Australian Family Lawyers

# ANNUAL REPORT

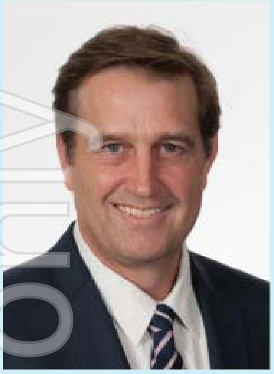
for the year ended 30 June 2020

AF Legal Group Limited

ABN 82 063 366 487

## Contents

## 1. Letter from the Chairman



I am delighted to present the second annual report of AF Legal Group Limited ("AFL", the "Company", or the "Group") as a public company. AFL is a law firm with a difference. It was established in 2015 to create a disruptive law firm that challenged the conventional wisdom of relationship driven business development and instead applied an alternative model driven by data and digital marketing. We have in quick time progressed to become the market leader in client acquisition disrupting the way family law clients find legal advice.

The financial year ending 30 June 2020 was effectively our first full year of operations since the former Navigator Resources Limited relisted on the ASX as AFL in June 2019. The Company has historically demonstrated strong organic growth and has continued its strategy to expand into additional targeted geographies through both organic growth and strategic acquisitions. During the FY20 period, we expanded into three new regions including Canberra (February 2020), Sunshine Coast (June 2020) and Adelaide (August 2020). Our growth hierarchy has proven a steady successful course and provides a growth platform for client leads in new geographies with local well networked lawyers. This expansion has been underpinned by the execution of our proprietary disruptive digital marketing strategy which we furthered developed to launch "AFL 2.0" in early 2020. We continue to assess both organic and acquisitive growth opportunities nationwide and expect to be in every state and territory by the end of June 2021.

Our core family law legal offering is paramount to our success. Every decision and initiative taken in AFL over the last 12 months has been one that supports our ability to reach a larger audience of clients; scales our operating model; makes our legal offering better; and strengthens the culture and values of our people. This focus is about achieving our mission of becoming Australia's first and largest National Family law firm. The 'AFL Way' of holistic care, our case model strategy, and our client outcomes focus, has resonated with the market. For example, we have built a relationship with Stowe Family Law in the United Kingdom to help UK Citizens living in Australia and in our first year we were recognised as a finalist in the Lawyers Weekly Awards as "Law Firm of the Year" and "New Law Firm of the year" alongside some of nation's largest blue-chip firms.

COVID arrived early in 2020 and with that brought many challenges to traditional firms. AFL was set in a modern setting where technology and flexible arrangements were already part of our fabric. We were able to quickly meet the operational challenges and take up the demand generated through our digital channels.

The AFL story is a great one – it has a well-established competitive advantage, is operating in a market worth over $1 billion revenue per annum with no market leader and has the platform and access to resources to execute its growth strategy.

I would finally like to thank our shareholders for their continued support since listing in June 2019 and share my gratitude to the entire staff at AFL for their efforts now and looking into the future.

Yours sincerely

Grant Dearlove
Executive Chairman

## 2. Directors' Report

The Directors of AF Legal Group Limited (the "Company") submit herewith the Financial Report of the Company, and its controlled entity (referred to herein as the "Group") for the financial year ended 30 June 2020. To comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### Directors

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

Mr. Grant Dearlove

Mr. Edward Finn

Mr. Glen Dobbie

Mr Kevin Lynch, appointed 22 October 2019

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

**Mr. Grant Dearlove, Executive Chairman**

| | |
|---|---|
| **Date of appointment** | 30 May 2019 |
| **Experience and expertise** | For 28 years Grant has been a Lawyer and Company Director owning, leading, and growing private and ASX listed and Global companies at 'C' suite level combining both strategic business, investment and legal competencies to deliver shareholder return.<br><br>Across his career Grant has owned, worked for, and consulted to professional service firms in disciplines spanning legal services, property, franchising, risk, insurance, VET sector education, Tourism, M&A, funds management and outsourcing.<br><br>In his legal career Grant has been a practising solicitor since 1992. A former equity partner of leading Queensland firm McInnes Wilson Lawyers, Grant forged a career in professional services consulting to National law firms including for 9 years occupying the role of National Legal Partner and Executive of ASX listed Shine Corporate Limited where he led the growth of emerging practice areas including Family Law in the position of Head of Growth and Markets growing new areas of law from $2 million to over $50 million in revenue.<br><br>As a company Director Grant held positions as Managing Director of Colliers International (Residential) for Australia, Managing Director of PRDnationwide, and Managing Director of risk management company Verifact. Grant is a Non-Executive Director of Oliver Hume Corporation, Chair of its Audit and Risk Committee (Australia's leading residential fund manager and property agency) and Chair of Oliver Hume's Queensland and Agency businesses. Grant is a Director of leading stockbroker and wealth manager Forefront Financial Services Pty Ltd – Morgans Milton. He is also a Director and Chair of the FAR Committee of the Central Queensland Primary Health Network, and an Independent Director of Surf Life Saving Queensland.<br><br>Grant was National Chair of the Australian Institute of Management Limited (a 75 year national training membership organisation), Deputy Chair of Invest Logan Pty Ltd (the economic development arm of the Logan City Council), Director of the Countrywide and Sunshine Co-operative Housing Societies, Director of Sunshine Coast Destination Limited (Sunshine Coast Tourism), Non-Executive Director of the litigation funder the International Justice Fund Limited, and National Director of Colliers International and related companies.<br><br>Grant is also a member of the Audit & Risk and Remuneration and Nomination Committees of AFL. |
| **Qualifications** | Grant has a Bachelor of Laws, Master of Laws, Master of Business Administration, and a Graduate Diploma in Applied Corporate Governance.<br><br>Grant is a Graduate of the Institute of Company Directors Course. He is a Life Fellow of the Australian Institute of Management and studied leadership of professional service organisations at Harvard University. |

| | | |
|---|---|---|
| **Other current directorships in listed entities** | None | |
| **Former directorships in last 3 years in listed entities** | None | |
| **Interest in shares and options** | Fully paid ordinary shares | 1,000,000 |
| | Unlisted performance rights | 1,350,000 |

### Mr. Edward Finn, Managing Director

| | | |
|---|---|---|
| **Date of appointment** | 30 May 2019 – 10 August 2020 (Managing Director)<br>10 August 2020 (Non-Executive Director) | |
| **Experience and expertise** | Edward is the founder of AFL. He retired as Managing Director on 10 August 2020 to become a Non-Executive Director and focus on further developing AFL's digital marketing platform as Chair of the Marketing Advisory Council.<br><br>Prior to founding AFL, Edward worked as a lawyer for a general service firm with a particular emphasis on relationship and family law. Edward has a longstanding interest and background in digital marketing and is the co-founder of an online travel guide and an online retailer.<br><br>Edward is also a member of the Audit & Risk and Remuneration and Nomination Committees of AFL. | |
| **Qualifications** | Edward completed combined Bachelor of Law / Arts (Media & Communications) at the University of Melbourne and is a recipient of the Grumitt Scholarship.<br><br>Edward was admitted as a solicitor in 2012 and currently holds a Principal Practising Certificate issued by the Victorian Legal Services Board & Commissioner. | |
| **Other current directorships in listed entities** | None | |
| **Former directorships in last 3 years in listed entities** | None | |
| **Interest in shares and options** | Fully paid ordinary shares | 10,875,000 |
| | Unlisted performance rights | - |

### Mr. Glen Dobbie, Director

| | |
|---|---|
| **Date of appointment** | 12 February 2016 |
| **Experience and expertise** | Glen is the Managing Partner of Auxano LLP, an investment firm that seeks to provide mid-market businesses with whatever they need to grow. Prior to this role, Glen was formerly the Group Commercial Director at Arowana & Co, where he was primarily responsible for the investment operations of the ASX listed, Arowana International Limited. During his 8 years at Arowana & Co, the firm recorded returns of over 30% per annum and Arowana International Limited's share price rose to $1.00 from a listing price of $0.35.<br><br>Glen has experience in "hands on" operational management across a variety of industries including education, e-commerce, media, infrastructure, engineering, waste management and technology businesses.<br><br>Glen has been involved in various capital raising activities and held directorships across a range of sectors for listed and unlisted companies as well as private equity funds.<br><br>Glen is also a member of the Audit & Risk and Remuneration and Nomination Committees of AFL, and is also a certified Gazelles business coach. |

| | | |
|---|---|---|
| **Qualifications** | Bachelor of Commerce (Honours) degree from the University of New South Wales where he was a University Co-Op Scholar with the School of Accounting. Glen is also a qualified accountant holding a Graduate Diploma of Chartered Accounting from the Institute of Chartered Accountants Australia. | |
| **Other current directorships in listed entities** | None | |
| **Former directorships in listed entities in last 3 years** | None | |
| **Interest in shares and options** | Fully paid ordinary shares | 2,075,000 |
| | Unlisted performance rights | 1,000,000 |

### Mr. Kevin Lynch, Director

| | | |
|---|---|---|
| **Date of appointment** | 22 October 2019 | |
| **Experience and expertise** | Kevin is an entrepreneurial business executive with over 17 years global experience building and leading companies across new and emerging sectors like technology, digital, e-commerce, education / online learning in APAC, EMEA and the Americas. In addition, Kevin has demonstrated a proven ability to build and create sustainable long-term shareholder value.<br><br>Kevin started his career in marketing & technology with Enterprise Ireland, the trade board of Ireland, where he advised companies exporting and scaling abroad with a focus on the European market. He then relocated to Australia in 2006 where he helped establish and grow Think Education Group (now Laureate Universities Australia) as Chief Marketing Officer, which was successfully sold to SEEK in 2010 for $110m. More recently, Mr Lynch was the founding Chief Marketing Officer and later Chief Operating Officer of Open Colleges Group in Australia which disrupted the online learning market, and later sold to Apollo Education Group (AEG) in 2014 for $225m.<br><br>Today, Kevin works with, advises and invests in global businesses who challenge the status quo in order to disrupt traditional industries, with a focus on education, sales, marketing, legal and technology.<br><br>Kevin is also a member of the Audit & Risk and Remuneration and Nomination Committees of AFL. | |
| **Qualifications** | Bachelor of Business (1st class Honours), Marketing and Law from University of Limerick; and a Masters in Marketing (1st class Honours) from Michael Smurfit Business School, University College of Dublin. | |
| **Other current directorships in listed entities** | None | |
| **Former directorships in listed entities in last 3 years** | None | |
| **Interest in shares and options** | Fully paid ordinary shares | 158,750 |
| | Unlisted performance rights | 500,000 |

### Company Secretary

Maggie Niewidok

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

## 2. Director's Report (continued)

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

### Meetings of directors

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

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

| | Board of directors | | Remuneration and Nomination committee | | Audit and Risk committee | |
|---|---|---|---|---|---|---|
| Director | * Eligible to Attend | Attended | * Eligible to Attend | Attended | * Eligible to Attend | Attended |
| Grant Dearlove | 13 | 13 | 1 | 1 | 2 | 2 |
| Edward Finn | 13 | 12 | 1 | 1 | 2 | 2 |
| Glen Dobbie | 13 | 13 | 1 | 1 | 2 | 2 |
| Kevin Lynch | 7 | 7 | - | - | 1 | 1 |

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

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

### Dividends

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

### Environmental Regulations

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

### Indemnification of Directors and Officers

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

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

The insurance premiums relate to:

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

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

### Proceedings on Behalf of the Company

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

## 2. Director's Report (continued)



### Non-audit Services

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

The following fees for non-audit services were paid / payable to the external auditors or related entities of the external auditors during the year ended 30 June 2020:

| | 30 June 2020<br>$ | 30 June 2019<br>$ |
|---|---|---|
| Taxation compliance service – preparation of tax return and other tax matters | 31,860 | 21,055 |
| **Total** | **31,860** | **21,055** |

### Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 18 of the Annual Report.

### Principal Activities

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

### Subsequent Events

There was no impact to performance due to the Coronavirus ('COVID-19') for the Group up to 30 June 2020. However, the impact of the COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 10 August 2020, the Company advised that Edward Finn had taken the decision to retire as Managing Director to enable him to chair a Marketing Advisory Board focused on further development of the client acquisition engine, AFL 2.0. He remains a Non-Executive Director of the Company and the largest shareholder. Retaining the title of Executive Chairman, Grant Dearlove assumes the responsibilities of Managing Director and he is supported in this capacity by the current Chief Operating Officer, Stace Boardman and Glen Dobbie as Executive Director. Non-Executive Director Kevin Lynch will also join the Marketing Advisory Board.

In August 2020, the Group opened a new office in Adelaide led by a lateral hire and highly respected family law practitioner Shelley O'Connell. In addition, the Company signed an international agreement with Stowe Family Law, United Kingdom's largest family law firm.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Likely developments and expected results of operations

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

## 2.1 Review of Operations

AF Legal Pty Ltd (also known as Australian Family Lawyers) (AFL) is a wholly owned subsidiary of AF Legal Group Limited and is the trading entity of the Group. AFL is an Australian law firm that specialises in family and relationship law. The firm provides advice to clients in respect of divorce, separation, property and children's matters together with related and ancillary services such as litigation. AFL's strategy is to become the largest family and relationship law firm in Australia and to "roll out" its proprietary client acquisition model into other areas of law, overseas geographies and other professional services sectors.

## 2. Director's Report (continued)

AF Legal Pty Ltd has historically demonstrated strong organic growth and has continued its strategy to expand into additional targeted geographies through both organic growth and strategic acquisitions. This commenced in 2017 with the organic new office expansion into Sydney from Melbourne, followed by the acquisition of Walls Bridges Lawyers in Mornington in February 2019 and the acquisition of Queensland based Nita Stratton Funk & Associates in June 2019. During the FY20 period, AFL has continued its nationwide expansion into three new regions including Canberra (February 2020), Sunshine Coast (June 2020) and after the year end, Adelaide (August 2020).

### AFL Statutory and Underlying Profitability

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

| Key Statutory Information | 2020 $ | 2019 $ | % Change |
|---|---|---|---|
| Revenue from ordinary activities | 7,039,063 | 429,512 | 1,538.9% |
| Profit/(Loss) after tax from ordinary activities attributable to owners | 422,381 | (1,203,789) | (135.1%) |
| Net profit/(loss) attributable to owners | 422,381 | (1,203,789) | (135.1%) |

Directors' note that this is the first full reporting period for the restructured AF Legal Group Limited. In accordance with the accounting principles of Business Combinations, the prior year financial results reported herein contain the results of the former Navigator Resources Limited for the full reporting period and the results of AF Legal Pty Ltd from the point of acquisition only, since 31 May 2019. As the prior year results reflect the performance of an entity undertaking substantially different activities, they are not considered relevant to an assessment of comparative performance. Furthermore, directors note that the reported result for FY20 is not necessarily representative of the underlying trading performance due to a number of non-recurring or one-off items of expense and income.

In the table below, directors have provided estimates to more accurately reflect the underlying performance of the Group. Specifically, the comparative estimates:

a. include the results for AF Legal Pty Ltd on a proforma basis for the entire year in 2019 rather than from the point of acquisition; and

b. remove a number of non-recurring or one-off items of expense and income for 2019 and 2020

| A$000s | 2020 | 2019[4] | % change |
|---|---|---|---|
| **Underlying** | | | |
| Revenue[1] | 6,893 | 4,950 | 30% |
| Gross Profit | 3,578 | 2,260 | 58% |
| % Margin | 52% | 46% | 6% |
| Operating EBITDA[2] | 2,626 | 1,723 | 52% |
| Margin % | 38% | 35% | 3% |
| Underling EBITDA[3] | 1,740 | 1,236 | 41% |
| Margin % | 25% | 25% | - |
| **Statutory** | | | |
| Revenue | 7,039 | 430 | na |
| EBITDA | 1,014 | (1,184) | na |
| NPAT | 422 | (1,204) | na |

[1] Total revenue for the 12 month period ended 30 June 2020 has been adjusted to include the removal of non recurring or unusual income items.

[2] Operating EBITDA adjusts the statutory EBTIDA for the 12 month period ended 30 June 2020 to include the removal of non recurring or unusual costs, removal of head office costs and costs associated with being listed on the ASX.

[3] Underlying EBITDA adjusts the statutory EBTIDA for the 12 month period ended 30 June 2020 to include the removal of non recurring or unusual costs.

[4] Prior corresponding period is prepared on the same basis as the 12 months period ended 30 June 2020.

These are directors estimates that have not been subject to external audit. For a comprehensive explanation of trends in underlying performance based on an assessment by the Directors, you are encouraged to read the Investor Presentation which accompanied the unaudited Appendix 4E which was released on 10 August 2020.

## 2.2 Remuneration Report (Audited)

The Directors of AF Legal Group Limited present the Remuneration report for the Company and its controlled entity for the year ended 30 June 2020 (FY20). This report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001. The Report details the remuneration arrangements for the Group's:

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

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

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

- key management personnel details;
- principles of compensation;
- details of remuneration;
- service agreements;
- share based compensation;
- additional disclosures related to key management personnel; and
- additional information

### Key Management Personnel Details

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

- Mr. Grant Dearlove, Executive Chairman
- Mr. Edward Finn, Managing Director
- Mr. Glen Dobbie, Non-Executive Director
- Mr Kevin Lynch, Non-Executive Director (appointed 22 October 2019)
- Ms. Stace Boardman, Chief Operating Officer (appointed 29 July 2019)
- Mr. Peter Bergin, Interim Chief Financial Officer (part year until 30 September 2019)

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

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

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

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

## Principles of Compensation

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

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

### Fixed Remuneration

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

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

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

### Short Term Incentive – Performance Cash Bonus

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

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

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

### Long-Term Incentive Plan (LTIP)

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

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

At 30 June 2020, 4,050,000 performance rights were issued under the Performance Rights Plan, exercisable at $0.00 per performance right for one fully paid share, expiring on 4 December 2022. However, 1,200,000 performance rights belonging to Edward Finn were cancelled when Edward Finn stepped down as the Managing Director of AFL. Of the remaining 2,850,000 performance rights, 1,425,000 performance rights vested on 30 June 2020 and the remaining 1,425,000 performance rights have a milestone date of 30 June 2021.

## Details of remuneration

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share based payments | |
|---|---|---|---|---|---|---|---|
| | Cash salary & fees | Other | Bonus | Super-annuation | Employee leave | Performance rights | Total |
| 2020 | $ | $ | $ | $ | $ | $ | $ |
| **Non-Executive Directors** | | | | | | | |
| Kevin Lynch * | 23,336 | - | 12,500 | - | - | 64,690 | 100,526 |
| **Executive Directors** | | | | | | | |
| Grant Dearlove | 120,000 | - | 105,000 | - | - | 174,662 | 399,662 |
| Glen Dobbie | 50,000 | - | 50,000 | - | - | 129,379 | 229,379 |
| Edward Finn | 61,644 | - | - | 5,856 | 9,558 | - | 77,058 |
| **Other Key Management Personnel** | | | | | | | |
| Mr. P Bergin * | 30,000 | - | - | - | - | - | 30,000 |
| Stace Boardmann * | 177,029 | - | 21,000 | 16,818 | 10,667 | - | 225,513 |
| | **462,009** | **-** | **188,500** | **22,674** | **20,225** | **368,731** | **1,062,139** |

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

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share based payments | |
|---|---|---|---|---|---|---|---|
| | Cash salary & fees | Other | Bonus | Super-annuation | Employee leave | Performance rights | Total |
| 2019 | $ | $ | $ | $ | $ | $ | $ |
| **Non-Executive Directors** | | | | | | | |
| Glen Dobbie * | 75,000 | - | - | - | - | - | 75,000 |
| Greg Ruddock | - | - | - | - | - | - | - |
| Josh McKean * | 75,000 | - | - | - | - | - | 75,000 |
| Malcolm Keefe | - | - | - | - | - | - | - |
| **Executive Directors** | | | | | | | |
| Grant Dearlove ** | 10,000 | - | - | - | - | - | 10,000 |
| Edward Finn ** | 9,484 | - | - | 901 | 790 | - | 11,175 |
| **Other Key Management Personnel** | | | | | | | |
| Peter Bergin ** | 10,000 | - | - | - | - | - | 10,000 |
| | **179,484** | **-** | **-** | **901** | **790** | **-** | **181,175** |

* Represents a retrospective Director's fee in part settlement of remuneration previous foregone, payable at the Board's discretion for having achieved "a First Acquisition".

** Appointed to respective roles at 30 May 2019, so remuneration for one month only.

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

| | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| **Name** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| **Non-Executive Directors** | | | | | | |
| Greg Ruddock | - | - | - | - | - | - |
| Josh McKean | - | 100% | - | - | - | - |
| Malcolm Keefe | - | - | - | - | - | - |
| Kevin Lynch | 23% | - | 12% | - | 64% | - |
| **Executive Directors** | | | | | | |
| Grant Dearlove | 30% | 100% | 26% | - | 44% | - |
| Glen Dobbie | 22% | 100% | 22% | - | 56% | - |
| Edward Finn | 100% | 100% | - | - | - | - |
| **Other Key Management Personnel** | | | | | | |
| Peter Bergin | 100% | 100% | - | - | - | - |
| Stace Boardmann | 91% | - | 9% | - | - | - |

### Service Agreements

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

| | |
|---|---|
| **Name:** | Grant Dearlove |
| **Title:** | Executive Chairman |
| **Agreement commenced:** | 1 March 2019 |
| **Term of agreement:** | None |
| **Details:** | Base remuneration for the year ended 30 June 2020 of $120,000 paid as consultancy fees, to be reviewed annually by the Nomination and Remuneration Committee. One-month termination notice by either party. Cash bonus of $45,000 one year after completion of the acquisition of AF Legal Pty Ltd. Eligible to participate in the Company's LTIP and STIP subject to KPI achievement.<br><br>On 10 August 2020, a new service agreement was entered into by Mr. Grant Dearlove. The base remuneration for the year ending 30 June 2021 was agreed at $180,000 paid as consultancy fees. 3-month termination notice by either party. |

| | |
|---|---|
| **Name:** | Edward Finn |
| **Title:** | Managing Director (to 10 August 2020) |
| **Agreement commenced:** | 28 March 2019 |
| **Term of agreement:** | None |

| | |
|---|---|
| **Details:** | Base salary for the year ended 30 June 2020 of $135,000 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 6-month termination notice by either party. Eligible to participate in the Company's LTIP. Discretionary cash bonus as per Nomination and Remuneration Committee approval and KPI achievement.<br><br>On 10 August 2020, a service agreement was entered into by Mr. Edward Finn providing advice as a Non-Executive Director. The base remuneration for the year ending 30 June 2021 was agreed at $67,500 paid as consultancy fees. 3-month termination notice by either party. |

| | |
|---|---|
| **Name:** | Glen Dobbie |
| **Title:** | Director |
| **Agreement commenced:** | 28 March 2019 |
| **Term of agreement:** | None |
| **Details:** | Base remuneration for the year ended 30 June 2020 of $50,000 paid as consultancy fees, to be reviewed annually by the Nomination and Remuneration Committee. 3-month termination notice by either party. Eligible to participate in the Company's LTIP. Discretionary cash bonus as per Nomination and Remuneration Committee approval and KPI achievement.<br><br>On 10 August 2020, a new service agreement was entered into by Mr. Glen Dobbie providing general advice associated with the role of Chief Financial Officer. The base remuneration for the year ending 30 June 2021 was agreed at $150,000 paid as consultancy fees. 3-month termination notice by either party. |

| | |
|---|---|
| **Name:** | Kevin Lynch |
| **Title:** | Non-Executive Director |
| **Agreement commenced:** | 22 October 2019 |
| **Term of agreement:** | None |
| **Details:** | Base remuneration for the year ended 30 June 2020 of $35,000 paid as consultancy fees, to be reviewed annually by the Nomination and Remuneration Committee. 3-month termination notice by either party. Eligible to participate in the Company's LTIP. Discretionary cash bonus as per Nomination and Remuneration Committee approval and KPI achievement. |

| | |
|---|---|
| **Name:** | Stace Boardmann |
| **Title:** | Chief Operating Officer |
| **Agreement commenced:** | 29 July 2019 |
| **Term of agreement:** | None |
| **Details:** | Base salary for the year ended 30 June 2020 of $210,000 including superannuation, to be reviewed annually by the Board. 2-month termination notice by either party. Eligible to participate in the Company's STIP and LTIP. Discretionary cash bonus as per Board approval and KPI achievement.<br><br>For the year ending 30 June 2021 the base salary entitlement is $231,000 including superannuation. |

*Amounts payable to KMP as at 30 June 2020*

| Name | $ |
|---|---:|
| Grant Dearlove | 60,000 |
| Glen Dobbie | 50,000 |
| Kevin Lynch | 12,500 |
| Stace Boardmann | 21,000 |
| **Total** | **143,500** |

### Share-based compensation

#### Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

#### Performance Rights

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

| Name | Number of performance rights granted | Grant date | Vesting date & exercisable date | Expiry date | Exercise price | Fair value per performance right at grant date (cents) |
|---|---:|---:|---:|---:|---:|---:|
| Grant Dearlove | 675,000 | 04-12-19 | 30-06-20 | 04-12-22 | - | 0.04 |
| Grant Dearlove | 675,000 | 04-12-19 | 30-06-21 | 04-12-22 | - | 0.11 |
| Glen Dobbie | 500,000 | 04-12-19 | 30-06-20 | 04-12-22 | - | 0.04 |
| Glen Dobbie | 500,000 | 04-12-19 | 30-06-21 | 04-12-22 | - | 0.11 |
| Edward Finn * | 600,000 | 04-12-19 | 30-06-20 | 04-12-22 | - | 0.04 |
| Edward Finn * | 600,000 | 04-12-19 | 30-06-21 | 04-12-22 | - | 0.11 |
| Kevin Lynch | 250,000 | 04-12-19 | 30-06-20 | 04-12-22 | - | 0.04 |
| Kevin Lynch | 250,000 | 04-12-19 | 30-06-21 | 04-12-22 | - | 0.11 |

* Pursuant to Mr. Edward Finn stepping down as the Managing Director of AFL on 10 August 2020, Mr. Finn forfeited his 1,200,000 performance rights.

Performance rights granted carry no dividend or voting rights.

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

## Additional disclosures relating to key management personnel

### Shareholding

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

| Name | Balance at start of the year | Additions | Disposals | Balance at the end of the year |
|---|---|---|---|---|
| Grant Dearlove | 1,000,000 | - | - | 1,000,000 |
| Glen Dobbie | 2,075,000 | 110,000 | - | 2,185,000 |
| Edward Finn | 10,875,000 | - | - | 10,875,000 |
| Kevin Lynch | - | 158,750 | - | 158,750 |
| | **13,950,000** | **268,750** | **-** | **14,218,750** |

### Performance Rights

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

| Name | Balance at start of the year | Granted | Expired | Forfeited/other | Balance at the end of the year |
|---|---|---|---|---|---|
| Grant Dearlove | - | 1,350,000 | - | - | 1,350,000 |
| Glen Dobbie | - | 1,000,000 | - | - | 1,000,000 |
| Edward Finn | - | 1,200,000 | - | - | 1,200,000 |
| Kevin Lynch | - | 500,000 | - | - | 500,000 |
| | **-** | **4,050,000** | **-** | **-** | **4,050,000** |

No performance rights were exercised during year ended 30 June 2020. Pursuant to Mr. Edward Finn stepping down as the Managing Director of AFL on 10 August 2020, Mr. Finn forfeited his 1,200,000 performance rights over ordinary shares.

## Additional information

Pursuant to the completion Balance Sheet mechanism prescribed in the Share Purchase Deed between Navigator Resources Limited and AF Legal Pty Ltd executed on 19 December 2018, the sum of $226,335 is required to be paid by Oscar Churchill Pty Ltd, a related party of Edward Finn. This sum is non-interest bearing was settled post year-end. Pursuant to the same Share Purchase Deed, deferred consideration of $500,000 due to be paid by the company to Oscar Churchill Pty Ltd was paid post year-end.

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

**End of Remuneration Report (Audited)**

On behalf of the directors

Grant Dearlove

28 September 2020

## 3. Corporate Governance Information

### Corporate Governance Statement

AF Legal Group Limited (the "Company" or "AFL") is committed to operating effectively and in the best interests of shareholders. The Company had in place appropriate corporate governance policies and practices for the financial year ended 30 June 2020 and has adopted a Corporate Governance Statement which reports against the ASX Corporate Governance Council's Principles and Recommendations and this can be accessed at:

https://australianfamilylawyers.com.au/investors/corporate-governance/

### Gender Diversity

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

A full copy of AFL's gender diversity policy can be found at https://australianfamilylawyers.com.au/investors/corporate-governance/.

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

The Board is pleased to report that:

- 63% of its management staff are female
- 82% of its fee earning staff are female
- 74% of all of its staff are female.

At present no director of the Company is female, an issue that the Board is actively considering.

# 4. Auditor's Independence Declaration



PKF Brisbane Audit

PKF

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AF Legal Group Limited and the entity it controlled during the year.

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

BRISBANE
28 SEPTEMBER 2020

PKF Brisbane Audit
ABN 33 873 151 348

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**AF Legal Group Limited and its controlled entity**
**ABN 82 063 366 487**
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**
**For the year ended 30 June 2020**

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| Revenue | 3 | 7,039,063 | 429,512 |
| | | | |
| Expenses | | | |
| Cost of sales | | (529,399) | (45,157) |
| Employee benefits expense | | (3,325,296) | (236,204) |
| Other expenses | 4 | (942,786) | (754,799) |
| Administrative expenses | 5 | (923,360) | (552,529) |
| Share based payment expense | 6 | (368,731) | - |
| Depreciation and amortisation expense | | (624,880) | (21,745) |
| Impairment loss | | - | (27,118) |
| **Profit/(Loss) before income tax** | | **324,611** | **(1,208,040)** |
| | | | |
| Income tax (expense)/benefit | 7 | 97,770 | 4,251 |
| **Profit/(Loss) for the year** | | **422,381** | **(1,203,789)** |
| | | | |
| Other comprehensive income | | - | - |
| **Total comprehensive income/(loss) for the year** | | **422,381** | **(1,203,789)** |
| | | | |
| Earnings per share for profit / (loss) attributable to the ordinary equity holders of the Company: | | | |
| Basic earnings / (loss) per share (cents) | 9 | 0.70 | (2.00) |
| Diluted earnings / (loss) per share (cents) | 9 | 0.66 | (2.00) |

The accompanying notes form part of these financial statements.

**AF Legal Group Limited and its controlled entity**
**ABN 82 063 366 487**
**Consolidated Statement of Financial Position**
**As at 30 June 2020**



| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 10 | 1,554,743 | 1,050,404 |
| Trade and other receivables | 11 | 1,801,746 | 2,002,231 |
| Other current assets | | 141,463 | 56,031 |
| **TOTAL CURRENT ASSETS** | | **3,497,952** | **3,108,666** |
| **NONCURRENT ASSETS** | | | |
| Deferred tax assets | 8(a) | 563,475 | 125,602 |
| Right of use assets | 12 | 726,751 | - |
| Plant and equipment | | 68,490 | 38,427 |
| Intangible assets | 13 | 6,731,773 | 6,644,389 |
| **TOTAL NONCURRENT ASSETS** | | **8,090,489** | **6,808,418** |
| **TOTAL ASSETS** | | **11,588,441** | **9,917,084** |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 14 | 1,470,891 | 1,111,669 |
| Current tax liabilities | 8(c) | 478,871 | 370,814 |
| Deferred consideration | 15 | 273,645 | 600,000 |
| Lease liabilities | 16 | 375,281 | - |
| Borrowings | 17 | 21,349 | 281,578 |
| Provision for employee benefits | 18 | 174,777 | 97,626 |
| **TOTAL CURRENT LIABILITIES** | | **2,794,814** | **2,461,687** |
| **NONCURRENT LIABILITIES** | | | |
| Lease liabilities | 16 | 395,215 | - |
| Deferred tax liabilities | 8(b) | 438,527 | 305,467 |
| Provision for employee benefits | 18 | 38,422 | 19,579 |
| **TOTAL NONCURRENT LIABILITIES** | | **872,164** | **325,046** |
| **TOTAL LIABILITIES** | | **3,666,978** | **2,786,733** |
| **NET ASSETS** | | **7,921,463** | **7,130,351** |
| **EQUITY** | | | |
| Issued capital | 19 | 122,905,429 | 122,905,429 |
| Reserves | 20 | 368,731 | - |
| Accumulated losses | | (115,352,697) | (115,775,078) |
| **TOTAL EQUITY** | | **7,921,463** | **7,130,351** |

The accompanying notes form part of these financial statements.

**AF Legal Group Limited and its controlled entity**
**ABN 82 063 366 487**
**Consolidated Statement of Changes in Equity**
**For the year ended 30 June 2020**

| | Issued Capital $ | Share based payment reserve $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|
| **Balance at 1 July 2018** | **115,267,665** | **-** | **(114,571,289)** | **696,376** |
| | | | | |
| **Comprehensive income** | | | | |
| Profit/(Loss) for the year | - | - | (1,203,789) | (1,203,789) |
| **Total comprehensive income** | **-** | **-** | **(1,203,789)** | **(1,203,789)** |
| | | | | |
| **Transactions with owners in their capacity as owners and other transfers** | | | | |
| Issue of shares | 8,087,494 | - | - | 8,807,494 |
| Share issue costs | (449,730) | - | - | (449,730) |
| **Total transactions with owners and other transfers** | **7,637,764** | **-** | **-** | **7,637,764** |
| **Balance at 30 June 2019** | **122,905,429** | **-** | **(115,775,078)** | **7,130,351** |
| | | | | |
| **Balance at 1 July 2019** | **122,905,429** | **-** | **(115,775,078)** | **7,130,351** |
| | | | | |
| **Comprehensive income** | | | | |
| Share based payment for the year | - | 368,731 | - | 368,731 |
| Profit for the year | - | - | 422,381 | 422,381 |
| **Total comprehensive income** | **-** | **368,731** | **422,381** | **791,112** |
| | | | | |
| **Transactions with owners in their capacity as owners and other transfers** | | | | |
| Issue of shares | - | - | - | - |
| **Total transactions with owners and other transfers** | **-** | **-** | **-** | **-** |
| **Balance at 30 June 2020** | **122,905,429** | **368,731** | **(115,352,697)** | **7,921,463** |

The accompanying notes form part of these financial statements

**AF Legal Group Limited and its controlled entity**
**ABN 82 063 366 487**
**Consolidated Statement of Cash Flows**
**For the year ended 30 June 2020**



| | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from customers | | 7,717,099 | 324,695 |
| Payments to suppliers and employees | | (5,955,257) | (1,456,092) |
| Interest received | | 478 | 5,318 |
| Interest paid | | (16,130) | - |
| Income tax paid | | (98,986) | (144,815) |
| **Net cash provided by/(used in) operating activities** | 24 | **1,647,204** | **(1,270,894)** |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Purchase of fixed assets | | (78,440) | - |
| Payments for business combinations | | - | (3,161,818) |
| Payment of deferred consideration | | (100,000) | (26,750) |
| Payment for intangible assets | 13 | (339,731) | - |
| **Net cash provided by/(used in) investing activities** | | **(518,171)** | **(3,188,568)** |
| | | | |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from share issues | | - | 5,912,494 |
| Payment of share issue costs | | - | (449,730) |
| Repayment of lease liabilities | 16 | (364,465) | - |
| Repayment of borrowings | | (260,229) | (652,348) |
| **Net cash provided by/(used in) financing activities** | | **(624,694)** | **4,810,416** |
| **Net increase in cash and cash equivalents** | | **504,339** | **350,954** |
| | | | |
| Cash and cash equivalents at the beginning of the financial year | | 1,050,404 | 699,450 |
| **Cash and cash equivalents at the end of the financial year** | 10 | **1,554,743** | **1,050,404** |

The accompanying notes form part of these financial statements

**AF Legal Group Limited and its controlled entity**
**ABN 82 063 366 487**
**Notes to Financial Statements**
**For the year ended 30 June 2020**

# 1. Significant Accounting Policies

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

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

The consolidated financial statements were authorised for issue on 28 September 2020 in accordance with a resolution of the Directors of the Company.

## Basis of Preparation

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

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

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

## Significant accounting policies

The accounting policies and methods of computation adopted in this financial report are consistent with those adopted and disclosed in the Group's annual report for the financial year ended 30 June 2019, unless stated otherwise.

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

### a) Principles of Consolidation

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

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

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

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

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

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

## 1. Significant Accounting Policies (continued)

### Business Combinations

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

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

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

### Goodwill

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

i. the consideration transferred;

ii. any non-controlling interest; and

iii. the acquisition date fair value of any previously held equity interest; over the fair value of net identifiable assets acquired at acquisition date.

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

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

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

### b) Adoption of New and Revised Accounting Standards

The Group has adopted all of the Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

With the exception of AASB 2020-4 Amendment to Australian Accounting Standards - Covid-19-Related Rent Concessions any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**AASB 16 Leases**

The Group adopted this standard during the period from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

**Impact of adoption**

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. Due to the approach adopted there has been no impact to opening retained earnings as at 1 July 2019.

The following is a reconciliation of total operating lease commitments at 30 June 2019 (as disclosed in the financial statements to 30 June 2019) to the lease liabilities recognised at 1 July 2019:

## 1. Significant Accounting Policies (continued)

| | $ |
|---|---|
| **Total operating lease commitments disclosed at 30 June 2019** | **828,285** |
| Recognition exemptions: | |
| Leases with remaining lease term of less than 12 months | (8,580) |
| **Operating lease liabilities before discounting** | **819,705** |
| Discount using incremental borrowing rate of 6% | (26,537) |
| **Operating lease liabilities** | **793,168** |
| Reasonably certain extension options | - |
| **Total lease liabilities recognised under AASB 16 at 1 July 2019** | **793,168** |

**Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### c) Revenue and Other Income

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

**Legal fees**

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

## 1. Significant Accounting Policies (continued)

**Interest revenue**

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

### d) Work In Progress

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

### e) Cash and Cash Equivalents

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

### f) Trade and Other Receivables

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

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

### g) Income Tax

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

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

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

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

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

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

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

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

## 1. Significant Accounting Policies (continued)

### h) Impairment of Assets

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

### i) Employee Benefits

**Short-term employee benefits**

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

**Other long-term employee benefits**

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

**Defined contribution superannuation expense**

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

**Share-based payments**

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

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

### j) Share-based Payments

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

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

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

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

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

## 1. Significant Accounting Policies (continued)

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

### k) Payables

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

### l) Impairment of Financial Assets

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

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

### m) Intangibles other than Goodwill

**Intellectual property**

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

**Website**

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

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

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

Capitalised costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Amortisation is calculated using the straight-line method to allocate cost of the website over the estimated useful life of the website which is 5 years.

### n) Issued Capital

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

## 1. Significant Accounting Policies (continued)

### o) Segment Reporting

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

### p) Property, Plant, Equipment

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

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

| | |
|---|---|
| Plant and equipment | 2 to 5 years |
| Leasehold improvements | 4 to 5 years |
| Office equipment | 10 years |

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

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

### q) Goods and Services Tax (GST)

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

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

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

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

### r) Earnings per share

**Basic earnings per share**

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

**Diluted earnings per share**

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

### s) Current and non-current classification

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

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

### t) Comparative Amendments

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

## 2. Critical Accounting Judgements and Key Accounting Estimates and Assumptions

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

### Coronavirus (COVID-19) pandemic

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

### Goodwill

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital, and growth rates of the estimated future cash flows. Refer to Note 13 for further information.

### Allowance for expected credit losses

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

### Recovery of deferred tax assets

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

### Lease term

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

### Incremental borrowing rate

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

## 3. Revenue

| Revenue | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| Legal fees | 6,882,349 | 424,067 |
| Interest income | 157 | 5,318 |
| Government grant – cash boost | 146,684 | - |
| Other income | 9,873 | 127 |
| | **7,039,063** | **429,512** |

**Government grant – Cash Boost**

Government grant – cash boost represents cash boost support payments received from the Australian Government as part of its "Boosting Cash Flow for Employers" scheme in response to the Coronavirus (COVID-19) pandemic. These non-tax amounts have been recognised as government grants and recognised as income once there is reasonable assurance that the Group will comply with any conditions attached.

## 4. Other expenses

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| Office costs | 144,242 | 29,170 |
| Legal and professional fees | 459,661 | 524,352 |
| Insurance | 87,775 | 20,924 |
| Interest expense | 64,500 | 1,908 |
| Other | 72,588 | 26,411 |
| Doubtful debts | 114,020 | 152,034 |
| | **942,786** | **754,799** |

## 5. Administration expenses

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| ASX, registries and company secretarial fees | 138,656 | 207,766 |
| Accounting and tax fees | 25,375 | 10,180 |
| Audit and assurance fees | 52,700 | 95,343 |
| Directors fees | 80,424 | 161,095 |
| Marketing and advertising | 370,300 | 34,001 |
| Business development | 9,426 | 1,346 |
| Computer and software expenses | 194,015 | 17,824 |
| Premises expenses | 52,464 | 24,974 |
| | **923,360** | **552,529** |

## 6. Share based payment expense

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Share based payment expense | 368,731 | - |
| | **368,731** | **-** |

On 4 December 2019, the company issued performance rights pursuant to the Long-Term Incentive Plan, as approved by shareholders at the Company's annual general meeting held on 29 November 2019. 4,050,000 performance rights were issued, exercisable at $0.00 per performance right for one fully paid share, expiring on 4 December 2022. However, 1,200,000 performance rights belonging to Edward Finn were cancelled when Edward Finn stepped down as the Managing Director of AFL on 10 August 2020. Of the remaining 2,850,000 performance rights, 1,425,000 performance rights vested on 30 June 2020 and the remaining 1,425,000 performance rights have a milestone date of 30 June 2021.

The performance rights vest upon satisfaction of continued employment or contract with the Company each year and performance measures as determined by the Remuneration Committee. Upon conversion, the shares will rank equally with the quoted fully paid ordinary shares.

The share-based payment expense for the year was $368,731, based on the valuation of performance rights with milestone date of 30 June 2020 and 30 June 2021 at 20 cents per share. The valuation was done using the Black Scholes option methodology.

## 7. Income Tax Expense

| | Consolidated | |
|---|---|---|
| **Income tax expense/(benefit)** | 2020 $ | 2019 $ |
| Current tax | 207,044 | (5,449) |
| Deferred tax | (143,925) | 60,383 |
| Adjustments for current tax of prior periods | - | (50,683) |
| Adjustments for deferred tax of prior periods | (160,889) | - |
| | **(97,770)** | **(4,251)** |
| Deferred income tax (income)/expense included in income tax expense comprises: | | |
| Decrease/(increase) in deferred tax assets | (437,873) | - |
| (Decrease)/increase in deferred tax liabilities | 133,060 | - |
| | **(304,813)** | **-** |
| **Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Total profit/(loss) before income tax | 324,611 | (1,208,040) |
| Tax at the Australian tax rate of 27.5% | 89,268 | (332,211) |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Permanent differences | (26,149) | 7,457 |
| Temporary differences | - | 60,383 |
| Adjustments for current tax of prior periods | - | (50,683) |
| Adjustments for deferred tax of prior periods | (160,889) | - |
| Calculated income tax expense/(benefit) | (97,770) | (315,054) |
| De-recognition of losses (unlikely to be utilised) | - | 319,305 |
| **Income tax expense/(benefit)** | **(97,770)** | **(4,251)** |

## 8. Deferred Tax

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| **(a) Deferred tax assets** | | |
| The balance comprises temporary difference attributable to: | | |
| Doubtful debts | 109,569 | 82,036 |
| Blackhole expenditure (Off balance sheet) | 109,252 | - |
| Accruals | 59,931 | - |
| Provisions | 58,630 | 32,231 |
| Unpaid superannuation | 14,207 | 11,335 |
| Lease liability | 211,886 | - |
| **Total deferred tax assets** | **563,475** | **125,602** |
| **(b) Deferred tax liabilities** | | |
| The balance comprises temporary difference attributable to: | | |
| Prepayments | (622) | (2,743) |
| Work in progress | (47,828) | (45,906) |
| Right of use asset | (199,856) | - |
| Intangible assets | (190,221) | (256,818) |
| **Total deferred tax liabilities** | **(438,527)** | **(305,467)** |
| **Net deferred tax assets/(liabilities)** | | |
| Deferred tax assets expected to be recovered within 12 months | 563,476 | 125,602 |
| Deferred tax assets expected to be recovered after more than 12 months | - | - |
| Deferred tax assets expected to be settled within 12 months | (248,307) | (48,649) |
| Deferred tax assets expected to be settled after more than 12 months | (190,221) | (256,818) |
| | **124,948** | **(179,865)** |
| **Movements in deferred tax** | | |
| Opening balances | (179,865) | - |
| Opening balance adjustment (acquired) | 160,888 | (240,247) |
| Credited (charged) to the statement of comprehensive income | 143,925 | 60,383 |
| **Closing balance** | **124,948** | **(179,865)** |
| **(c) Current tax** | | |
| Current tax liabilities | **478,871** | **370,814** |

## 9. Earnings per share

| | Consolidated 2020 cents | Consolidated 2019 cents |
|---|---|---|
| **Basic and diluted earnings/(loss) per share:** | | |
| From continuing operations | 0.70 | (2.00) |
| **Total basic earnings/(loss) per share** | **0.70** | **(2.00)** |
| From continuing operations | 0.66 | (2.00) |
| **Total diluted earnings/(loss) per share** | **0.66** | **(2.00)** |
| **Profit/(Loss) attributable to the owners of the Group** | **$** | **$** |
| Profit/(Loss) from continuing operations | 422,381 | (1,203,789) |
| **Net Profit/(Loss) attributable to the owners of the Group** | **422,381** | **(1,203,789)** |
| | | |
| **Weighted average number of ordinary shares for the purposes of:** | **No.** | **No.** |
| Basic earnings/(loss) per share | 60,097,008 | 60,097,008 |
| Diluted earnings/(loss) per share | 64,147,008 | 60,097,008 |

## 10. Cash and Cash Equivalents

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Cash at bank | 1,554,743 | 1,050,404 |
| | **1,554,743** | **1,050,404** |

## 11. Trade and Other Receivables

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| **Current** | | |
| Trade receivables | 2,026,258 | 1,907,255 |
| Provision for doubtful debts | (398,432) | (298,310) |
| | **1,627,826** | **1,608,945** |
| **Other receivables** | | |
| Work in progress | 173,920 | 166,931 |
| Amounts due from related parties | - | 226,355 |
| **Total trade and other receivables** | **1,801,746** | **2,002,231** |

As at 30 June, the ageing analysis of trade receivables is as follows:

| | | | Past due but not impaired | | | |
|---|---|---|---|---|---|---|
| | Gross amount | Past due & impaired | <30 days | 30-60 days | 61-90 days | +90 days |
| 2020 | 2,026,258 | 398,432 | 535,233 | 139,812 | 102,768 | 850,013 |
| 2019 | 1,907,255 | 298,310 | 498,803 | 223,390 | 203,029 | 683,723 |

See Note 1 (f) and Note 2 for the Group's accounting policy in relation to the provision for doubtful debts and Note 24 regarding credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables.

## 12. Right of Use Assets

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| Right of use assets - Premises | 1,061,118 | - |
| Less: Accumulated depreciation | (334,367) | - |
| | **726,751** | **-** |

The Group leases various premises under non-cancellable operating leases expiring between 1 to 3 years with, in some cases, options to extend. All leases have annual CPI escalation clauses. The above commitments do not include commitments for any renewal options on leases.

## 13. Intangible Assets

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| Goodwill | 5,465,470 | 5,453,687 |
| | | |
| Intellectual Property | 1,210,883 | 1,210,883 |
| Less: Accumulated amortisation | (262,353) | (20,181) |
| Net carrying amount | 948,530 | 1,190,702 |
| | | |
| Website | 339,731 | - |
| Less: Accumulated amortisation | (21,958) | - |
| Net carrying amount | 317,773 | - |
| **Total intangible assets** | **6,731,773** | **6,644,389** |

### Reconciliations

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

| Consolidated | Goodwill $ | Intellectual property $ | Website $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2018 | - | - | - | - |
| Additions | - | - | - | - |
| Additions from business combinations | 5,453,687 | 1,210,883 | - | 6,664,570 |
| Amortisation expense | - | (20,181) | - | (20,181) |
| **Balance at 30 June 2019** | **5,453,687** | **1,190,702** | **-** | **6,644,389** |
| | | | | |
| Balance at 1 July 2019 | 5,453,687 | 1,190,702 | - | 6,644,389 |
| Additions | - | - | 339,731 | 339,731 |
| Additions from business combinations | - | - | - | - |
| Measurement period adjustment | 11,783 | - | - | 11,783 |
| Amortisation expense | - | (242,172) | (21,958) | (264,130) |
| **Balance at 30 June 2020** | **5,465,470** | **948,530** | **317,773** | **6,731,773** |

### Impairment tests for goodwill

The total amount of goodwill has been allocated to identified cash generating units (CGU's), being geographical regions.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Sydney and Melbourne | 5,053,687 | 5,053,687 |
| Brisbane | 411,783 | 400,000 |
| | **5,465,470** | **5,453,687** |

The recoverable amount of goodwill is based on value-in-use calculations which use cash flow projections based on financial budgets approved by management covering a five-year period. Future cash flows are projected over a five-year period and use an implied annual growth rate of 10% and are discounted using the group's weighted average cost of capital of 10.1%. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2% which does not exceed the long-term average growth rate for the industry in which each CGU operates. Impairment testing was conducted as at 30 June 2020.

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

No impairment losses were recorded in the current year.

## 14. Trade and Other Payables

| | Consolidated | |
|---|---|---|
| **Current** | 2020<br>$ | 2019<br>$ |
| Trade payables | 406,103 | 605,839 |
| GST payable | 406,419 | 176,523 |
| Accrued expenses | 217,931 | 91,889 |
| Payroll payables | 416,167 | 190,471 |
| Other payables | 34,271 | 46,947 |
| | **1,470,891** | **1,111,669** |

## 15. Deferred Consideration

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| Deferred consideration | 273,645 | 600,000 |
| | **273,645** | **600,000** |
| Deferred consideration payable | | |
| Balance at 1 July | 600,000 | - |
| Additions through business combinations | - | 600,000 |
| Settled during the year | (326,355) | - |
| **Balance at 30 June** | **273,645** | **600,000** |

## 16. Lease Liabilities

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| Current | 375,281 | 257,077 |
| Non-current | 395,215 | 536,091 |
| | **770,496** | **793,168** |

| Change in lease liabilities during the year | $ |
|---|---|
| As of 1 July 2019 | 793,168 |
| Additions | 390,162 |
| Interest expense | (48,369) |
| Lease repayments | (364,465) |
| **As at 30 June 2020** | **770,496** |

## 17. Borrowings

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| Bank overdraft | - | 281,578 |
| Insurance funding | 21,349 | - |
| | **21,349** | **281,578** |

Borrowings in 2019 represented a bank overdraft facility which was repaid in FY20 with a rolling review term due in January 2021, and is therefore classified as current. The interest rate on the facility is 4.59% p.a. (2019 - 6.99% p.a.). The loan has a total facility limited of $400,000 of which the Group is able to draw down on. The unused amount of the facility at 30 June 2020 is $400,000 (2019: $118,422). The interest rate on insurance premium funding is 4.46% p.a.

## 18. Provision for employee benefits

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| **Current** | | |
| Annual leave | 174,777 | 79,839 |
| Other provisions | - | 17,787 |
| | **174,777** | **97,626** |
| **Non-current** | | |
| Long service leave | 38,422 | 19,579 |
| | **38,422** | **19,579** |

## 19. Contributed Equity

| | Consolidated | | | |
|---|---|---|---|---|
| | 2020 Shares | 2020 $ | 2019 Shares | 2019 $ |
| Ordinary shares fully paid | 60,097,008 | 122,905,429 | 60,097,008 | 122,905,429 |
| **Balance at the end of the year** | **60,097,008** | **122,905,429** | **60,097,008** | **122,905,429** |
| | | | | |
| **Movement in ordinary share capital:** | | | | |
| **Balance at the beginning of the year** | **60,097,008** | **122,905,429** | **393,223,695** | **115,267,665** |
| **Movements during the year** | | | | |
| Consolidation (i) | - | - | (373,564,157) | - |
| Issuance of shares | - | - | 40,437,470 | 8,087,494 |
| Share issuance costs | - | - | - | (449,730) |
| **Balance at the end of the year** | **60,097,008** | **122,905,429** | **60,097,008** | **122,905,429** |

(i) On 12 April 2019 the Company undertook a share consolidation of 1 ordinary share for every 20 on issue.

### Share Options

#### Shares under Option or Issued on Exercise of Options

At 30 June 2020, 4,050,000 performance rights were issued under the Performance Rights Plan, exercisable at $0.00 per performance right for one fully paid share, expiring on 4 December 2022. However, 1,200,000 performance rights belonging to Edward Finn were cancelled when Edward Finn stepped down as the Managing Director of AFL. Of the remaining 2,850,000 performance rights, 1,425,000 performance rights vested on 30 June 2020 and the remaining 1,425,000 performance rights have a milestone date of 30 June 2021.

#### Shares Issued on the Exercise of Options

There were no shares issued due to exercise of options during the financial year.

## 20. Equity - reserves

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Share based payment reserve | 368,731 | - |
| | **368,731** | **-** |

#### Share-based payments reserve

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

## 21. Contingent Liabilities and Contingent Assets

In the opinion of the Directors, there are no contingent liabilities as at 30 June 2020 and no contingent liabilities at the date of this financial report.

## 22. Interest in subsidiaries

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

| Name of subsidiary | County of incorporation | Ownership interest | |
|---|---|---|---|
| | | 2020 | 2019 |
| AF Legal Pty Ltd | Australia | 100% | 100% |

## 23. Commitments

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| **Lease commitments – operating** | | |
| Committed at the reporting date but not recognised as liabilities payable: | | |
| Within one year | - | 262,683 |
| One to five years | - | 565,602 |
| More than five years | - | - |
| | **-** | **828,285** |

In the current year the group has applied AASB 16 Leases, and therefore amounts related to this lease are now presented in Note 12 Right of use assets and Note 16 Lease liabilities. Operating lease commitments are no longer disclosed under AASB 16.

## 24. Cash flow Information

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| **Reconciliation of profit / (loss) for the year to cash flows from operating activities** | | |
| Profit/(Loss) after income tax for the year | 422,381 | (1,203,789) |
| **Non-cashflow and non-operating activities through profit (loss)** | | |
| Depreciation and amortisation | 624,880 | 21,745 |
| Doubtful debts expense | 114,020 | 152,034 |
| **Changes in assets and liabilities, net of the effects of acquisition of subsidiaries** | | |
| (Increase)/decrease in assets: | | |
| Trade and other receivables | 200,485 | (160,750) |
| Increase/(decrease) in liabilities: | | |
| Trade and other payables | 419,432 | (221,152) |
| Employee provisions | 95,994 | (12,319) |
| Tax liabilities | (229,988) | 153,337 |
| **Net cash inflows / (outflows) from operating activities** | **1,647,204** | **(1,270,894)** |

## 25. Financial Instruments

### Overview

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

- market risk;
- credit risk;
- liquidity risk; and
- capital risk

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

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

### Market Risk Management

#### a) Interest Rate Risk

The group's main interest rate risk arises from cash and cash equivalents and loans. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and investing options and the mix of fixed and variable interest rates. The Group is only exposed to interest rate risk on cash and cash equivalents, lease liabilities and borrowings at 30 June 2020. As at the reporting date, the following assets and liabilities were exposed to Australian variable and fixed interest rates:

| | Consolidated | | | |
|---|---|---|---|---|
| | Weighted Average Interest Rate % | 2020 $ | Weighted Average Interest Rate % | 2019 $ |
| *Variable Interest* | | | | |
| Cash and cash equivalents | 0.10% | 1,554,743 | 0.10% | 1,050,404 |
| *Fixed interest* | | | | |
| Borrowings | 4.49% | 21,349 | 6.99% | 281,578 |
| Lease liabilities | 6.00% | 770,496 | - | - |

A movement in interest rates of 1% (2019: 1%) would have a favourable effect on profit before tax of $7,629 (2019: $7,688) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

#### b) Commodity Risk

Following the impairment of exploration tenements in the prior year there are no material exposures to commodity risk.

#### c) Currency Risk

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

### Credit Risk Management

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

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

### Liquidity Risk Management

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

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

### Capital Risk Management

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

## 26. Key Management Personel Compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2020.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| Short-term employee benefits | 650,509 | 179,484 |
| Post-employment benefits | 22,674 | 901 |
| Other long-term benefits | 20,225 | 790 |
| Share based payments | 368,731 | - |
| **Total KMP compensation** | **1,062,139** | **181,175** |

### Short-term employee benefits

These amounts include fees and benefits paid to the executive Chair and non-executive directors as well as all salary, paid leave benefits to directors and other KMP.

### Post-employment benefits

These amounts are the current-year's estimated costs of providing for the Group's superannuation contributions made during the year.

### Other long-term benefits

These amounts represent long service leave benefits accruing during the year.

## 27. Related Party Transactions

### Transactions with Related Parties

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

### Transactions with Key Management Personnel

Refer to the Remuneration Report in the Directors Report for disclosure of transactions with Key Management Personnel.

## 28. Parent Entity Disclosures

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| **Results of the parent entity** | | |
| Loss for the year | (1,378,647) | (1,188,226) |
| Other comprehensive income | - | - |
| **Total comprehensive loss for the year** | **(1,378,647)** | **(1,188,226)** |
| **Financial position of the parent entity at year end** | | |
| Current assets | 98,252 | 2,150,280 |
| Total assets | 6,387,982 | 8,100,280 |
| Current liabilities | 214,904 | 954,370 |
| Total liabilities | 135,336 | 954,370 |
| **Total equity of the parent entity comprising of** | | |
| Contributed equity | 122,905,429 | 122,905,429 |
| Reserves | 368,731 | - |
| Accumulated losses | (117,138,166) | (115,759,519) |

## 29. Auditors' Remuneration

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Audit and review of the financial reports* | 44,000 | 31,500 |
| Taxation services | 31,860 | 21,055 |
| | **75,860** | **52,555** |

* represents the audit and review expenses charged by PKF Brisbane Audit for full year audit and half year review engagements. Included in 2019 audit expenses in note 5 of $95,343 are additional charges to the Group from the previous external auditors for audits performed during the due diligence process.

## 30. Events after the Reporting Period

There was no impact to performance due to the Coronavirus ('COVID-19') for the Group up to 30 June 2020. However, the impact of the COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 10 August 2020, the Company advised that Edward Finn had taken the decision to retire as Managing Director to enable him to chair a Marketing Advisory Board focused on further development of the client acquisition engine, AFL 2.0. He remains a Non-Executive Director of the Company and the largest shareholder. Retaining the title of Executive Chairman, Grant Dearlove assumes the responsibilities of Managing Director and he is supported in this capacity by the current Chief Operating Officer, Stace Boardman and Glen Dobbie as Executive Director. Non-Executive Director Kevin Lynch will also join the Marketing Advisory Board.

In August 2020, the Group opened a new office in Adelaide led by a lateral hire and highly respected family law practitioner Shelley O'Connell. In addition, the Company signed an international agreement with Stowe Family Law, United Kingdom's largest family law firm.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## 31. Company Details

### Principal Place of Business

Level 3, 411 Collins Street
Melbourne, VIC 3000

### Registered Office

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

## 6. Directors' Declaration

In the directors' opinion:

1. the financial statements and notes, as set out on pages 19 to 43 are in accordance with the Corporations Act 2001 including:
    a. complying with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    b. giving a true and fair view of the Group's financial position as at 30 June 2020 and of the performance for the year ended on that date.
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

This declaration is made in accordance with a resolution of the Board of Directors pursuant to section 295(5) of the Corporations Act 2001 dated 28 September 2020.

Grant Dearlove
Chairman

Edward Finn
Managing Director

PKF Brisbane Audit

PKF

# INDEPENDENT AUDITOR'S REPORT

# TO THE MEMBERS OF AF LEGAL GROUP LIMITED

## Report on the Financial Report

### Opinion

We have audited the accompanying financial report of AF Legal Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

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

a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

### Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matter

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

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Rockhampton QLD 4700
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f +61 7 4927 4317

### Carrying amount of intangible assets – goodwill

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As at 30 June 2020 the carrying value of goodwill is \$5,465,570 (2019: \$5,453,687), as disclosed in Note 13.<br><br>The consolidated entity's accounting policy in respect of goodwill is outlined in Note 1.<br><br>Goodwill is recognised on the acquisition of practices.<br><br>The carrying amount of intangible assets - goodwill is a key audit matter due to:<br><br>• the significance of the balance (being 47% of total assets); and<br>• the level of judgement applied in evaluating management's assessment of impairment.<br><br>As outlined in Notes 1 and 13, management assessed the carrying amount of goodwill through impairment testing utilising a value in use model in which significant judgements are applied in determining key assumptions. These assumptions include the assessment of future earnings before interest and tax growth expected to be achieved, as well as the weighted average cost of capital. The judgements made in determining the underlying assumptions in the model have a significant impact on the carrying amount of goodwill, and accordingly the amount of any impairment charge, to be recorded in the current financial year. | In assessing this key audit matter, we involved senior audit team members who understand the legal services industry.<br><br>Our audit procedures included, amongst others:<br><br>• assessing the determination of CGU's through examination of goodwill origination, system processes and reporting lines;<br>• evaluating management's methodology for determining the carrying amount of intangible assets by comparing the value in use model with generally accepted valuation methodology and accounting standard requirements;<br>• conducting sensitivity analysis on key assumptions such as the weighted average cost of capital ('WACC') and growth rates, within reasonable foreseeable ranges, in which we found that value in use remained in excess of the carrying value of net assets of each cash-generating unit ('CGU');<br>• challenging the key assumptions used in management's value in use model by:<br>- assessing growth rates set by management in comparison to historical results<br>- evaluating the WACC rate set by management in comparison to market and industry information available<br>- assessing the impact of the COVID-19 pandemic on all key assumptions; and<br>• assessing the appropriateness of the related disclosures in Note 13 |

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## Other Information

Those charged with governance are responsible for the other information in the annual report. Other information is financial and non-financial information in the annual report of the consolidated entity for the year ended 30 June 2020, 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, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this other information in the financial report and based on the work we have performed on the other information that we obtained prior the date of this auditor's report we have nothing to report.

## Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PKF

## Report on the Remuneration Report

### Opinion

We have audited the remuneration report included in the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of AF Legal Group Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

### Responsibilities

The Directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

28 SEPTEMBER 2020
BRISBANE, AUSTRALIA

## 8. Shareholder Information

The shareholder information set out below was applicable as at 14 September 2020.

### Distribution of equitable securities

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

| Holding Ranges | Holders | Total Units | % of Issued Share Capital |
|---|---|---|---|
| 1 - 1,000 | 102 | 8,912 | 0.01% |
| 1,001 - 5,000 | 53 | 190,462 | 0.32% |
| 5,001 - 10,000 | 197 | 1,895,263 | 3.15% |
| 10,001 - 100,000 | 244 | 10,903,859 | 18.14% |
| 100,001 and above | 86 | 47,098,512 | 78.37% |
| **Totals** | **682** | **60,097,008** | **100.00%** |

### Equity security holders

#### Twenty largest quoted equity security holders

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

| Name | Balance | % |
|---|---|---|
| OSCAR CHURCHILL PTY LTD | 10,875,000 | 18.10% |
| MOAT INVESTMENTS PTY LTD | 3,022,610 | 5.03% |
| AUXANO ASIA PTE LTD | 2,075,000 | 3.45% |
| THREE HUNDRED CAPITAL PTY LTD | 1,916,544 | 3.19% |
| MR MICHAEL CHARLES BOWDEN | 1,700,000 | 2.83% |
| GRIM ENTERPRISES PTY LTD | 1,500,000 | 2.50% |
| NETWEALTH INVESTMENTS LIMITED | 1,305,915 | 2.17% |
| RANAN INVESTMENT PL | 1,200,000 | 2.00% |
| TUBBIN INVESTMENTS PTY LTD | 1,083,333 | 1.80% |
| DAWNEY & CO LTD | 1,000,000 | 1.66% |
| MRS JULIANNE PATRICIA DEARLOVE | 1,000,000 | 1.66% |
| RORTY CRANKLE PTY LIMITED | 950,000 | 1.58% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 854,596 | 1.42% |
| DMX CAPITAL PARTNERS LIMITED | 850,000 | 1.41% |
| JET INVEST PTY LTD | 785,720 | 1.31% |
| MR LEWIS O’BRIEN | 750,000 | 1.25% |
| MR PRATYUSH BHUPENDRA JAGDISHWALA & MRS URVI PRATYUSH JAGDISHWALA | 687,500 | 1.14% |
| THE ESPLANADE SUPERANNUATION PTY LTD | 600,000 | 1.00% |
| MR RUSSELL JAMES WATSON & MS JANET WATSON | 543,333 | 0.90% |
| TERRY MORRIS PTY LTD | 500,000 | 0.83% |
| REMLAP (QLD) PTY LTD | 500,000 | 0.83% |
| MRS CAROLYN BRAUN & MR GERHARD BRAUN | 450,000 | 0.75% |
| **Total Securities of Top 20 Holdings** | **34,149,551** | **56.82%** |
| **Total Issued Capital** | **60,097,008** | **100.00%** |

### Substantial holders

Substantial holders in the company are set out below:

| Name | Balance | % |
|---|---|---|
| OSCAR CHURCHILL PTY LTD | 10,875,000 | 18.10% |
| MOAT INVESTMENTS PTY LTD | 3,022,610 | 5.03% |

### Voting rights

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

### Ordinary shares

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

There are no other classes of equity securities.

## 9. Corporate Directory

### Board of Directors

| | |
|---|---|
| Mr Grant Dearlove | Executive Chairman |
| Mr Edward Finn | Managing Director |
| Mr Glen Dobbie | Executive Director |
| Mr. Kevin Lynch | Non-Executive Director |

### Company Secretary

Maggie Niewidok

### Principal Place of Business

Level 3, 411 Collins St
Melbourne, VIC 3000

### Registered Office

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

### Auditors

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

### Share Registry

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

### Solicitors

Automic Legal Pty Ltd

### Bankers

Westpac Banking Corporation

### Securities Exchange Listing

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

### Website

https://australianfamilylawyers.com.au

## Corporate Governance Statement

AF Legal Group Limited (the "Company" or "AFL") is committed to operating effectively and in the best interests of shareholders. The Company had in place appropriate corporate governance policies and practices for the financial year ended 30 June 2020 and has adopted a Corporate Governance Statement which reports against the ASX Corporate Governance Council's Principles and Recommendations and this can be accessed at:

https://australianfamilylawyers.com.au/investors/corporate-governance/

Australian Family Lawyers

www.australianfamilylawyers.com.au