



# ANNUAL REPORT

for the year ended 30 June 2021

AF Legal Group Limited  
ABN 82 063 366 487

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# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

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# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 1. Letter from the Chairman



I am delighted to present the annual report of AF Legal Group Limited (“AFL”, the “Company”, or the “Group”) for the year ended 30 June 2021. 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.

In June 2019, the Company became the first Family Law firm to list on the Australian Stock Exchange. As we stated in our prospectus at the time, our aim was to be the first and largest national family law firm. I am pleased to announce that during this period we have achieved this goal and within 6 years since formation and 2 years since listing, we are the first and largest family law firm in Australia.

Importantly, we don’t aim to be big for its own sake, rather our growth has always been directed at meeting the needs of our stakeholders. We aspire to be the number one choice for all Australians for their personal family legal services. On day one, we were determined to establish the systems and processes required to be able to handle a much larger business. Over the last two years, we have invested and built those systems. We have created a values driven culture of performance. It took time and a huge effort but it now provides the foundation for our next stage of growth.

Growing from an initial startup business in Melbourne, AFL now has 15 offices throughout Australia. During this period, we acquired 3 businesses adding 6 offices and creating 6 new greenfield offices. Our approach has borne fruit over time, with progressive growth in revenues and strong growth in earnings. Our CAGR revenue and EBITDA growth since listing is 50% and 125% respectively, and we have less than 1% of the family law market.

At our core is the quality of our legal service. The strength of our people, their experience and credentials are second to none. We have a Chief Legal Officer to oversee our knowledge and quality of substantive law, a Professor in residence for our education programs, a CX (customer experience) team to serve our client’s needs, Accredited specialists, a 40-year library of precedents, and an International Division. No law firm in the personal legal services industry offers this to its people or to the market. The combination of these attributes and smarts has led to innovative products such as AFL Assist during COVID, the creation of the Faculty of Arbitration and Mediation “FAM”, and AFL Asset Protect. All developed to help Australians in need of advice and to grow our client base.

The long-term strategy of the business remains the same as we set out at listing in 2019. This is the final year of that 3-year plan. With that in mind we are starting to observe opportunities to expand into new adjacent markets in the broader personal legal services sector which combined is worth over \$7 billion. The ageing of the baby boomer cohort of legal operators in this broader market is expected to deliver an increasing rate of acquisition opportunity for the Company into the future as we consider our expansion beyond family law alone. The growth in the past and our intention for the future is to continue with our strategy to focus on the growth of our existing businesses organically, make acquisitions (sometimes large) where they are a strategic fit and establish new greenfield sites via lateral hires.

The AFL story is a great one – it has well-established competitive advantages, is operating in a \$7 billion revenue per annum broader market and has access to resources to execute its growth strategy. In a fast-changing world we are not inhibited by traditional norms seen in legal firms. The best days of the business are ahead as our company continues to mature and deliver outstanding service to clients, transparent and reliable information to shareholders and continued high performance.

I would finally like to thank our shareholders for their continued support and share my gratitude to the entire staff at AFL for their efforts now and looking into the future. The opportunities for the business are tremendous and we are focused on prudent short-term management to achieve sustainable outstanding long-term results.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Grant Dearlove', written in a cursive style.

Grant Dearlove  
Executive Chairman

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 2. Directors' Report

The Directors of AF Legal Group Limited (the "Company") submit herewith the Financial Report of the Company, and its controlled entities (referred to herein as the "Group") for the financial year ended 30 June 2021. 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 (resigned 30 August 2021)

Mr. Glen Dobbie

Mr. Kevin Lynch

Dr. Sarah Kelly OAM (appointed 30 August 2021)

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

#### Mr. Grant Dearlove, Executive Chairman

<b>Date of appointment</b>	30 May 2019
<b>Experience and expertise</b>	<p>For 29 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.</p> <p>Across his career Grant has owned, worked for, and consulted to professional service firms in disciplines spanning legal services, property, franchising, risk, insurance, education, Tourism, M&amp;A, funds management and outsourcing.</p> <p>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.</p> <p>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 and Accoras and is Chair of FuPay Limited.</p> <p>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.</p> <p>Grant is a member of the Audit &amp; Risk and Remuneration and Nomination Committees of AFL.</p>

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## 2. Director's Report (continued)

<b>Qualifications</b>	Grant has a Bachelor of Laws, Master of Laws, Master of Business Administration, and a Graduate Diploma in Applied Corporate Governance.	
	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.	
<b>Other current directorships in listed entities</b>	None	
<b>Former directorships in last 3 years in listed entities</b>	None	
<b>Interest in shares and options</b>	Fully paid ordinary shares	3,900,000
	Unlisted performance rights	975,000

### Mr. Edward Finn, Director

<b>Date of appointment</b>	30 May 2019 – 10 August 2020 (Managing Director) 10 August 2020 (Non-Executive Director) (resigned 30 August 2021)	
<b>Experience and expertise</b>	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.  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.	
<b>Qualifications</b>	Edward completed combined Bachelor of Law / Arts (Media & Communications) at the University of Melbourne and is a recipient of the Grumitt Scholarship.  Edward was admitted as a solicitor in 2012 and currently holds a Principal Practising Certificate issued by the Victorian Legal Services Board & Commissioner.	
<b>Other current directorships in listed entities</b>	None	
<b>Former directorships in last 3 years in listed entities</b>	None	
<b>Interest in shares and options</b>	Fully paid ordinary shares	8,625,000
	Unlisted performance rights	Nil

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## 2. Director's Report (continued)

### Mr. Glen Dobbie, Executive Director

<b>Date of appointment</b>	12 February 2016
<b>Experience and expertise</b>	<p>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 &amp; Co, where he was primarily responsible for the investment operations of the ASX listed, Arowana International Limited. During his 8 years at Arowana &amp; 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.</p> <p>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.</p> <p>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.</p> <p>Glen is a member of the Audit &amp; Risk and Remuneration and Nomination Committees of AFL, and is a certified Gazelles business coach.</p>
<b>Qualifications</b>	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.
<b>Other current directorships in listed entities</b>	None
<b>Former directorships in listed entities in last 3 years</b>	None
<b>Interest in shares and options</b>	Fully paid ordinary shares 4,303,786 Unlisted performance rights 800,000

### Mr. Kevin Lynch, Non-Executive Director

<b>Date of appointment</b>	22 October 2019
<b>Experience and expertise</b>	<p>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.</p> <p>Kevin started his career in marketing &amp; 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.</p> <p>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.</p>
<b>Qualifications</b>	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.



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## 2. Director's Report (continued)

<b>Other current directorships in listed entities</b>	None	
<b>Former directorships in listed entities in last 3 years</b>	None	
<b>Interest in shares and options</b>	Fully paid ordinary shares	975,213
	Unlisted performance rights	250,000

### Dr. Sarah Kelly OAM, Non-Executive Director

<b>Date of appointment</b>	30 August 2021	
<b>Experience and expertise</b>	<p>Serving on a range of corporate, government and not-for-profit boards, across a variety of sectors since 2013, Sarah is a highly respected and accomplished business leader and company director and associate professor in law and marketing at the University of Qld. She has over 30 years of commercial experience, including as a commercial lawyer, strategy consultant and researcher.</p> <p>Sarah currently serves as a non-executive director on several boards, including as Deputy Chair of the Brisbane Lions AFL Football Club, Deputy Chair Tourism and Events Qld, The Gregory Terrace Foundation and the Wandering Warriors. She is a member of the Consular Corps and the Queensland Chapter Leader for the Minerva Network, a national social enterprise concerned with providing mentoring by c-suite women to professional sportswomen.</p> <p>This year, she was awarded an Order of Australia Medal for service to tertiary education and sports administration.</p>	
<b>Qualifications</b>	Phd, MBA, LLB (Hons), BCom (University of Qld), AICD	
<b>Other current directorships in listed entities</b>	None	
<b>Former directorships in listed entities in last 3 years</b>	None	
<b>Interest in shares and options</b>	Fully paid ordinary shares	Nil
	Unlisted performance rights	Nil

### 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.

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 controlled entities (Group) are responsible for the overall management of the Group, including guidance as to strategic direction, ensuring best corporate governance practice and oversight of management.

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## 2. Director's Report (continued)

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

Director	Board of directors		Audit and Risk committee	
	* Eligible to Attend	Attended	* Eligible to Attend	Attended
Grant Dearlove	5	5	1	1
Edward Finn	5	5	1	1
Glen Dobbie	5	5	1	1
Kevin Lynch	5	5	1	1

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

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

### Dividends

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.

### 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.



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## 2. Director's Report (continued)

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 2021:

	30 June 2021 \$	30 June 2020 \$
Taxation compliance service – preparation of tax return and other tax matters	27,270	31,860
Agreed upon procedures relating to the acquisition of Watts McCray	8,500	-
<b>Total</b>	<b>35,770</b>	<b>31,860</b>

### Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 19 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.

### Significant Changes to the State of Affairs

On 1 December 2020, the Group acquired the business assets of Strong Law Pty Ltd, a family law practice located in Canberra, ACT for a consideration of \$383,345. The effective date of the acquisition was 1 October 2020. On 16 June 2021, the Group completed the acquisition of 100% of share capital in Watts McCray (NSW) Pty Ltd ("Watts McCray"), one of Australia's leading family law firms for a consideration of \$2,812,500. The effective date of the acquisition was 1 January 2021. In addition, on 30 June 2021 the Group acquired the business assets of Kordos Lawyers, one of Melbourne's leading Family Law firms for a consideration of \$1,000,000. The effective date of the acquisition was 1 April 2021.

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

### Subsequent Events

There was no material impact to performance due to the Coronavirus ('COVID-19') for the Group up to 30 June 2021. 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 5 July 2021, the Group paid \$125,000 in cash and issued 209,697 ordinary shares representing the upfront consideration component for the acquisition of Kordos Lawyers which settled on 30 June 2021. The consideration shares rank equally in all respects with existing fully paid shares of the Company.

On 30 August 2021, Mr. Edward Finn resigned as the Non-Executive Director of the Company and Dr. Sarah Kelly OAM was appointed as a Non-Executive Director on the Company.

No other matter or circumstance has arisen since 30 June 2021 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.

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## 2. Director's Report (continued)

### 2.1 Review of Operations

AF Legal Pty Ltd (also known as Australian Family Lawyers) is a wholly owned subsidiary of AF Legal Group Ltd and is the trading entity of the group. It 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 then to "roll out" its proprietary client acquisition model into other areas of law, overseas geographies and other professional services sectors.

AF Legal Pty Ltd has historically demonstrated strong organic growth supported by 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 continued its nationwide expansion into new regions including Canberra (February 2020) and Sunshine Coast (June 2020).

During this year, AFL continued its strong organic national expansion with new offices via lateral hires in Adelaide (August 2020), Perth (November 2020), Gold Coast (November 2020) and North Melbourne (November 2020). In addition, AFL completed the acquisitions of Strong Law in Canberra (December 2020), Watts McCray in Sydney (June 2021) and Kordos Lawyers in Melbourne (June 2021). These acquisitions were partly funded by an oversubscribed capital raising of \$5.5m completed in April 2021. AFL is continuing to review several organic growth and strategic acquisition opportunities and is conducting due diligence where appropriate.

### AFL Statutory and Underlying Profitability

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

Key Statutory Information	2021 \$	2020 \$	% Change
Revenue from ordinary activities	11,123,487	7,039,063	58.0%
Profit/(loss) after tax from ordinary activities attributable to owners	(482,437)	422,381	-214.2%
Net profit/(loss) attributable to owners	(482,437)	422,381	-214.2%

Directors note that due to the acquisitions completed during the year, the reported results do not reflect the underlying performance of the Group. The Directors consider Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('Underlying EBITDA') to reflect the core earnings of the Group. Underlying EBITDA is not a financial measure prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash and other items which management consider unrelated to the underlying performance of the Group. Underlying EBITDA is a key measure used by management and the board to assess and review business performance.

In the year ended 30 June 2021 ('FY21'), the Group increased its Underlying EBITDA by 54% to \$2,674,352 (FY20: \$1,740,727). However, in accordance with the accounting principles of Business Combinations, this result only includes the contribution from Strong Law, Watts McCray and Kordos Lawyers Pty Ltd from the point of acquisition, since 1 October 2020, 1 January 2021 and 1 April 2021 respectively. As such they are not representative of underlying performance on a full year basis or comparative trading performance. The Directors consider that Pro Forma Revenue and Pro Forma Underlying EBITDA reflect the full year core performance of the Group due to the acquisitions completed during the period. As such, Pro Forma numbers assume that the acquisitions of Strong Law, Watts McCray and Kordos Lawyers were all completed on 1 July 2020 and include a full year contribution of revenue and Underlying EBITDA. For the FY21 period, Pro Forma Revenue and Pro Forma Underlying EBITDA would have been \$16,363,446 and \$4,731,162 respectively.

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## 2. Director's Report (continued)

The below table provides an overview of Revenue, Statutory EBITDA and Underlying EBITDA for FY20, FY21 and Pro Forma FY21.

	FY20	FY21	FY21 Pro Forma
Revenue	7,039,063	11,123,487	16,363,446
% growth		58%	
Statutory EBITDA	1,013,834	770,585	2,616,708
Underlying EBITDA	1,740,727	2,674,352	4,731,162
% margin	25%	24%	29%
% growth		54%	

The following table provides a reconciliation between reported EBITDA and the underlying EBITDA of the consolidated Group for FY20, FY21 and FY21 Pro Forma.

	FY20	FY21	FY21 Pro Forma
Statutory EBITDA	1,013,834	770,585	2,616,708
Add: Non-recurring items			
Share based payment expense	368,731	738,997	738,997
Acquisition costs	-	120,954	120,954
Pre-acquisition related bad debts	33,748	221,049	221,049
Realised cost savings per annum	-	581,000	581,000
Greenfield office startup expenses	104,057	120,954	120,954
Other one-off expenses	220,357	120,813	331,500
<b>Underlying EBITDA</b>	<b>1,740,727</b>	<b>2,674,352</b>	<b>4,731,162</b>

### Acquisitions, lateral hires and integration

Since 1 July 2020, the Group has completed 3 acquisitions representing an annual ~\$9m revenue contribution to the Group. The completed acquisitions are listed in the table below.

Acquisition	Date	Location	Consideration	Revenue per annum
<b>Watts McCray</b>	June 2021	Sydney	\$1.5m cash upfront \$1.3m earnout in shares	~\$6m
<b>Kordos Law</b>	June 2021	Melbourne	\$125k cash upfront \$125k shares upfront \$750k cash and shares earnout	~\$2m
<b>Strong Law</b>	November 2020	Canberra	\$200k cash upfront \$150k cash earnout	~\$1m

Acquired businesses generally have lower gross margins and higher operating costs initially. It is expected that any dilutive impact of their existing margins will be eliminated within 12 months as they evolve to the Group's more efficient business model.

In addition, the Group completed lateral hires in (August 2020), Perth (October 2020), Gold Coast (November 2020) and North Melbourne (November 2020).

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## 2. Director's Report (continued)

### 2.2 Remuneration Report (Audited)

The Directors of AF Legal Group Limited present the Remuneration report for the Company and its controlled entities for the year ended 30 June 2021. This report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*. The Report details the remuneration arrangements for the Group's:

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

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

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

- Key management personnel details;
- Principles of compensation;
- Details of remuneration;
- Service agreements;
- Additional disclosures related to key management personnel; and
- Additional information.

#### Key Management Personnel Details

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

- Mr. Grant Dearlove, Executive Chairman
- Mr. Edward Finn, Non Executive Director (resigned 30 August 2021)
- Mr. Glen Dobbie, Executive Director
- Mr. Kevin Lynch, Non-Executive Director
- Ms. Stace Boardman, Chief Operating Officer
- Dr. Sarah Kelly OAM, Non-Executive Director (appointed 30 August 2021)

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.

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## 2. Director's Report (continued)

### Fixed Remuneration

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

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

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

### Short Term Incentive – Performance Cash Bonus

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

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

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

### Long-Term Incentive Plan (LTIP)

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

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

### Details of remuneration

	Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments	
	Cash salary & fees	Other	Bonus	Superannuation	Employee Leave	Performance rights	Total
2021	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>							
Kevin Lynch	35,004	-	12,500	-	-	68,348	115,852
<b>Executive Directors</b>							
Grant Dearlove	180,000	-	-	-	-	359,246	539,246
Glen Dobbie	150,000	-	-	-	-	311,402	461,402
Edward Finn	66,824	-	-	676	-	-	67,500
<b>Other Key Management Personnel</b>							
Stace Boardman	210,256	-	8,219	21,523	8,079	-	248,077
	<b>642,085</b>	<b>-</b>	<b>20,719</b>	<b>22,198</b>	<b>8,079</b>	<b>738,997</b>	<b>1,432,078</b>

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 2. Director's Report (continued)

	Short-term benefits		Post-employment benefits		Long-term benefits	Share based payments	
	Cash salary & fees	Other	Bonus	Superannuation	Employee Leave	Performance rights	Total
2020	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>							
Kevin Lynch	23,336	-	12,500	-	-	64,690	100,526
<b>Executive Directors</b>							
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
<b>Other Key Management Personnel</b>							
Peter Bergin*	30,000	-	-	-	-	-	30,000
Stace Boardman*	177,029	-	21,000	16,818	10,667	-	225,513
	<b>462,009</b>	<b>-</b>	<b>188,500</b>	<b>22,674</b>	<b>20,225</b>	<b>368,731</b>	<b>1,062,139</b>

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

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<b>Non-Executive Directors</b>						
Kevin Lynch	30%	23%	11%	12%	59%	64%
<b>Executive Directors</b>						
Grant Dearlove	33%	30%	-	26%	67%	44%
Glen Dobbie	33%	22%	-	22%	67%	56%
Edward Finn	100%	100%	-	-	-	-
<b>Other Key Management Personnel</b>						
Peter Bergin	-	100%	-	-	-	-
Stace Boardman	100%	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:

<b>Name:</b>	Grant Dearlove
<b>Title:</b>	Executive Chairman
<b>Agreement commenced:</b>	10 August 2020
<b>Term of agreement:</b>	None
<b>Details:</b>	Base remuneration for the year ending 30 June 2021 of \$180,000 paid as consultancy fees, to be reviewed annually by the Nomination and Remuneration Committee. 3-month termination notice by either party. Discretionary cash bonus as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. Eligible to participate in the Company's LTIP and STIP subject to KPI achievement.



# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 2. Director's Report (continued)

<b>Name:</b>	Glen Dobbie
<b>Title:</b>	Executive Director
<b>Agreement commenced:</b>	10 August 2020
<b>Term of agreement:</b>	None
<b>Details:</b>	Base remuneration for the year ending 30 June 2021 of \$150,000 paid as consultancy fees, to be reviewed annually by the Nomination and Remuneration Committee. 3-month termination notice by either party. Discretionary cash bonus as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses. Eligible to participate in the Company's LTIP and STIP subject to KPI achievement.
<b>Name:</b>	Kevin Lynch
<b>Title:</b>	Non-Executive Director
<b>Agreement commenced:</b>	22 October 2019
<b>Term of agreement:</b>	None
<b>Details:</b>	Base remuneration for the year ending 30 June 2021 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 and STIP subject to KPI achievement.
<b>Name:</b>	Dr. Sarah Kelly OAM
<b>Title:</b>	Non-Executive Director
<b>Agreement commenced:</b>	30 August 2021
<b>Term of agreement:</b>	None
<b>Details:</b>	Base remuneration of \$35,000 paid as consultancy fees, to be reviewed annually by the Nomination and Remuneration Committee. 3-month termination notice by either party. Eligible to participate in the Company's LTIP and STIP subject to KPI achievement.
<b>Name:</b>	Stace Boardman
<b>Title:</b>	Chief Operating Officer
<b>Agreement commenced:</b>	29 July 2019
<b>Term of agreement:</b>	None
<b>Details:</b>	Base salary for the year ending 30 June 2021 of \$230,000 including superannuation, to be reviewed annually by the Board. 2-month termination notice by either party. Bonus of \$10,000 (including superannuation) relating to FY20 paid in August 2020. Eligible to participate in the Company's STIP and LTIP. Discretionary bonus as per Board approval and KPI achievement, restraint period, non-solicitation and non-compete clauses.

### Amounts payable to KMP as at 30 June 2021

Name	\$
Grant Dearlove	-
Glen Dobbie	-
Kevin Lynch	3,209
Stace Boardman	-
<b>Total</b>	<b>3,209</b>

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 2. Director's Report (continued)

### Share-based compensation

#### Issue of shares

A total of 1,425,000 shares were issued to directors and other key management personnel on conversion of performance rights during the year ended 30 June 2021.

Name	Issue date	Shares	Issue price
Grant Dearlove	14 October 2020	675,000	-
Glen Dobbie	30 September 2020	500,000	-
Kevin Lynch	6 October 2020	250,000	-

#### Performance Rights

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

Name	Number of options granted	Grant date	Vesting date & exercisable date	Expiry date	Exercise price	Fair value per option at grant date (cents)
Grant Dearlove <sup>1</sup>	675,000	04-12-19	30-06-21	04-12-22	-	4.0
Grant Dearlove <sup>2</sup>	675,000	04-12-19	30-06-21	04-12-22	-	20.0
Grant Dearlove <sup>2</sup>	300,000	29-01-21	30-06-21	29-01-24	-	45.0
Grant Dearlove	975,000	29-01-21	30-06-22	29-01-24	-	45.0
Glen Dobbie <sup>3</sup>	500,000	04-12-19	30-06-21	04-12-22	-	4.0
Glen Dobbie <sup>2</sup>	500,000	04-12-19	30-06-21	04-12-22	-	20.0
Glen Dobbie <sup>2</sup>	300,000	29-01-21	30-06-21	29-01-24	-	45.0
Glen Dobbie	800,000	29-01-21	30-06-22	29-01-24	-	45.0
Kevin Lynch <sup>4</sup>	250,000	04-12-19	30-06-21	04-12-22	-	4.0
Kevin Lynch <sup>2</sup>	250,000	04-12-19	30-06-21	04-12-22	-	20.0
Kevin Lynch	250,000	29-01-21	30-06-22	29-01-24	-	45.0

1. Converted to ordinary shares on 14 October 2020

2. Converted to ordinary shares on 9 September 2021

3. Converted to ordinary shares on 30 September 2020

4. Converted to ordinary shares on 6 October 2020

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.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 2. Director's Report (continued)

### Additional disclosures relating to key management personnel

#### Shareholding

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

Name	Balance at start of the year	Additions	Forfeited/other	Balance at the end of the year
Grant Dearlove	1,000,000	1,925,000	-	2,925,000
Glen Dobbie	2,185,000	1,318,786	-	3,503,786
Edward Finn	10,875,000	-	(2,250,000)*	8,625,000
Kevin Lynch	158,750	566,463	-	725,213
	<b>14,218,750</b>	<b>3,810,249</b>	<b>(2,250,000)</b>	<b>15,778,999</b>

\* Disposal represents shares forfeited

#### 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	Bal. at start of the year	Granted	Exercised	Forfeited/other	Balance at the end of the year
Grant Dearlove	1,350,000	1,275,000	(675,000)	-	1,950,000
Glen Dobbie	1,000,000	1,100,000	(500,000)	-	1,600,000
Edward Finn	1,200,000	-	-	(1,200,000)	-
Kevin Lynch	500,000	250,000	(250,000)	-	500,000
	<b>4,050,000</b>	<b>2,625,000</b>	<b>(1,425,000)</b>	<b>(1,200,000)</b>	<b>4,050,000</b>

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

During the year, a related entity to Glen Dobbie was paid \$200,000 for consulting fees provided to the Group for capital raising and acquisitions completed during the period and Kevin Lynch was paid \$7,500 for consulting services provided to the Group. The consulting fees were provided on an arm's length basis.

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

30 September 2021

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 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 2021 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://www.australianfamilylawyers.com.au/about-us/corporate-governance>

### Gender Diversity

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

A full copy of AFL’s gender diversity policy can be found at <https://australianfamilylawyers.com.au/wp-content/uploads/2019/04/AF-Legal-Group-Diversity-Policy.pdf>.

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

The Board is pleased to report that

- 64% of its management staff are female
- 69% of its fee earning staff are female
- 76% of all of its staff are female

On 30 August 2021, the Company appointed Dr. Sarah Kelly OAM as a Non-Executive Director. Dr. Sarah Kelly OAM is the only female on the Board.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 4. Auditor's Independence Declaration

PKF Brisbane Audit



### 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 2021, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

PKF BRISBANE AUDIT

TIM FOLLETT  
PARTNER

BRISBANE  
30 SEPTEMBER 2021

PKF Brisbane Audit ABN 33 873 151 348

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Brisbane | Rockhampton [www.pkf.com.au](http://www.pkf.com.au)

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PKF Brisbane Pty Ltd. is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 5. Financial Report

AF Legal Group Limited and its controlled entities

ABN 82 063 366 487

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

		Consolidated	
	Note	2021 \$	2020 \$
Revenue	3	11,123,487	7,039,063
Expenses			
Cost of sales		(711,142)	(529,399)
Employee benefits expense		(5,487,776)	(3,325,296)
Other expenses	4	(1,712,506)	(942,786)
Administration expenses	5	(1,821,569)	(923,360)
Share based payment expense	6	(738,997)	(368,731)
Depreciation expense		(804,181)	(360,750)
Amortisation expense		(342,567)	(264,130)
<b>Profit/(Loss) before income tax</b>		<b>(495,251)</b>	<b>324,611</b>
Income tax (expense)/benefit	7	12,814	97,770
<b>Profit/(Loss) for the year</b>		<b>(482,437)</b>	<b>422,381</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>(482,437)</b>	<b>422,381</b>
<b>Earnings per share for profit / (loss) attributable to the ordinary equity holders of the Company:</b>			
Basic earnings / (loss) per share (cents)	9	(0.66)	0.70
Diluted earnings / (loss) per share (cents)	9	(0.66)	0.66

The accompanying notes form part of these financial statements



# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

AF Legal Group Limited and its controlled entities

ABN 82 063 366 487

Consolidated Statement of Financial Position

As at 30 June 2021

		Consolidated	
	Note	2021 \$	2020 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	4,657,653	1,554,743
Trade and other receivables	11	2,813,757	1,801,746
Other current assets	12	697,801	141,463
<b>TOTAL CURRENT ASSETS</b>		<b>8,169,211</b>	<b>3,497,952</b>
<b>NONCURRENT ASSETS</b>			
Deferred tax assets	8(a)	773,704	563,475
Right of use assets	13	880,550	726,751
Plant and equipment	14	455,213	68,490
Intangible assets	15	10,407,991	6,731,773
<b>TOTAL NONCURRENT ASSETS</b>		<b>12,517,458</b>	<b>8,090,489</b>
<b>TOTAL ASSETS</b>		<b>20,686,669</b>	<b>11,588,441</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	2,776,623	1,470,891
Current tax liabilities	8(c)	530,393	478,871
Deferred consideration	17	812,500	273,645
Lease liabilities	18	825,280	375,281
Borrowings	19	52,123	21,349
Provision for employee benefits	20	336,082	174,777
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,333,001</b>	<b>2,794,814</b>
<b>NONCURRENT LIABILITIES</b>			
Deferred tax liabilities	8(b)	514,526	438,527
Lease liabilities	18	179,160	395,215
Deferred consideration	17	1,125,000	-
Provision for employee benefits	20	240,536	38,422
<b>TOTAL NONCURRENT LIABILITIES</b>		<b>2,059,222</b>	<b>872,164</b>
<b>TOTAL LIABILITIES</b>		<b>7,392,223</b>	<b>3,666,978</b>
<b>NET ASSETS</b>		<b>13,294,446</b>	<b>7,921,463</b>
<b>EQUITY</b>			
Issued capital	21	128,306,710	122,905,429
Reserves	22	822,870	368,731
Accumulated losses		(115,835,134)	(115,352,697)
<b>TOTAL EQUITY</b>		<b>13,294,446</b>	<b>7,921,463</b>

The accompanying notes form part of these financial statements

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

AF Legal Group Limited and its controlled entities

ABN 82 063 366 487

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Issued Capital \$	Share based payment reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2019</b>	<b>122,905,429</b>	<b>-</b>	<b>(115,775,078)</b>	<b>7,130,351</b>
<b>Comprehensive income</b>				
Profit for the year	-	-	422,381	422,381
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>422,381</b>	<b>422,381</b>
<b>Transactions with owners in their capacity as owners and other transfers</b>				
Performance rights – value of rights	-	368,731	-	368,731
<b>Total transactions with owners and other transfers</b>	<b>-</b>	<b>368,731</b>	<b>-</b>	<b>368,731</b>
<b>Balance at 30 June 2020</b>	<b>122,905,429</b>	<b>368,731</b>	<b>(115,352,697)</b>	<b>7,921,463</b>
<b>Balance at 1 July 2020</b>	<b>122,905,429</b>	<b>368,731</b>	<b>(115,352,697)</b>	<b>7,921,463</b>
<b>Comprehensive loss</b>				
Loss for the year	-	-	(482,437)	(482,437)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(482,437)</b>	<b>(482,437)</b>
<b>Transactions with owners in their capacity as owners and other transfers</b>				
Issue of shares	5,704,456	(284,858)	-	5,419,598
Performance rights – value of rights	-	738,997	-	738,997
Share issue costs	(303,175)	-	-	(303,175)
<b>Total transactions with owners and other transfers</b>	<b>5,401,281</b>	<b>454,139</b>	<b>-</b>	<b>5,855,420</b>
<b>Balance at 30 June 2021</b>	<b>128,306,710</b>	<b>822,870</b>	<b>(115,835,134)</b>	<b>13,294,446</b>

The accompanying notes form part of these financial statements

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

AF Legal Group Limited and its controlled entities

ABN 82 063 366 487

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		12,418,773	7,717,099
Payments to suppliers and employees		(11,071,035)	(5,955,257)
Interest received		500	478
Interest expense		(119,588)	(16,130)
Income tax paid		(77,558)	(98,986)
<b>Net cash provided by operating activities</b>	26	<b>1,151,092</b>	<b>1,647,204</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of fixed assets		(124,895)	(78,440)
Payments for business combinations		(1,733,345)	-
Payment of deferred consideration		(348,645)	(100,000)
Purchase of intangible assets	15	(331,992)	(339,731)
<b>Net cash used in investing activities</b>		<b>(2,538,877)</b>	<b>(518,171)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from share issues	21	5,516,956	-
Payment of share issue costs		(303,175)	-
Repayment of lease liabilities	18	(753,859)	(364,465)
Payments from borrowings		30,774	(260,229)
<b>Net cash provided by financing activities</b>		<b>4,490,695</b>	<b>624,694</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,102,910</b>	<b>504,339</b>
Cash and cash equivalents at the beginning of the financial year		1,554,743	1,050,404
<b>Cash and cash equivalents at the end of the financial year</b>	10	<b>4,657,653</b>	<b>1,554,743</b>

The accompanying notes form part of these financial statements

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

**AF Legal Group Limited and its controlled entities**

**ABN 82 063 366 487**

**Notes to Financial Statements**

**For the year ended 30 June 2021**

## 1. Significant Accounting Policies

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

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

The consolidated financial statements were authorised for issue on 30 September 2021 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 2020, unless stated otherwise.

The financial report is presented in Australia 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.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 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) Revenue and Other Income

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

##### Legal fees

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

##### Interest revenue

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

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### (c) Work In Progress

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

#### (d) Cash and Cash Equivalents

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

#### (e) Trade and Other Receivables

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

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

#### (f) Income Tax

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

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



# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### (g) Impairment of Assets

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

#### (h) Employee Benefits

##### Short-term employee benefits

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

##### Other long-term employee benefits

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

##### Defined contribution superannuation expense

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

##### Share-based payments

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

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

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

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

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.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### (h) Employee Benefits (continued)

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

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

#### (i) 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.

#### (j) 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.

#### (k) 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.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### (l) Issued Capital

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

#### (m) Segment Reporting

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

#### (n) Property, Plant and Equipment

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

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

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

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

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

#### (o) Leases

##### Group as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract would be considered to contain a lease if it allows the Group the right to control the use of an identified asset over the contracted lease period and receive the economic benefit. The lease contract would also require the Group to acquire this right in exchange for consideration.

##### Right-of-use assets

A right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset less any incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. In addition, the right-of-use assets may be periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

##### Lease liabilities

A lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date discounted using the Group's incremental borrowing rate. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

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

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

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

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

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

#### (q) Earnings Per Share

##### Basic earnings per share

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

##### Diluted earnings per share

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

#### (r) Current and non-current classification

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

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

#### (s) 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.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 2. Critical Accounting Judgements and Key Accounting Estimates and Assumptions (continued)

#### 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.

#### Business Combinations

As discussed in Note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

#### 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 15 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.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 3. Revenue

	Consolidated	
	2021	2020
	\$	\$
Legal fees	11,008,604	6,882,349
Interest income	500	157
Government grant – cash boost	78,448	146,684
Other income	35,935	9,873
	<b>11,123,487</b>	<b>7,039,063</b>

#### 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 recognized as government grants and recognized as income once there is reasonable assurance that the Group will comply with any conditions attached.

### 4. Other Expenses

	Consolidated	
	2021	2020
	\$	\$
Office costs	253,376	144,242
Legal and professional fees	721,665	459,661
Insurance	170,806	87,775
Interest	119,588	64,500
Other	176,825	72,588
Doubtful debts	270,246	114,020
	<b>1,712,506</b>	<b>942,786</b>

### 5. Administration Expenses

	Consolidated	
	2021	2020
	\$	\$
ASX, registries and company secretarial fees	125,069	138,656
Accounting and tax fees	94,223	25,375
Audit and assurance fees	54,500	52,700
Directors fees	35,004	80,424
Marketing and advertising	816,262	370,300
Business development	20,397	9,426
Computer and software expenses	550,782	194,015
Premises expenses	125,332	52,464
	<b>1,821,569</b>	<b>923,360</b>



# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 6. Share Based Payment Expense

	Consolidated	
	2021	2020
	\$	\$
Share based payment expense	738,997	368,731
	<b>738,997</b>	<b>368,731</b>

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant performance rights over ordinary shares in the company to certain key management personnel of the Group. The performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Set out below are summaries of performance rights granted under the plan.

#### 2021

Name	Exercise price (\$)	Bal. at start of the year	Granted	Exercised	Forfeited/ other	Balance at the end of the year
Grant Dearlove	-	1,350,000	1,275,000	(675,000)	-	1,950,000
Glen Dobbie	-	1,000,000	1,100,000	(500,000)	-	1,600,000
Edward Finn	-	1,200,000	-	-	(1,200,000)	-
Kevin Lynch	-	500,000	250,000	(250,000)	-	500,000
	-	<b>4,050,000</b>	<b>2,625,000</b>	<b>(1,425,000)</b>	<b>(1,200,000)</b>	<b>4,050,000</b>

#### 2020

Name	Exercise price (\$)	Bal. 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
	-	-	<b>4,050,000</b>	-	-	<b>4,050,000</b>

For performance rights granted during the year, the valuation inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
29/01/2021	29/01/2024	\$0.51	-	64.89%	-	0.11%	\$0.45

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 7. Income Tax Expense/(Benefit)

	Consolidated	
	2021	2020
	\$	\$
Current tax	-	207,044
Deferred tax	(7,755)	(143,925)
Adjustments for current tax of prior periods	116,964	-
Adjustments for deferred tax of prior periods	(122,023)	(160,889)
	<b>(12,814)</b>	<b>(97,770)</b>

Deferred income tax (income)/expense included in income tax expense comprises:

Decrease/(increase) in deferred tax assets	(210,229)	(437,873)
(Decrease)/increase in deferred tax liabilities	80,450	133,060
	<b>(129,778)</b>	<b>(304,813)</b>

Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2021	2020
	\$	\$
Total profit/(loss) before income tax	(495,251)	324,611
Tax at the Australian tax rate of 26% (2020: 27.5%)	(128,765)	89,268
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	173,011	(26,149)
Adjustments for current tax of prior periods	116,964	-
Adjustments for deferred tax of prior periods	(122,023)	(160,889)
Other adjustments	(52,000)	-
Calculated income tax expense/(benefit)	(12,814)	(97,770)
De-recognition of losses (unlikely to be utilised)	-	-
<b>Income tax expense/(benefit)</b>	<b>(12,814)</b>	<b>(97,770)</b>

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 8. Deferred Tax

	Consolidated	
	2021	2020
	\$	\$
<b>(a) Deferred tax assets</b>		
The balance comprises temporary difference attributable to:		
Doubtful debts	60,600	109,569
Blackhole expenditure	129,495	109,252
Accruals	78,656	59,931
Provisions	144,155	58,630
Other assets on acquisition	109,688	-
Unpaid superannuation	-	14,207
Lease liability	251,110	211,886
<b>Total deferred tax assets</b>	<b>773,704</b>	<b>563,475</b>
<b>(b) Deferred tax liabilities</b>		
The balance comprises temporary difference attributable to:		
Prepayments	(7,104)	(622)
Work in progress	(110,430)	(47,828)
Right of use asset	(220,137)	(199,856)
Intangible assets	(112,385)	(190,221)
Property, plant & equipment	(30,114)	-
Others	(34,356)	-
<b>Total deferred tax liabilities</b>	<b>(514,526)</b>	<b>(438,527)</b>
<b>Net deferred tax assets/(liabilities)</b>		
Deferred tax assets expected to be recovered within 12 months	773,704	563,476
Deferred tax assets expected to be recovered after more than 12 months	-	-
Deferred tax assets expected to be settled within 12 months	(372,028)	(248,307)
Deferred tax assets expected to be settled after more than 12 months	(142,498)	(190,221)
	<b>259,178</b>	<b>124,948</b>
<b>Movements in deferred tax</b>		
Opening balances	124,948	(179,865)
Opening balance adjustment (acquired)	18,294	160,888
Credited (charged) to the statement of comprehensive income	111,611	143,925
Tax rate differential	(128)	-
Others	4,452	-
<b>Closing balance</b>	<b>259,178</b>	<b>124,948</b>
<b>(c) Current Tax</b>		
<b>Current tax liabilities</b>	<b>530,393</b>	<b>478,871</b>

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 9. Earnings Per Share

	Consolidated	
	2021	2020
	cents	cents
<b>Basic and diluted earnings/(loss) per share:</b>		
From continuing operations	(0.66)	0.70
<b>Total basic earnings/(loss) per share</b>	<b>(0.66)</b>	<b>0.70</b>
From continuing operations	(0.66)	0.66
<b>Total diluted earnings/(loss) per share</b>	<b>(0.66)</b>	<b>0.66</b>
<b>Profit/(Loss) attributable to the owners of the Group</b>	<b>\$</b>	<b>\$</b>
Profit/(Loss) from continuing operations	(482,437)	422,381
<b>Net Profit/(Loss) attributable to the owners of the Group</b>	<b>(482,437)</b>	<b>422,381</b>
<b>Weighted average number of ordinary shares for the purposes of:</b>	<b>No.</b>	<b>No.</b>
Basic earnings/(loss) per share	72,864,868	60,097,008
Diluted earnings/(loss) per share	72,864,868	64,147,008

### 10. Cash and Cash Equivalents

	Consolidated	
	2021	2020
	\$	\$
Cash at bank	4,657,653	1,554,743
	<b>4,657,653</b>	<b>1,554,743</b>

### 11. Trade and Other Receivables

	Consolidated	
	2021	2020
	\$	\$
<b>Current</b>		
Trade receivables	2,614,436	2,026,258
Provision for doubtful debts	(242,400)	(398,432)
	<b>2,372,036</b>	<b>1,627,826</b>
<b>Other receivables</b>		
Work in progress	441,721	173,920
<b>Total trade and other receivables</b>	<b>2,813,757</b>	<b>1,801,746</b>

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

	Gross amount	Past due & impaired	Past due but not impaired			
			<30 days	30-60 days	61-90 days	+90 days
2021	2,614,436	242,400	906,390	138,644	74,028	1,252,974
2020	2,026,258	398,432	535,233	139,812	102,768	850,013

See Note 1 (e) and Note 2 for the Group's accounting policy in relation to the provision for doubtful debts and Note 27 regarding credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 12. Other Current Assets

	Consolidated	
	2021	2020
	\$	\$
Security deposits	206,110	17,797
Prepayments	127,896	123,666
Other receivables	363,795	-
	<b>697,801</b>	<b>141,463</b>

### 13. Right of Use Assets

	Consolidated	
	2021	2020
	\$	\$
Right of use assets - Premises	1,875,750	1,061,118
Less: Accumulated depreciation	(995,200)	(334,367)
	<b>880,550</b>	<b>726,751</b>

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.

### 14. Plant and Equipment

	Consolidated	
	2021	2020
	\$	\$
<b>Office equipment</b>		
Cost	2,060	2,060
Accumulated depreciation	(2,060)	(2,060)
Written down value	-	-
<b>Furniture &amp; fittings</b>		
Cost	376,957	37,657
Accumulated depreciation	(29,325)	(20,216)
Written down value	<b>347,632</b>	<b>17,441</b>
<b>Computer Equipment</b>		
Cost	194,778	98,605
Accumulated depreciation	(87,197)	(47,556)
Written down value	<b>107,581</b>	<b>51,049</b>
<b>Total Plant &amp; Equipment</b>	<b>455,213</b>	<b>68,490</b>

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 14. Plant and Equipment (continued)

#### Reconciliations

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

Consolidated	Office equipment \$	Furniture & fittings \$	Computer equipment \$	Total \$
<b>Cost</b>				
Balance as at 1 July 2019	2,060	27,609	52,206	81,876
Additions	-	10,048	46,399	56,446
Balance as at 30 June 2020	2,060	37,657	98,605	138,322
Balance as at 1 July 2020	2,060	37,657	98,605	138,322
Additions	-	28,722	96,173	124,896
Business combinations	-	310,578	-	310,578
<b>Balance as at 30 June 2021</b>	<b>2,060</b>	<b>376,957</b>	<b>194,778</b>	<b>573,796</b>
<b>Accumulated depreciation</b>				
Balance as at 1 July 2019	716	13,794	28,939	43,449
Depreciation expense	1,344	6,422	18,617	26,383
Balance as at 30 June 2020	2,060	20,216	47,556	69,832
Balance as at 1 July 2020	2,060	20,216	47,556	69,832
Depreciation expense	-	9,110	39,641	48,751
<b>Balance as at 30 June 2021</b>	<b>2,060</b>	<b>29,326</b>	<b>87,197</b>	<b>118,583</b>
<b>Written down value</b>				
As at 30 June 2020	-	17,441	51,049	68,490
<b>As at 30 June 2021</b>	<b>-</b>	<b>347,632</b>	<b>107,581</b>	<b>455,213</b>

### 15. Intangible Assets

	Consolidated	
	2021 \$	2020 \$
Goodwill	9,152,263	5,465,470
Intellectual Property	1,210,883	1,210,883
Less: Accumulated amortisation	(504,525)	(262,353)
Net carrying amount	706,358	948,530
Website	671,724	339,731
Less: Accumulated amortisation	(122,354)	(21,958)
Net carrying amount	549,370	317,773
<b>Total intangible assets</b>	<b>10,407,991</b>	<b>6,731,773</b>



# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 15. Intangible Assets (continued)

#### 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 2019	5,453,687	1,190,702	-	6,644,389
Additions	-	-	339,731	339,731
Measurement period adjustment	11,783	-	-	11,783
Amortisation expense	-	(242,172)	(21,958)	(264,130)
<b>Balance at 30 June 2020</b>	<b>5,465,470</b>	<b>948,530</b>	<b>317,773</b>	<b>6,731,773</b>
Balance at 1 July 2020	5,465,470	948,530	317,773	6,731,773
Additions	-	-	331,992	331,992
Additions from business combinations	3,686,793	-	-	3,686,793
Disposals	-	-	-	-
Amortisation expense	-	(242,172)	(100,395)	(342,567)
<b>Balance at 30 June 2021</b>	<b>9,152,263</b>	<b>706,358</b>	<b>549,370</b>	<b>10,407,991</b>

#### Impairment tests for goodwill

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

	2021 \$	2020 \$
Sydney and Melbourne	8,740,480	5,053,687
Brisbane	411,783	411,783
	<b>9,152,263</b>	<b>5,465,470</b>

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% (2020: 10%) and are discounted using the Group's weighted average cost of capital of 9.3% (2020: 10.1%). Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2% (2020: 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 2021.

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.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 16. Trade and Other Payables

	Consolidated	
	2021	2020
	\$	\$
<b>Current</b>		
Trade payables	506,728	406,103
GST payable	734,047	406,419
Accrued expenses	254,801	217,931
Payroll payables	1,029,516	416,167
Other payables	251,531	34,271
	<b>2,776,623</b>	<b>1,470,891</b>

### 17. Deferred Consideration

	Consolidated	
	2021	2020
	\$	\$
Current	812,500	273,645
Non-current	1,125,000	-
	<b>1,937,500</b>	<b>273,645</b>
Change in deferred consideration payable during the year		
Balance at 1 July	273,645	600,000
Additions through business combinations	2,025,000	-
Settled during the year	(361,145)	(326,355)
<b>Balance at 30 June</b>	<b>1,937,500</b>	<b>273,645</b>

### 18. Lease Liabilities

	Consolidated	
	2021	2020
	\$	\$
Current	825,280	375,281
Non-current	179,160	395,215
	<b>1,004,440</b>	<b>770,496</b>
Change in lease liabilities during the year		
Balance as 1 July	770,496	793,169
Additions	502,760	390,162
Additions through business combinations	525,893	-
Interest expense	(40,870)	(48,369)
Lease repayments	(753,839)	(364,466)
<b>Balance at 30 June</b>	<b>1,004,440</b>	<b>770,496</b>

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 19. Borrowings

	Consolidated	
	2021	2020
	\$	\$
Insurance premium funding	52,123	21,349
	<b>52,123</b>	<b>21,349</b>

The interest rate on insurance premium is 4.92% (2020: 4.46%)

### 20. Provision for Employee Benefits

	Consolidated	
	2021	2020
	\$	\$
<b>Current</b>		
Provision for annual leave	336,082	174,777
	<b>336,082</b>	<b>174,777</b>
<b>Non-Current</b>		
Provision for long service leave	240,536	38,422
	<b>240,536</b>	<b>38,422</b>

### 21. Issued Capital

	Consolidated			
	2021	2021	2020	2020
	Shares	\$	Shares	\$
Ordinary shares fully paid	72,864,868	128,306,710	60,097,008	122,905,429
<b>Balance at the end of the year</b>	<b>72,864,868</b>	<b>128,306,710</b>	<b>60,097,008</b>	<b>122,905,429</b>

Movement in ordinary share capital:

Details	Date	Shares	Issue price (\$)	\$
<b>Balance</b>	1 July 2019	60,097,008		122,905,429
Issue of shares	-	-	-	-
Balance	30 June 2020	60,097,008	-	122,905,429
Issue of shares on exercise of performance rights	30 Sep 2020	500,000	-	-
Issue of shares on exercise of performance rights	6 Oct 2020	250,000	-	-
Issue of shares on exercise of performance rights	14 Oct 2020	675,000	-	-
Issue of shares	7 Apr 2021	11,033,912	0.50	5,516,956
Issue of shares on acquisition of Watts McCray	15 Jun 2021	308,948	0.61	187,500
Share issue transaction costs	7 April 2021	-	-	(303,175)
<b>Balance</b>	<b>30 June 2021</b>	<b>72,864,868</b>		<b>128,306,710</b>

#### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 22. Equity - reserves

	Consolidated	
	2021 \$	2020 \$
Share based payment reserve	822,870	368,731
	<b>822,870</b>	<b>368,731</b>

#### 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.

### 23. Business Combinations

On 1 December 2020, the Group acquired the business assets of Strong Law Pty Ltd, a family law practice located in Canberra, ACT. The effective date of the acquisition was 1 October 2020. On 16 June 2021, the Group completed the acquisition of 100% of share capital in Watts McCray (NSW) Pty Ltd ("Watts McCray"), one of Australia's leading family law firms. The effective date of the acquisition was 1 January 2021. In addition, on 30 June 2021 the Group acquired the business assets of Kordos Lawyers, one of Melbourne's leading Family Law firms. The effective date of the acquisition was 1 April 2021.

	Strong Law \$	Watts McCray \$	Kordos Law \$	Total Fair Value \$
<b>Purchase consideration:</b>				
Cash paid / payable	233,345	1,500,000	125,000	1,858,345
Issuance of shares	-	187,500	125,000	312,500
Deferred consideration	150,000	1,125,000	750,000	2,025,000
	<b>383,345</b>	<b>2,812,500</b>	<b>1,000,000</b>	<b>4,195,845</b>
<b>Less:</b>				
Cash and cash equivalents	-	-	292,000	292,000
Trade and other receivables <sup>(i)</sup>	-	831,750	-	831,750
Other assets	-	517,481	-	517,481
Property, plant and equipment	-	310,578	-	310,578
Right of use assets	-	444,664	-	444,664
Current tax liabilities	-	(282,141)	-	(282,141)
Trade and other payables	-	(665,240)	-	(665,240)
Lease liabilities	-	(525,893)	-	(525,893)
Employee provisions	-	(414,148)	-	(414,148)
<b>Identifiable assets acquired and liabilities assumed</b>	<b>-</b>	<b>217,051</b>	<b>292,000</b>	<b>509,051</b>
<b>Goodwill - provisional<sup>(ii)</sup></b>	<b>383,345</b>	<b>2,595,449</b>	<b>708,000</b>	<b>3,686,794</b>

(i) The directors believe that an adequate provision for impairment has been provided, and that the receivables acquired are recoverable on that basis.

(ii) The goodwill is attributable to the high profitability of the acquired businesses and the significant synergies that are expected to arise after the Group's acquisitions in the year.

No amount of the goodwill is deductible for tax purposes

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 23. Business Combinations (continued)

#### Acquisition of Watts McCray (NSW) Pty Ltd

In accordance with the accounting principles of Business Combinations, the financial results reported herein contain the results for the full reporting period and the results of Watts McCray from the point of acquisition only, since 1 January 2021. In the 6 months to June 2021, Watts McCray contributed a statutory loss of \$44,983 to the Group's results. Had the results relating to Watts McCray acquisition been consolidated from 1 July 2020, contributed statutory profit would have been \$881,619.

However, the above results are not represented of the underlying trading performance of Watts McCray as the prior year results reflect the performance of an entity whose accounts did not reflect the underlying performance of the business. They are therefore not considered relevant to an assessment of underlying or comparative performance.

### 24. Contingent Liabilities and Contingent Assets

In the opinion of the Directors, there are no contingent liabilities or contingent assets as at 30 June 2021 and no contingent liabilities or contingent assets at the date of this financial report.

### 25. Interest in Subsidiaries

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

Name of subsidiary	Country of incorporation	Ownership interest	
		2021	2020
AF Legal Pty Ltd	Australia	100%	100%
Watts McCray (NSW) Pty Ltd	Australia	100%	-

### 26. Cash Flow Information

Reconciliation of profit / (loss) for the year to cash flows from operating activities	Consolidated	
	2021 \$	2020 \$
Profit/(Loss) after income tax for the year	(482,437)	422,381
<b>Non-cashflow and non-operating activities through profit (loss)</b>		
Depreciation and amortisation	1,146,748	624,880
Doubtful debts expense	270,246	114,020
<b>Changes in assets and liabilities, net of the effects of acquisition of subsidiaries</b>		
(Increase)/decrease in assets:		
Trade and other receivables	219,117	200,485
Increase/(decrease) in liabilities:		
Trade and other payables	(283,930)	419,432
Employee provisions	50,728	95,994
Tax liabilities	230,619	(229,988)
<b>Net cash inflows from operating activities</b>	<b>1,151,092</b>	<b>1,647,204</b>

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 27. Financial Instruments

#### Overview

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

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

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

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

#### Market Risk Management

##### (a) Interest Rate Risk

The Group's main interest rate risk arises from cash and cash equivalents and loans. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and investing options and the mix of fixed and variable interest rates. The Group is only exposed to interest rate risk on cash and cash equivalents, lease liabilities and borrowings at 30 June 2021. As at the reporting date, the following assets and liabilities were exposed to Australian variable and fixed interest rates:

		Consolidated		
	Weighted Average Interest Rate %	2021 \$	Weighted Average Interest Rate %	2020 \$
Variable Interest				
Cash and cash equivalents	0.01%	4,657,653	0.10%	1,554,743
Fixed interest				
Borrowings	4.92%	52,123	4.49%	21,349
Lease liabilities	6.00%	1,004,440	6.00%	770,496

##### Net exposure to cash flow interest rate risk

A movement in interest rates of 1% (2020: 1%) would have a favourable effect on profit before tax of \$36,011 (2020: \$7,629) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

##### (b) 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.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 27. Financial Instruments (continued)

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.

### 28. Key Management Personnel 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 2021.

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

	Consolidated	
	2021 \$	2020 \$
Short-term employee benefits	662,804	650,509
Post-employment benefits	22,198	22,674
Other long-term benefits	8,079	20,225
Share based payments	738,997	368,731
<b>Total KMP compensation</b>	<b>1,432,078</b>	<b>1,062,139</b>

#### Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as salary, bonuses, 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.



# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 29. Related Party Transactions

#### Transactions with Related Parties

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

#### Transactions with Key Management Personnel

During the year, a related entity to Glen Dobbie was paid \$200,000 for consulting fees provided to the Group for capital raising and acquisitions completed during the period and Kevin Lynch was paid \$7,500 for consulting services provided to the Group. The consulting fees were provided on an arm's length basis.

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.

### 30. 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.

Results of parent entity	2021 \$	2020 \$
Loss for the year	(1,932,094)	(1,378,647)
Other comprehensive income	-	-
Total comprehensive loss for the year	<b>(1,932,094)</b>	<b>(1,378,647)</b>

#### Financial position of the parent entity at year end

Current assets	424,151	98,252
Total assets	12,816,237	6,387,982
Current liabilities	1,634,733	214,904
Total liabilities	2,969,550	135,336

#### Total equity of the parent entity comprising of

Contributed equity	128,306,710	122,905,429
Reserves	822,870	368,731
Accumulated losses	(119,282,893)	(117,138,166)

### 31. Auditors Remuneration

	Consolidated	
	2021 \$	2020 \$
Audit and review of the financial reports	55,000	44,000
Taxation services	27,270	31,860
	<b>82,270</b>	<b>75,860</b>

### 32. Events after the Reporting Period

There was no material impact to performance due to the Coronavirus ('COVID-19') for the Group up to 30 June 2021. 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.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Notes to the Financial Statements (continued)

### 32. Events after the Reporting Period (continued)

On 5 July 2021, the Group paid \$125,000 in cash and issued 209,697 ordinary shares representing the upfront consideration component for the acquisition of Kordos Lawyers which settled on 30 June 2021. The consideration shares rank equally in all respects with existing fully paid shares of the Company.

On 30 August 2021, Mr. Edward Finn resigned as the Non-Executive Director of the Company and Dr. Sarah Kelly OAM was appointed as a Non-Executive Director on the Company.

No other matter or circumstance has arisen since 30 June 2021 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.

### 33. Company Details

#### 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

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 6. Directors' Declaration

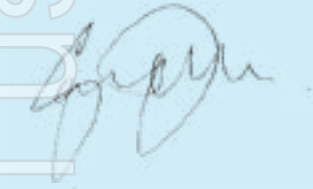
In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

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

Signed in accordance with a resolution of the Board of Directors pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Grant Dearlove  
Chairman

30 September 2021

Sydney

## 7. Independent Auditor's Report

PKF Brisbane Audit



### 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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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

- a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for Opinion

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

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

##### Independence

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

##### Key Audit Matters

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

PKF Brisbane Audit ABN 33 873 151 348

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Brisbane | Rockhampton [www.pkf.com.au](http://www.pkf.com.au)

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PKF Brisbane Pty Ltd. is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

## 7. Independent Auditor's Report (continued)



### 1. Carrying amount of intangible assets

#### Why significant

As at 30 June 2021 the carrying value of intangible assets is \$10,407,991 (2020: \$6,731,773), as disclosed in Note 15.

The consolidated entity's accounting policy in respect of intangible assets is outlined in Note 1.

The carrying amount of intangible assets is a key audit matter due to:

- the significance of the balance (being 50% of total assets);
- the significant audit effort required to test the consolidated entity's impairment assessment; and
- the level of judgement applied in evaluating management's assessment of impairment.

As outlined in Notes 1 and 15, management assessed the carrying amount of intangible assets through impairment testing utilising a value in use discounted cash flow model in which significant judgements are applied in determining key assumptions. These assumptions include the assessment of the growth rate, discount rate and forecasted results and estimated costs of disposal. The judgements made in determining the underlying assumptions in the model have a significant impact on the carrying amount of intangible assets, and accordingly the amount of any impairment charge, to be recorded in the current financial year.

#### How our audit addressed the key audit matter

In assessing this key audit matter our work included, but was not limited to, the following procedures:

- 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;
- conducting sensitivity analysis on key assumptions such as the growth rate, discount rate and forecasted results, within reasonable foreseeable ranges, in which we found that the recoverable amount remained in excess of the carrying value of net assets of each cash-generating unit ('CGU');
- challenging the key assumptions used in management's value in use model by:
  - assessing forecasted results and growth rates set by management in comparison to historical results and future approved budgets
  - evaluating the discount rate set by management in comparison to market and industry information available
  - assessing the impact of the COVID-19 pandemic on all key assumptions
- assessing the appropriateness of changes in key assumptions during the year; and
- assessing the appropriateness of the related disclosures in Note 15.

### 2. Business combinations – including allocation of goodwill

#### Why significant

During the year, the consolidated entity acquired Strong Law, Watts McCray and Kordos Lawyers.

As disclosed in Note 23, as part of the business combination transactions, the consolidated entity recognised provisional goodwill of \$3,686,793 from the acquisitions.

Business combinations – including allocation of goodwill is a key audit matter due to:

- the significant audit effort required to test the consolidated entity's acquisitions during the year; and
- the level of judgement applied in evaluating management's assessment of goodwill allocated in each purchase.

#### How our audit addressed the key audit matter

In assessing this key audit matter our work included, but was not limited to, the following procedures:

- review of purchase documentation including contracts and business sale agreements;
- obtaining a detailed understanding of each acquired business;
- assessing the appropriateness of the valuation methodology of the assets acquired;
- reviewing management's fair value assessment of the assets and liabilities acquired;
- reviewing management's assessment of the fair value of the consideration paid and any recognition of any deferred consideration upon the acquisition date;
- assessment of management's goodwill allocation as part of the business acquisition; and
- assessing the appropriateness of the disclosures in relation to both the business combination and intangible assets acquired included in Notes 1 & 23.

## 7. Independent Auditor's Report (continued)



### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the consolidated entity's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Directors' Responsibilities for the Financial Report

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern.



## 7. Independent Auditor's Report (continued)



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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of AF Legal Group Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

### PKF BRISBANE AUDIT

TIM FOLLETT  
PARTNER

BRISBANE  
30 SEPTEMBER 2021

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 8. Shareholder Information

The shareholder information set out below was applicable as at 10 September 2021.

### 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	129	32,118	0.04%
1,001 - 5,000	170	486,421	0.65%
5,001 - 10,000	201	1,806,992	2.41%
10,001 - 100,000	337	13,396,895	17.84%
100,001 and above	97	59,377,139	79.06%
<b>Totals</b>	<b>934</b>	<b>75,099,565</b>	<b>100.00%</b>

### 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 <FINN FAMILY A/C>	8,625,000	11.48%
MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	4,814,094	6.41%
AUXANO ASIA PTE LTD	4,125,000	5.49%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,370,916	4.49%
MRS JULIANNE PATRICIA DEARLOVE <DEARLOVE FAMILY INV A/C>	2,925,000	3.89%
NATIONAL NOMINEES LIMITED	2,659,627	3.54%
WESTFERRY OPERATIONS PTY LTD <THE WESTFERRY FUND A/C>	2,370,822	3.16%
MR MICHAEL CHARLES BOWDEN	1,400,000	1.86%
MR LEWIS O'BRIEN <L J O'BRIEN FAMILY A/C>	1,327,962	1.77%
DAWNEY & CO LTD	1,250,000	1.66%
RANAN INVESTMENT PL	1,200,000	1.60%
DMX CAPITAL PARTNERS LIMITED	1,050,000	1.40%
MRS JULIANNE PATRICIA DEARLOVE <DEARLOVE FAMILY INV A/C>	975,000	1.30%
JET INVEST PTY LTD <RJC INVESTMENT A/C>	913,479	1.22%
L&K HOLDING COMPANY PTY LTD <THE LYNCH FAMILY A/C>	899,644	1.20%
RORTY CRANKLE PTY LIMITED	761,500	1.01%
MR PRATYUSH BHUPENDRA JAGDISHWALA & MRS URVI PRATYUSH JAGDISHWALA <JAGDISHWALA FAMILY A/C>	717,500	0.96%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	602,201	0.80%
REMLAP (QLD) PTY LTD <REMLAP SUPER FUND A/C>	581,301	0.77%
TERRY MORRIS PTY LTD <MORRIS FAMILY SUPER A/C>	581,301	0.77%
MR GRIGORE JOSKA ROMINIANU VIDLER	557,566	0.74%
<b>Total</b>	<b>41,707,913</b>	<b>55.54%</b>
<b>Total Issued Capital</b>	<b>75,099,565</b>	<b>100.00%</b>

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## Substantial holders

Substantial holders in the company are set out below:

Name	Balance	%
OSCAR CHURCHILL PTY LTD <FINN FAMILY A/C>	8,625,000	11.48%
MOAT INVESTMENTS PTY LTD <MOAT INVESTMENT A/C>	4,814,094	6.41%
AUXANO ASIA PTE LTD	4,125,000	5.49%
<b>Total</b>	<b>17,564,094</b>	<b>23.39%</b>

## 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.

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 9. Corporate Directory

### Board of Directors

Mr Grant Dearlove	Executive Chairman
Mr Glen Dobbie	Executive Director
Mr. Kevin Lynch	Non-Executive Director
Dr. Sarah Kelly OAM	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>

# ANNUAL REPORT | FOR THE YEAR ENDED 30 JUNE 2021

## 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 2021 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:

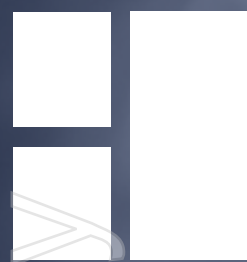
<https://www.australianfamilylawyers.com.au/about-us/corporate-governance>

## Date and time of Annual General Meeting

11am, Friday, 5 November 2021

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

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