A / F LEGAL

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31 August 2026

Strong revenue growth and increased underlying profit

- Normalised NPBT attributable to owners of AF Legal Group of $1.82 million, up 32% on prior corresponding period (pcp)
- Revenue growth of 29% on pcp, with average weekly revenue of $683k, although growth slowed in the second half
- Well positioned for further profitable growth with new practice and document management systems, increased expertise and experience across our legal practitioners and an expanded and strengthened senior management team
- FY27 to see further revenue growth with improved operating leverage at the normalised NPBT attributable level

$'000	FY26	H2 FY26	H1 FY26	FY25	FY24	FY23	FY22
Revenue*	**35,542**	**17,714**	**17,828**	**27,602**	**21,661**	**18,881**	**16,983**
Average Weekly Revenue [AWR] (excl.	**683**	**681**	**686**	**531**	**417**	**363**	**327**
AWR Growth on prior Qtr/Half		*0%*	*20%*				
AWR Growth on pcp		*19%*	*40%*				
Growth on prior FY	*29%*			*27%*	*15%*	*11%*	*54%*
NPBT	**2,041**	**576**	**1,465**	**896**	**1,476**	**(7,556)**	**295**
NPBT attributable to the owners of AF Legal Group Limited	**755**	**(19)**	**774**	**64**	**607**	**(8,256)**	**(43)**
Normalisation adjustments	1,263	769	494	1,501	174	8,415	31
Normalisation adjustments (Attributable)	1,068	579	488	1,318	174		
Normalised NPBT	**3,304**	**1,345**	**1,959**	**2,397**	**1,650**	**859**	**326**
Normalised NPBT attributable to the owners of AF Legal Group Limited	**1,823**	**560**	**1,263**	**1,382**	**781**	**159**	**(13)**

**** Revenue represents Legal Fees and excludes Other Income***

Table 1: Financial Performance FY26 back to FY22

Revenue & Profitability

The company achieved revenue of $35.5 million and continued bottom-line improvement, with Normalised NPBT attributable to the owners of the AF Legal Group of $1.82 million.

Family Law (FL) grew by 23% ($5.2m). Armstrong Legal Contested Wills & Estates (CWE) grew by 27% ($0.90m).Armstrong Legal Criminal Law (CL) grew by 151% ($1.82m) aided by 4 non-comparable months (the practice commenced in Nov-24) and non-comparable new practices outside of NSW.

Average Weekly Revenue (AWR) for FY26 was a full year high of $683k, with Q4 representing a new peak of $694k. The first eight weeks of FY27 have seen average weekly revenue lift further, now above $730k per week, and even stronger still over the past four weeks following the school holidays, at more than $770k per week.

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During FY26 several one-off expenses and charges adversely impacted our statutory results, including Project Titan and Legal Defence costs as flagged previously, as well as others outlined below. These costs have been adjusted into our Normalised NPBT attributable result of $1.82 million.

These one-off expenses and charges are detailed below:

Project Titan	$1.039 million
Legal defence costs	$0.399 million
Historic reconciliation adjustments	$0.200 million
Deferred consideration writeback	($0.375 million)
Total FY26 Normalising Adjustments	**$1.263 million**
Total FY26 Normalising Adjustments (Attributable to Owners)	**$1.068 million**

Project Titan costs are expensed as incurred, with a further $1.039 million expensed in FY26. The project went live in May 2026 on time and within budget.

The **legal defence fees** outlined in previous ASX announcements relate to two separate matters dating back to 2021 and 2022, one of which was settled during FY25. The remaining matter relates to an ongoing regulatory investigation but does not involve any claim for damages. Fees paid and accrued in relation to this matter in FY26 totalled $0.399 million.

The transition in accounting systems identified a number of items dating from FY21-FY23. The majority of these aged discrepancies related to acquisitions and are likely the result of accounting errors relating to these transactions, together with other errors made during a period in which our finance function was not adequately resourced. These **historic reconciliation adjustments** totalled $0.2 million.

The Armstrong Legal Contested Wills & Estates acquisition (Apr-24) had an initial purchase price of $3.0 million paid in cash on acquisition with two potential earnout payments of $0.375 million each in respect of FY24 and FY25. The first of these was paid; the second was not, as the seller's obligations were not fulfilled and the selling entity went into liquidation during FY26. AF Legal has provided a proof of debt to the liquidator which is in excess of the $0.375 million earnout amount. This favourable **deferred consideration writeback** has been normalised out of our underlying performance.

We do not expect any normalising adjustments in FY27.

In addition to the one-off expenses and charges outlined above, there were several other one-off impacts on H2 profitability that were not normalised.

Whilst Project Titan is now live, the implementation of such a significant change to operations created considerable disruption. This included time taken in training prior to go-live and the resultant loss of productivity post implementation as team members adapted to the new system. While the impact is difficult to isolate precisely, trend analysis of weekly revenue levels suggests a conservative impact in the order of $0.2-0.3 million, both at a revenue and bottom-line level.

Additionally, restructure costs of $0.3 million relating to changes in the senior management team were expensed during the second half.

During the second half of the year, we undertook a detailed review of our provisioning methodology for debtors and WIP and increased the related provisions by a further $0.2m.

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Upgrade to Project Management & Document Management Systems (Project Titan)

During the year, the firm successfully completed the upgrade of its Practice Management System (Aderant Expert), Document Management System (iManage), and associated modules. This was a significant business-wide initiative, impacting all operational and client service areas across the organisation.

The project achieved its key implementation milestone, with the new systems going live on 18 May 2026. Careful planning and execution limited business disruption to just two working days of system downtime during the transition.

As anticipated with a transformation of this scale, productivity was temporarily affected as staff adapted to new workflows and system capabilities. Encouragingly, productivity levels have improved steadily throughout the post-implementation period as users become more familiar with the enhanced functionality. The investment in the upgraded platforms are now delivering improved efficiency, greater functionality, and a stronger foundation to support the firm's future operational requirements.

Cash Flow

Operating cash flow for the year was an inflow of $1.66 million (2025: inflow of $2.86 million). The decrease compared with the prior year reflects in part the one-off payments in relation to Project Titan ($1.0m) and management team restructure costs ($0.3m). Additionally, the temporary impact of delayed billing associated with the implementation of Project Titan, together with continued growth in the Contested Wills and Estates (CWE) practice, both had an impact on working capital.

Revenue growth within CWE contributed an additional $0.9 million during the year; however, the nature of this work typically results in a longer cash conversion cycle, with collections occurring on average approximately 15 months after work is performed. As a result, growth in this practice area requires an investment in working capital to support ongoing operations.

In FY27, cash flows will not be required to absorb these Project Titan and other one-off impacts and will therefore be more readily available to strengthen our balance sheet, notwithstanding further growth in CWE.

Net cash used in investing activities was $0.4 million, comprising primarily $0.3 million of expenditure on fixed assets, with the balance relating largely to office fit-out and information technology investments aimed at supporting the firm's operational requirements and future growth.

Net cash used in financing activities was $2.4 million. This primarily reflected the absence of new borrowings during the year, together with $1.7 million in lease liability repayments and $0.6 million in dividend payments to non-controlling interests.

Overall, the Group recorded a net cash outflow of $1.2 million for FY26. While cash balances decreased during the year, this outcome reflects deliberate investment in business growth, leadership and infrastructure, together with the temporary timing impacts associated with the implementation of Project Titan.

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Outlook

Financial year 2027 is anticipated to see revenue growth with continued operating leverage at a normalised NPBT level. In the absence of the one-off events concentrated in H2 FY26, we expect to re-establish a more favourable differential between top-line and bottom-line percentage growth as has been our prevailing pattern in previous years. We also expect few, if any, one-off costs.

This announcement was approved for release to the ASX by AFL's Board of Directors.

-ENDS-

For any questions, please contact:

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