Effective Interest		Within 1 year		Over 1 year		Total	
	Rate							
	2018	2017	2018	2017	2018	2017	2018	2017
	%	%	\$	\$	\$	\$	\$	\$
Financial assets - cash flows realisable								
Cash and cash equivalents	-	-	457	5,147	-	-	457	5,147
Trade, term and loans receivables	-	-	1,151,190	630,845	-	-	1,151,190	630,845
Loans to Director	-	-	-	-	1,054,949	751,516	1,054,949	751,516
Financial liabilities	4.85	4.55	(1,287,694)	(1,154,725)	-	-	(1,287,694)	(1,154,725)
Trade payables	-	-	(431,489)	(406,336)	-	-	(431,489)	(406,336)
Provision for Straight line rental	-	-	(26,972)	(3,519)	-	-	(26,972)	(3,519)
Tax liabilities	-	-	(175,171)	(24,850)	-	-	(175,171)	(24,850)
Total anticipated outflows			(769,679)	(953,438)	1,054,949	751,516	285,270	(201,922)

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.

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

18. Financial Risk Management

Credit risk

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.

19. Tax assets and liabilities

(a) Current Tax Liability

	2018	2017
	\$	\$
Balance at the start of the year	27,268	(119,173)
Income Tax	(298,400)	58,402
Tax payments	121,845	113,156
Under/Over provision	25,117	(25,117)
Current tax liabilities	(124,170)	27,268

(b) Deferred Tax Assets

	2018	2017
	\$	\$
Deferred Tax Asset balance	61,362	33,401
Deferred Tax Liability balance	(51,002)	(52,118)
Balance at 30 June 2018	10,360	(18,717)
Deferred tax assets		
Property, plant and equipment	(6,679)	(6,679)
Provisions - Provision for doubtful debts	1,960	-
Prepayments	(44,324)	(45,440)
Accruals	30,784	21,379
Employee provision	28,619	12,023
Deferred tax	10,360	(18,717)

AF Legal Pty Ltd

ABN: 44 604 485 154

**Notes to the Financial Statements
For the Year Ended 30 June 2018**

20. Dividends

	2018	2017
	\$	\$
The following dividends were declared and paid:		
Interim franked ordinary dividend of \$600 (2017: Nil) per share to be paid on 30 November 2017	60,000	-
Final franked ordinary dividend of \$1,770 (2016: 2,960) per share	177,000	296,000
Total	237,000	296,000

Franked dividends declared or paid during the year were franked at the tax rate of 27.5%.

21. Auditors' Remuneration

	2018	2017
	\$	\$
Remuneration of the auditor (Moore Stephens), for:		
- External Audit	17,500	15,000
Total	17,500	15,000

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.

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

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.

The following transactions occurred with related parties:

	2018	2017
Edward Finn - Director		
Salary	69,231	39,923
Superannuation	6,577	3,793
Alan Alpass- Director		
Salary	-	10,652
Superannuation	-	1,012
Consulting	-	868
Rent contribution	-	2,984

(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 to shareholders			
2018	697,698	1,054,949	34,819
2017	475,002	751,516	9,419

AF Legal Pty Ltd

ABN: 44 604 485 154

**Notes to the Financial Statements
For the Year Ended 30 June 2018**

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:

	2018 \$	2017 \$
Net profit/(loss)	731,969	(101,580)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	12,287	10,047
- interest capitalised into Director loan	(34,980)	(16,885)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(520,345)	348,012
- (increase)/decrease in other assets	(13,798)	(23,253)
- increase/(decrease) in trade and other payables	25,153	79,819
- increase/(decrease) in income taxes payable	151,438	(146,441)
- increase/(decrease) in deferred tax liability	(29,077)	33,016
- increase/(decrease) in provisions	23,453	3,519
- increase/(decrease) in employee benefits	36,894	18,327
Cashflows from operations	<u>382,994</u>	<u>204,581</u>

(b) Borrowing facilities

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

	2018 \$	2017 \$
Total facilities		
Westpac Business One loan	1,200,000	1,200,000
Bank bill Business Loan services	400,000	-
Banker ¹ Undertaking -Individual limit 1	27,390	33,500
Banker ¹ Undertaking -Individual limit 2	57,086	-
	<u>1,684,476</u>	<u>1,233,500</u>

AF Legal Pty Ltd

ABN: 44 604 485 154

Notes to the Financial Statements
For the Year Ended 30 June 2018

25. Cash Flow Information

(b) Borrowing facilities

	2018 \$	2017 \$
Used at reporting date		
Westpac Business One loan	1,050,270	1,081,297
Bank bill Business Loan services	150,151	-
Banker' Undertaking -Individual limit 1	27,390	33,500
Banker' Undertaking -Individual limit 2	57,086	-
	<u>1,284,897</u>	<u>1,114,797</u>
Unused at reporting date		
Westpac Business One loan	149,730	118,703
Bank bill Business Loan services	249,849	-
	<u>399,579</u>	<u>118,703</u>

26. Events Occurring After the Reporting Date

The financial report was authorised for issue on 30 November 2018 by the board of directors.

Other than disclosed elsewhere in this report,(particulary 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 2018 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)

Level 18, 530 Collins Street
Melbourne Victoria 3000
+61 (0)3 9608 0100

Level 1, 219 Ryrie Street
Geelong Victoria 3220
+61 (0)3 5215 6800

victoria@moorestephens.com.au

www.moorestephens.com.au

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 2018, 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 2018 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 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 2018, 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