



**Australian
Family
Lawyers**

ANNUAL REPORT

**AF Legal Group Limited
(formerly Navigator Resources Limited)
ABN 82 063 366 487
for the year ended 30 June 2019**

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Letter from the Chairman

I am delighted to present the first annual report of AF Legal Group Limited (“AFL”, the “Company”, or the “Group”) as a public company, following the sequence events detailed in the directors’ report below, that resulted in the former Navigator Resources Limited relisting on the ASX as AFL.

AFL is a law firm with a difference. It was established in 2015 by Edward Finn (Founder and Managing Director) who identified an opportunity 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. This alternative model provides the platform to deliver outstanding client service. AFL has an unwavering commitment to client service and achieving the best outcomes for our clients. AFL currently employs six (6) accredited family law specialists, whom are recognised as experts in the field of family law.

Research suggests that the family law market in Australia is worth an estimated \$1.1 billion in revenue and is highly fragmented and well suited for consolidation. We do not believe that any family law firm currently has an established national presence. This represents a significant opportunity for the Company to provide high quality legal advice in each state in Australia to people who have need for advice in respect to relationship issues, children or whom have made the decision to separate. AFL’s objective is to become the market leading provider of Family Law services in Australia.

As revealed in the Review of Operations below, AFL has continued its strong growth in revenues and underlying profitability during the financial year ending 30 June 2019. It has also commenced its strategy to expand into additional targeted geographies through both organic growth and strategic acquisitions. This commenced in February 2019 prior to listing, through the acquisition of Walls Bridges Lawyers in Mornington, Victoria. Following the successful listing, the group also expanded into Queensland via the acquisition of Nita Stratton Funk & Associates, a Brisbane and Rochedale based specialist Family Law Firm. The entrance into Queensland provides the Company exposure to the state with the highest divorce rates in Australia on a per capita basis. AFL continues to assess both organic and acquisitive growth opportunities nationwide and we are looking forward to driving further growth opportunities in the year ahead.

The AFL story is a great one – it has a well-established competitive advantage, is operating in a market worth over \$1 billion revenue per annum with no market leader and following the successful IPO, the company now has the platform and access to resources to execute its growth strategy. I look forward to an extended period of sustainable, controlled and measured growth in the Company.

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

Yours sincerely



Grant Dearlove
Executive Chairman

The Directors of AF Legal Group Limited (the "Company") submit herewith the Financial Report of the Company, and its controlled entity (referred to herein as the Group) for the financial year ended 30 June 2019. 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. Greg Ruddock, resigned 30 May 2019
- Mr. Joshua McKean, resigned 30 May 2019
- Mr. Malcolm Keefe, resigned 30 May 2019
- Mr. Grant Dearlove, appointed 30 May 2019
- Mr. Edward Finn, appointed 30 May 2019
- Mr. Glen Dobbie, appointed 12 February 2016

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

Mr Grant Dearlove, Executive Chairman

For 27 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.

Across his career Grant has owned, worked for, and consulted to professional service firms in disciplines spanning legal services, property, franchising, risk, insurance, VET sector education, Tourism, M&A, funds management and outsourcing.

Grant has been a practising solicitor since 1992, was an equity partner of leading Queensland firm McInnes Wilson Lawyers and for the last 9 years was the 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 growing new areas of law from \$2 million to over \$50 million in revenue.

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.

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.

Grant is a member of the Audit & Risk and Remuneration and Nomination Committees of AFL.



Mr Grant Dearlove, Executive Chairman (continued)

Date of appointment	30 May 2019	
Qualifications	<p>Grant has a Bachelor of Laws, Master of Laws, Master of Business Administration, and a Graduate Diploma in Applied Corporate Governance.</p> <p>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.</p>	
Other current directorships in listed entities	None	
Former directorships in listed entities in last 3 years	None	
Interest in shares and options	Fully paid ordinary shares	1,000,000
	Unlisted options	Nil



Mr Edward Finn, Managing Director

Edward is the founder and Managing Director of AFL. He is responsible for the overall strategic direction of the group.

Prior to founding AFL, Edward worked as a lawyer for a general service firm with an emphasis on relationship and family law, Alpass & Associates. He also co-founded an online travel guide and an online retailer, reflecting his longstanding interest and background in digital marketing.

Date of appointment	30 May 2019	
Qualifications	<p>Edward completed combined Bachelor of Law/Arts (Media & Communications) degrees at the University of Melbourne and is a recipient of the Grumitt Scholarship.</p> <p>Edward was admitted as a Solicitor in 2012 and currently holds a Principal Practising Certificate issued by the Victorian Legal Services Board & Commissioner.</p> <p>Edward is a member of the Audit & Risk and Remuneration and Nomination Committees of AFL.</p>	
Other current directorships in listed entities	None	
Former directorships in listed entities in last 3 years	None	
Interest in shares and options	Fully paid ordinary shares	10,875,000
	Unlisted options	Nil



Mr Glen Dobbie, Managing Director until 30 May 2019 and currently Non-Executive Director

Glen is the Managing Partner of Auxano LLP, an investment firm that seeks to provide mid-market businesses with whatever they need to grow. Prior to this role, Glen was formerly the Group Commercial Director at Arowana & Co, where he was primarily responsible for the investment operations of the ASX listed, Arowana International Limited. During his 8 years at Arowana & Co, the firm recorded returns of over 30% per annum and Arowana International Limited's share price rose to \$1.00 from a listing price of \$0.35.

Glen has experience in "hands on" operational management across a variety of industries including education, media, infrastructure, engineering, waste management and technology businesses.

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.

Glen is a member of the Audit & Risk and Remuneration and Nomination Committees of AFL, and is a certified Gazelles business coach.

Date of appointment	12 February 2016		
Qualifications	Bachelor of Commerce (Honours) degree from the University of New South Wales where he was a University Co-Op Scholar with the School of Accounting. Glen is also a qualified accountant holding a Graduate Diploma of Chartered Accounting from the Institute of Chartered Accountants Australia		
Other current directorships in listed entities	None		
Former directorships in listed entities in last 3 years	None		
Interest in shares and options	Fully paid ordinary shares		2,075,000
	Unlisted options		Nil

Corporate Governance

Company Secretary

Alistair McKeough, resigned 20 September 2019

Alistair is a Principal at Automic Legal. Alistair has been company secretary to a variety of ASX listed companies. He is also a member of the University of New South Wales Law Advisory Council.

Alistair holds a Bachelor of Laws and Master of Laws from UNSW and is experienced in advising boards and senior executives in relation to their corporate governance and compliance, including compliance with the ASX Listing Rules.

Maggie Niewidok, appointed 20 September 2019

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 is in the final stages of completing her Graduate Diploma of Applied Corporate Governance from the Governance Institute.

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Director's Report continued

Meetings of directors

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

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

Director	Board of directors		Remuneration and Nomination committee		Audit and Risk committee	
	* Eligible to Attend	Attended	* Eligible to Attend	Attended	* Eligible to Attend	Attended
Greg Ruddock	2	2	-	-	1	1
Glen Dobbie	3	3	-	-	1	1
Josh McKean	2	2	-	-	1	1
Malcolm Keefe	2	2	-	-	1	1
Grant Dearlove	1	1	-	-	-	-
Edward Finn	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.

The Remuneration and Nomination, and Audit and Risk committees are currently being reformed.

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.

Share Options

Shares under Option or Issued on Exercise of Options

The Company issued no options during the financial year. 225,000,000 options (on a pre-consolidation basis) were outstanding as at 30 June 2018. All of these options have now lapsed or have been cancelled.

Shares Issued on the Exercise of Options

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

Share Options that Expired/Lapsed

Of 225,000,000 options outstanding at 30 June 2018, 175,000,000 were exercisable by May 2019 and therefore lapsed during the reporting period. All existing option holders for the remainder have executed deeds to cancel their future outstanding Options, which resulted in the cancellation for nil consideration of 50,000,000 unlisted Options (on a pre-consolidation basis) exercisable at \$0.02 per Option on or before 18 March 2020.

Environmental Regulations

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

Indemnification of Directors and Officers

The Company 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.

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 2019:

	30 June 2019	30 June 2018
	\$	\$
Taxation compliance service – preparation of tax return and other tax matters	21,055	5,617
Total	21,055	5,617

Significant changes in the state of affairs

In its Annual Report for the period ending 30 June 2018, directors reported that the Company's shares remain suspended from the ASX. It was also reported that the Board would reconsider applying to the ASX for the removal of the suspension when a potential transaction is imminent.

On 19 December 2018, Navigator Resources Limited (NAV) announced that it had entered into a Share Purchase Deed to acquire 100% of the issued capital of AF Legal Pty Ltd. At an Extraordinary General meeting convened on 8 April 2019, members approved a number of resolutions, most notably that:

- NAV change its nature and scale of activities;
- NAV change its name to AF Legal Group Limited; and
- Shares in NAV be consolidated on a 1 for 20 basis.

Those resolutions were a precursor to a process that culminated in a successful public offer under a Prospectus dated 29 March 2019. This raised \$5,912,494 (before costs) via the issue of 29,562,470 new shares at an issue price of \$0.20 per share, and a consideration offer to facilitate the completion of the acquisition of AF Legal Pty Ltd which resulted in the issue of 10,875,000 new shares.

Following compliance with ASX relisting conditions, AF Legal Group Limited commenced trading on the ASX on 7 June 2019 under the ticker AFL.

Principal Activities

The Company's principal activities until 8 April 2019, whilst operating as Navigator Resources Limited were:

- Conducting geochemical exploration activities at the Violet Gold Project in the Kookynie Goldfield, Western Australia;
- Evaluating several different potential opportunities in the mining and extractive industries; and
- Conducting due diligence and negotiating terms for the prospective acquisition of AF Legal Pty Ltd.

On 8 April 2019, the shareholders of Navigator Resources Limited resolved to change the nature and scale of the companies activities, and subject to satisfaction of a number of Conditions Precedent, including the successful raising of funds under a Prospectus, to acquire AF Legal Pty Ltd. This denoted that the Company would no longer operate in the mineral exploration industry.

On 30 May 2019 the acquisition of AF Legal Pty Ltd was completed and the Group commenced trading in the Family Law industry, described in greater detail in the review of operations below.

Subsequent Events

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect significantly the operations of the company, results of those operations, or the state of affairs of the Company, in subsequent years.

2.1 Review of Operations

AF Legal Pty Ltd (also known as Australian Family Lawyers) is a wholly owned subsidiary of AF Legal Group Limited 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.

AF Legal Pty Ltd has historically demonstrated strong organic growth and has also commenced its strategy to expand into additional targeted geographies through both organic growth and strategic acquisitions. This commenced in February 2019, prior to the business combination between the former NAV and AF Legal Pty Ltd. The acquisition of Walls Bridges Lawyers in Mornington, Victoria in February 2019 provided market entry into regional Victoria.

Following the successful listing, the group also expanded into Queensland via the acquisition of Nita Stratton Funk & Associates, a Brisbane and Rochedale based specialist Family Law Firm. As the acquisition did not occur until 28 June 2019, the financial results of the acquisition are not represented in the reported results for the year ended 30 June 2019.

AFL Strategy

AFL's strategy is to become the largest family and relationship law firm in Australia, and to 'roll-out' its innovative client acquisition model into other areas of law and other professional services sectors.

There are a number of distinct phases to the Company's strategy.

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Director's Report continued

Start up (since 2017)

- Validated marketing model
- Achieved >\$5m revenue
- Secured access to capital via ASX
- Expand into 3 new regions via organic growth (Sydney) and acquisition (Brisbane, Mornington)

**Establish:
COMPLETE**

Scale up

- Grow market share - repeat Melbourne formula in Sydney, Brisbane and Mornington
- Enter new geographies
- Execute selective acquisitions to build scale
- Build sustainable growth platform

**Drive top-line and build scale:
CURRENT**

Accelerate growth

- Move into new "add-one" services (eg. funding)
- Expand into adjacent sectors (eg. wills and estates)
- Assess larger scale acquisitions

**Leverage scale and brand equity:
LONG-TERM**

1. **Establish:** In the past three years, AFL has successfully delivered the establishment phase of this strategy including development and validation of the marketing model, now replicated through both organic growth and bolt on acquisitions, reaching critical mass at >\$5m revenue and securing access to growth capital on the ASX.
2. **Build scale:** The current phase was supported by the listing of AFL on the ASX in June 2019. This phase will be achieved by expansion of its existing markets in Victoria and Sydney, building a platform for growth in Queensland and entering new geographies. This will be achieved by a combination of organic growth, lateral hires of family law specialists and their teams, and the execution of complementary acquisitions.
3. **Leverage scale and brand equity:** A final phase will be the addition of value added services to the existing family law offering (e.g. funding), the assessment of larger scale acquisitions and expansion into complementary legal and other professional services sectors. It is considered that the client acquisition model could be easily transferred and used for other personal legal services verticals.

AFL Statutory and Underlying Profitability

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

Key information	2019 \$	2018 \$	% Change
Revenue from ordinary activities	429,512	153,530	180%
Loss after tax from ordinary activities attributable to owners	(1,203,789)	(75,618)	(1,492%)
Loss attributable to owners	(1,203,789)	(75,618)	(1,492%)

However, directors note that this is the first reporting period for the restructured AF Legal Group Limited. In accordance with the accounting principles of Business Combinations, the financial results reported herein contain the results of the former Navigator Resources Limited for the full reporting period and the results of AF Legal Pty Ltd from the point of acquisition only, since 31 May 2019. As such directors consider that the reported result is not representative of underlying

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Director's Report continued

trading performance. Directors' also note the prior year (FY18) results reflect the performance of an entity undertaking substantially different activities and are therefore not considered relevant to an assessment of comparative performance.

Furthermore, directors specifically note that;

- Both AF Legal Group Limited (formerly Navigator Resources Limited) and AF Legal Pty Ltd incurred significant transaction costs during the reporting period which are non-recurring, both in raising funds under the prospectus, and in negotiating and completing the Share Purchase Deed within which the former Navigator Resources Limited acquired AF Legal Pty Ltd.
- In addition to the transaction costs above, significant other costs were incurred by the former Navigator Resources Limited which related to activities in the mining and extractive activities and are therefore not relevant to the group's future trading.
- AF Legal Pty Ltd acquired the Walls Bridges legal practice in February 2019.
- AF Legal Pty Ltd acquired the Nita Stratton-Funk legal practice on 29 June 2019, and the results from that time until the reporting date 30 June 2019 was considered to be not sufficiently material to include in the reported results.

Directors estimate that had:

- The results for AF Legal Pty Ltd been included in the group results on a proforma basis for the entire year rather than from the point of acquisition;
- The non-recurring costs noted above had not been incurred;
- The acquired practices of Walls Bridges and Nita Stratton-Funk been included on a proforma basis in the group results for the entire year rather than from the point of acquisition,

then consolidated revenue of the group would have been \$6,226,849, and that underlying EBITDA would have been \$1,563,529.

These are directors estimates that have not been subject to external audit. A reconciliation of statutory to underlying profit is shown below.

\$m (consolidated)	Reported ¹	Pro forma Adjustments ²	Underlying Pro forma ³	Change on Prior Year ⁴	Underlying Pro forma (incl. NSF) ⁵
Revenue	0.43	4.91	5.34	+12%	6.23
EBITDA	(1.16)	2.49	1.33	+20%	1.56
NPATA	(1.20)	2.10	0.90	+27%	1.06
EBITDA margin (%)	n/a	n/a	25%	+2%	25%

1. Reported figures as per audited accounts for year ending 30 June 2019

2. Pro forma adjustments include adjustments relating to the underlying pro forma full year contribution from the acquisitions of AF Legal (AFL) and Walls Bridges (WB) as if they were acquired from 1 July 2018, removal of non recurring or unusual historical costs, removal of listing transaction costs and inclusion of pro forma head office costs associated with the listing

3. Underling pro forma adjusts the audited accounts for the year ending 30 June 2019 to include the underlying pro forma full year contribution from the acquisitions of AF Legal (AFL) and Walls Bridge (WB) as if they were acquired from 1 July 2018, removal of non recurring or unusual historic costs, removal of listing transaction costs and inclusion of pro forma head office costs associated with the listing

4. Change on prior year is calculated by adjusting the audited accounts for the year ending 30 June 2018 to include the underlying pro forma full year contribution from the acquisitions of AF Legal Pty Ltd (AFL) and Walls Bridge (WB) as if they were acquired from 1 July 2017, removal of non recurring or unusual historic costs and inclusion of pro forma head office costs associated with the listing

5. Underlying pro forma (incl. NSF) adjusts the audited accounts for the year ending 30 June 2019 to include the underlying pro forma full year contribution from the acquisitions of AF Legal (AFL), Walls Bridges (WB) and Nina Stratton Funk (NSF) as if they were acquired from 1 July 2018, removal of non recurring or unusual historic costs, removal of listing transaction costs and inclusion of pro forma head office costs associated with the listing

2.2 Remuneration Report (Audited)

The Directors of AF Legal Group Limited present the Remuneration report for the Company and its controlled entity for the year ended 30 June 2019 (FY19). 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
- Fixed Remuneration, and Short Term and Long Term Incentives

Key Management Personnel Details

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

- Mr. Greg Ruddock, Non-executive Director (part financial year until 30 May 2019)
- Mr. Glen Dobbie, (full financial year, but as Managing Director until 30 May 2019, and non-executive director from 30 May 2019)
- Mr. Joshua McKean, Non-executive Director (part financial year until 30 May 2019)
- Mr. Malcolm Keefe, Non-executive Director (part financial year until 30 May 2019)
- Mr. Grant Dearlove, Executive Chairman (appointed 30 May 2019)
- Mr. Edward Finn, Chief Executive Officer and Managing Director (appointed 30 May 2019)
- Mr. Peter Bergin, Interim Chief Financial Officer (appointed 30 May 2019)

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

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

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

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

Principles of Compensation

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

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

Fixed Remuneration

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

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

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

Short Term Incentive – Performance Cash Bonus

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

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

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

As the Group did not commence trading under its current principal business undertaking until 30 May 2019, no cash performance bonuses were paid.

Long-Term Incentive Plan (LTIP)

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

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

At 30 June 2019, no rights to shares had been issued under the Performance Rights Plan.

The Board is considering an appropriate STIP and LTIP for Key Management Personnel post the relisting and will advise the shareholders of such incentives in the Notice of Meeting and the Annual General Meeting.

KMP Remuneration for the year ended 30 June 2018 (FY18)

Non-Executive Directors

The remuneration for each of the Directors provided for a fee not exceeding \$100,000 annually. However, each of the Directors agreed to waive their remuneration until such time as the first acquisition that was material to the Company, defined as an acquisition of greater than 50% of the fully diluted market capitalisation of the Company at the time of the acquisition, was completed ("First Acquisition"). Following completion of the First Acquisition, the Board had discretion

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Director's Report continued

to approve and direct a payment to each Director to ensure that the Directors receive 100% of their base salary from the date of their appointment until the date of the First Acquisition. Following completion of the First Acquisition, 100% of the base salary would be payable monthly to the Directors.

No fees were paid to non-executive directors during FY18 as a First Acquisition was not completed.

Key Management Personnel (excluding Non-Executive Directors)

No remuneration was paid during the financial year ended 30 June 2018.

KMP Remuneration for the year ended 30 June 2019 (FY19)

	Short-term		Post Employment			Long term Leave Benefits	Share Based Payments	Total	Performance related %
	Salary/ Fees \$	Cash Bonus \$	Non- Monetary \$	Super \$	Retirement Benefits \$				
Non Executive Directors									
Mr G Dobbie*	75,000	-	-	-	-	-	-	75,000	-
Mr G Ruddock	-	-	-	-	-	-	-	-	-
Mr J McKean*	75,000	-	-	-	-	-	-	75,000	-
Mr M Keefe	-	-	-	-	-	-	-	-	-
Sub-Total	150,000	-	-	-	-	-	-	150,000	-
Executive Directors									
Mr G Dearlove**	10,000	-	-	-	-	-	-	10,000	-
Mr E Finn**	9,484	-	-	901	-	790	-	11,175	-
Senior Executives									
Mr P Bergin**	10,000	-	-	-	-	-	-	10,000	-
Total	179,484	-	-	901	-	790	-	181,175	-

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

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

KMP Options and Performance Rights awarded, vested and lapsed during the year.

No options plans were in existence during the current or previous financial year.

The following unlisted KMP options lapsed in May 2019;

- Mr Greg Ruddock - 15,000,000 (on a pre-consolidation basis)
- Mr Glen Dobbie - 36,600,000 (on a pre-consolidation basis)
- Mr Joshua McKean - 15,000,000 (on a pre-consolidation basis)
- Mr Malcolm Keefe - 20,714,286 (on a pre-consolidation basis)

All existing option holders including the following KMP executed deeds during FY18 in respect of their outstanding Options, which resulted in the cancellation for nil consideration of 50,000,000 unlisted Options (on a pre-consolidation basis) exercisable at \$0.02 per Option on or before 18 March 2020.

- Mr Greg Ruddock - 3,333,333 (on a pre-consolidation basis)
- Mr Glen Dobbie - 13,942,856 (on a pre-consolidation basis)

- Mr Joshua McKean - 3,333,333 (on a pre-consolidation basis)
- Mr Malcolm Keefe - 5,714,286 (on a pre-consolidation basis)

KMP Amounts Receivable and Payable (exceeding \$100,000)

Pursuant to the completion Balance Sheet mechanism prescribed in the Share Purchase Deed between Navigator Resources Limited and AF Legal Pty Ltd executed on 19 December 2018, the sum of \$226,335 is required to be paid by Oscar Churchill Pty Ltd, a related party of Edward Finn. This sum is non-interest bearing and is expected to be settled within 12 months. Pursuant to the same Share Purchase Deed, Deferred Consideration of \$500,000 is also due to be paid by the company to Oscar Churchill Pty Ltd within the next 12 months.

Other

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.



On behalf of the directors

Grant Dearlove

26 September 2019

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 2019 and has adopted a Corporate Governance Statement which reports against the ASX Corporate Governance Council’s Principles and Recommendations and this can be accessed at: <https://australianfamilylawyers.com.au/investors/corporate-governance/>

Gender Diversity

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

A full copy of AFL’s gender diversity policy can be found at <https://australianfamilylawyers.com.au/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:

- 67% of its management staff are female
- 72% of its fee earning staff are female
- 72% of all of its staff are female.

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

04

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 2019, 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

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

DATED THIS 26TH DAY OF SEPTEMBER 2019
BRISBANE

PKF Brisbane Audit
ABN 33 873 151 348

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Consolidated Statement of Profit or Loss & Other Comprehensive Income For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue	3	429,512	153,530
Expenses			
Employee benefits expense		(144,615)	-
Administrative expenses	5	(646,877)	(140,709)
Other expenses	4	(797,197)	(88,439)
Depreciation and amortisation expense		(21,745)	-
Impairment loss	11	(27,118)	-
Profit/(Loss) before income tax		(1,208,040)	(75,618)
Income tax (expense)/benefit	6	4,251	-
Profit/(Loss) for the year		(1,203,789)	(75,618)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		(1,203,789)	(75,618)
Earnings per share for profit / (loss) attributable to the ordinary equity holders of the Company:			
Basic earnings / (loss) per share (cents)	8	(0.020)	(0.004)
Diluted earnings / (loss) per share (cents)	8	(0.020)	(0.004)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position As at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	1,050,404	699,450
Trade and other receivables	10	2,002,231	6,106
Other current assets		56,031	10,783
TOTAL CURRENT ASSETS		3,108,666	716,339
NON-CURRENT ASSETS			
Exploration tenement	11	-	27,118
Deferred tax assets	7(a)	125,602	-
Plant and equipment		38,427	-
Intangible assets	13	6,644,389	-
TOTAL NON-CURRENT ASSETS		6,808,418	27,118
TOTAL ASSETS		9,917,084	743,457
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	1,111,669	47,081
Current tax liabilities		370,814	-
Deferred tax liabilities	7(b)	305,467	-
Deferred consideration	12	600,000	-
Borrowings	15	281,578	-
Provision for employee benefits	16	97,626	-
TOTAL CURRENT LIABILITIES		2,767,154	47,081
NON-CURRENT LIABILITIES			
Provision for employee benefits	16	19,579	-
TOTAL NON-CURRENT LIABILITIES		19,579	-
TOTAL LIABILITIES		2,786,733	47,081
NET ASSETS		7,130,351	696,376
EQUITY			
Issued capital	17	122,905,429	115,267,665
Accumulated losses		(115,775,078)	(114,571,289)
TOTAL EQUITY		7,130,351	696,376

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity For the year ended 30 June 2019

	Issued Capital \$	Accumulated losses \$	Total \$
Balance at 1 July 2017	115,267,665	(114,495,671)	771,994
Comprehensive income			
Profit/(Loss) for the year	-	(75,618)	(75,618)
Total comprehensive income	-	(75,618)	(75,618)
Transactions with owners in their capacity as owners and other transfers			
Issue of shares	-	-	-
Share issue costs	-	-	-
Total transactions with owners and other transfers	-	-	-
Balance at 30 June 2018	115,267,665	(114,571,289)	696,376
Balance at 1 July 2018	115,267,665	(114,571,289)	696,376
Comprehensive income			
Profit/(Loss) for the year	-	(1,203,789)	(1,203,789)
Total comprehensive income	-	(1,203,789)	(1,203,789)
Transactions with owners in their capacity as owners and other transfers			
Issue of shares	8,087,494	-	8,807,494
Share issue costs	(449,730)	-	(449,730)
Total transactions with owners and other transfers	7,637,764	-	7,637,764
Balance at 30 June 2019	122,905,429	(115,775,078)	7,130,351

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash Flows from Operating Activities			
Receipts from customers		324,695	150,000
Payments to suppliers and employees		(1,456,092)	(205,356)
Interest received		5,318	3,530
Income tax paid		(144,815)	-
Net cash provided by/(used in) operating activities	21	(1,270,894)	(51,826)
Cash Flows from Investing Activities			
Payments for business combinations	12	(3,161,818)	-
Payment of deferred consideration		(26,750)	-
Net cash provided by/(used in) investing activities		(3,188,568)	-
Cash Flows from Financing Activities			
Proceeds from share issues		5,912,494	-
Payments of share issue costs		(449,730)	-
Payments of borrowings		(652,348)	-
Net cash provided by/(used in) financing activities		4,810,416	-
Net increase/(decrease) in cash and cash equivalents		350,954	(51,826)
Cash and cash equivalents at the beginning of the financial year		699,450	751,276
Cash and cash equivalents at the end of the financial year	9	1,050,404	699,450

The accompanying notes form part of these financial statements

Notes to Financial Statements For the year ended 30 June 2019

1. Significant Accounting Policies

AF Legal Group Limited (formerly Navigator Resources 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 (formerly Navigator Resources 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 26 September 2019 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 2018, 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 entities 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 consolidated group have been eliminated in full.

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.

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, but being not larger than an operating segment. Goodwill is tested for impairment annually.

b) Adoption of New and Revised Accounting Standards

There were two new standards adopted during the period. This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the group's financial statements and discloses the new accounting policies that have been applied from 1 July 2018.

AASB 9 Financial Instruments: (effective for 30 June 2019 reporting period)

This standard replaces AASB 139 and addresses the classification, measurement and recognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The group notes the following impacts from the adoption of the new standard on 1 July 2018. Adoption of AASB 9 has resulted in the reclassification of the following financial instruments:

Category	Previously AASB 139	Currently AASB 9
Cash and cash equivalents	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Trade and other payables	Other financial liabilities	Other financial liabilities
Borrowings	Other financial liabilities	Other financial liabilities

AASB 9 replaces the 'incurred loss' model in AASB 9 with an 'expected credit loss' (ECL) model. The new impairment model applies to the group in relation to financial assets classified at amortised cost, being the group's trade receivables. Based on the group's assessment of historical provision rates, there is no material financial impact on the impairment provisions on adoption of this standard and no adjustment to retained earnings is required. For the current period, the group has elected to measure loss allowances on trade receivables using a life-time expected loss model. The group has also used the practical expedient of a provisions matrix using a single loss rate approach to approximate the expected credit losses. These provisions are considered representative across all business and geographical segments of the group based on historical credit loss experience.

Classification and measurement of financial assets and financial liabilities

Financial assets

As a result of adopting AASB 9, from 1 July 2018, the Group assesses which of its financial assets are within the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- Those to be measured at amortised cost.

The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of initial application. All financial assets held by the Group are measured at amortised cost.

Financial liabilities

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

The standard requires that for financial liabilities designated at fair value through profit or loss (FVTPL) any change in fair value arising as a consequence of a change in the Group's own credit risk should be recognised in other comprehensive income rather than profit or loss. The Group's financial liabilities carried at FVTPL include deferred acquisition consideration.

The new hedge accounting rules have no impact on the Group's financial statements.

Following adoption of AASB 9 on 1 July 2018, there is no material impact on the Group's financial position and no restatement is required.

AASB 15 Revenue from Contracts with Customers: (effective for 30 June 2019 reporting period)

This standard addresses recognition of revenue. It replaces the previous revenue recognition guidance in AASB 118 Revenue and AASB 111 Construction Contracts. The new standard is based on the principle that revenue is recognised when control of a good and service transfers to a customer.

The group adopted AASB 15 from 1 July 2018 which resulted in changes in accounting policies relating to the recognition of revenue. Management have reviewed each of the group's revenue streams under the five-step model outlined in AASB 15 and concluded adoption of AASB 15 has no material impact on revenue recognition, noting that operating revenue streams did not exist until after the acquisition of AF Legal Pty Ltd in May 2019. Therefore, there is no requirement to restate revenue reported in prior periods. The details of the review process are outlined below.

Accounting policies have been amended to ensure that the five-step method is applied consistently to revenue recognition processes across the group. To assess the impact of AASB 15 on the Group, each contract type was analysed, with the five-step method applied to assess the impact on revenue recognition. The five-step method for recognising revenue from contracts with customers involves consideration of the following: 1. Identifying the contract with the customer 2. Identifying performance obligations 3. Determining the transaction price 4. Allocating the transaction price to distinct performance obligations 5. Recognising revenue.

Refer to Note 1 d) for a summary of the revenue recognition for each revenue stream.

c) **New Accounting Standards, Interpretations and Amendments to Published Standards That Are Not Yet Effective**

A number of new standards, amendments and interpretations to existing standards have been published by the Australian Accounting Standards Board (AASB) that are effective for future periods and which the Group will adopt when they become effective. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except:

AASB 16 Leases: (effective for 30 June 2020 reporting period)

AASB 16 establishes principles for the recognition, measurement, presentation and disclosure of leases and supersedes AASB 117 *Leases*. AASB 16 eliminates the current dual accounting model for lessees which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The accounting for lessors will not significantly change. This standard will primarily affect accounting for the Group's operating leases. AASB 16 Leases is effective for annual reporting periods beginning on or after 1 January 2019. The Group is not required to adopt this new standard until the annual reporting period ending 30 June 2020 and has not adopted it in the current financial report.

The Group is finalising its assessment of the potential impact of the application of AASB 16 on its financial statements, including the potential impact of the various transition provisions available to the Group. At present, the group anticipates to adopt the modified retrospective approach in the year ending 30 June 2020 and will not restate comparative amounts. As the Group currently has non-cancellable operating lease commitments of \$828,285 as disclosed in Note 20, the impact of the new standard will result in a material right of use asset and lease liability measured at net present value, with the difference recorded in retained earnings on application.

Due to the complexity involved in calculating the impact of AASB 16, management have not yet finalised this assessment, therefore no quantification of the impact has been made.

Calculation complexity has been impacted by key judgements, including the incremental borrowing rate used to discount lease assets and liabilities and the uncertainties surrounding lease terms including potential rights of renewals. Lease renewals are assessed on a lease by lease basis, noting that practice leases are renegotiated with multiple rights of renewal and assigned upon acquisition of a practice.

d) **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 specific recognition criteria must also be met before revenue is recognised:

i) **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 compare 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.

ii) **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.

e) Work in Progress

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

f) 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.

g) 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.

h) 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.

i) Intangibles Other Than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss for the period in which the expenditure is incurred.

The amortisation rates used for each class of intangible asset other than goodwill, on a straight line basis, is as follows:

- Intellectual Property – 5 years

J) Employee Benefits

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

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on the applicable corporate bond rate with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

k) Payables

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

l) Impairment of Assets

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

m) 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.

n) Segment Reporting

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

o) Property, Plant, Equipment

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

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

- Plant and equipment - 2 to 5 years

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.

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.

2. Critical Accounting Judgements and Key Accounting Estimates and Assumptions

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates:

a) Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the assets are determined.

Key judgements:

b) Provision for impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 9 with an 'expected credit loss' (ECL) model. The new impairment model applies to the group in relation to financial assets classified at amortised cost, being the group's trade receivables. Based on the group's assessment of historical provision rates, there is no material financial impact on the impairment provisions on adoption of this standard and no adjustment to retained earnings is required. For the current period, the group has elected to measure loss allowances on trade receivables using a life-time expected loss model. The group has also used the practical expedient of a provisions matrix using a single loss rate approach to approximate the expected credit losses. These provisions are considered representative across all business and geographical segments of the group based on historical credit loss experience.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3. Revenue

	Consolidated	
	2019 \$	2018 \$
Legal fees	424,067	-
Interest income	5,318	3,530
Other income (First Pharma deal break-fee)	127	150,000
	429,512	153,530

4. Other expenses

	Consolidated	
	2019 \$	2018 \$
Office costs	45,581	-
Legal and professional fees	524,352	49,836
Insurance	20,924	14,268
Interest	1,907	-
Other	52,399	24,335
Doubtful debts	152,034	-
	797,197	88,439

5. Administration Expenses

	Consolidated	
	2019 \$	2018 \$
ASX, registries and company secretarial fees	208,861	66,629
Accounting and tax fees	10,180	6,637
Audit fees	95,343	13,017
Directors fees	160,000	-
Marketing and advertising	34,001	-
Business development	1,344	53,989
Recruitment	90,528	-
Premises expenses	24,757	-
Other	21,863	437
	646,877	140,709

6. Income Tax Expense

	Consolidated	
	2019 \$	2018 \$
Income tax expense/(benefit)		
Current tax	(5,449)	-
Deferred tax	60,383	-
Adjustments for current tax of prior periods	(50,683)	-
Adjustments for deferred tax of prior periods	-	-
	(4,251)	-

Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2019 \$	2018 \$
Total profit/(loss) before income tax	(1,208,040)	(75,618)
Tax at the Australian tax rate of 27.5%	(332,211)	(20,795)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	7,457	-
Temporary differences	60,383	20,795
Adjustments for current tax of prior periods	(50,683)	-
Calculated income tax expense/(benefit)	(315,054)	-
De-recognition of losses (unlikely to be utilised)	319,305	-
Income tax expense/(benefit)	(4,251)	-

7. Deferred Tax

	Consolidated	
	2019 \$	2018 \$
(a) Deferred tax assets		
Doubtful debts	82,036	-
Provisions	32,231	-
Unpaid superannuation	11,335	-
Total deferred tax assets	125,602	-

05

Financial Report

Notes to the Financial Statements
For the year ended 30 June 2019
continued

	Consolidated	
	2019 \$	2018 \$
(b) Deferred tax liabilities		
Prepayments	(2,743)	-
Work in Progress	(45,906)	-
Intangible Assets	(256,818)	-
Total deferred tax liabilities	(305,467)	-
Net deferred tax assets/(liabilities)	(179,865)	-
Deferred tax assets expected to be recovered within 12 months	125,602	-
Deferred tax assets expected to be recovered after more than 12 months	-	-
Deferred tax assets expected to be settled within 12 months	(48,649)	-
Deferred tax assets expected to be settled after more than 12 months	(256,818)	-
	(179,865)	-

	Consolidated	
	2019 \$	2018 \$
Movements in deferred tax		
Opening balances	-	-
Opening balance adjustment (acquired)	(240,247)	-
Credited (charged) to the statement of comprehensive income	60,383	-
Closing balance	(179,865)	-

8. Earnings per share

	Consolidated	
	2019 cents	2018 cents
Basic and diluted earnings/(loss) per share:		
From continuing operations	(0.020)	(0.004)
Total basic and diluted earnings/(loss) per share	(0.020)	(0.004)
Profit/(Loss) attributable to the owners of the Group	\$	\$
Profit/(Loss) from continuing operations	(1,203,789)	(75,618)
Net Profit/(Loss) attributable to the owners of the Group	(1,203,789)	(75,618)

Weighted average number of ordinary shares for the purposes of:	No.	No.
Basic earnings/(loss) per share	60,097,008	19,661,185
Diluted earnings/(loss) per share	60,097,008	19,661,185

On 12 April 2019 the Company undertook a share consolidation of 1 ordinary share for every 20 on issue. The number of shares used in calculating basic and diluted earnings/(loss) per share has been adjusted retrospectively for the periods presented.

9. Cash and Cash Equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash at Bank	1,050,404	699,450
	1,050,404	699,450

10. Trade and Other Receivables

	Consolidated	
	2019	2018
	\$	\$
Current		
Trade receivables	1,907,255	-
Provision for doubtful debts	(298,310)	-
	1,608,945	-
Other receivables		
Work in progress	166,931	-
GST receivable	-	6,106
Amounts due from related parties	226,355	-
Total current trade and other receivables	2,002,231	6,106

The provision for doubtful debts was raised in June 2019.

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

	Gross Amount	Past due and impaired	Past due but not impaired			
			<30 days	30-60 days	61-90 days	+90 days
2019	1,907,255	298,310	498,803	223,390	203,029	683,723
2018	-	-	-	-	-	-

See Note 1 (b) and Note 2 (b) for the Group's accounting policy in relation to the provision for doubtful debts and Note 20 regarding credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables.

11. Exploration Tenements

	Consolidated	
	2019 \$	2018 \$
Violet Gold Project	-	27,118

During the year the Group concluded that the Violet Gold Project was not feasible based on existing data and surrendered the tenement. As a result, an impairment loss was recorded of \$27,118.

12. Business Combinations

100% of the issued capital of AF Legal Pty Ltd, a family law firm based in Melbourne, Australia. The acquisition included a separate business asset acquisition of Walls Bridges Lawyers.

AF Legal Pty Ltd specialises in family and relationship law, and uses innovative and cost-effective digital marketing techniques to acquire clients through a client acquisition model referred to as DSAS (Data, Strategy, Acquisition and Sales Conversion).

On 28 June 2019, the Group acquired the business assets of Nita Stratton Funk & Associates Solicitors ("NSF"), which was completed on a "walk-in walk-out basis" as per the executed business sale contract.

	AF Legal Pty Ltd \$	NSF \$	Walls Bridge \$	Total Fair Value \$
Purchase consideration:				
Cash paid	2,808,318	300,000	53,500	3,161,818
Shares issued	2,175,000	-	-	2,175,000
Deferred consideration payable	500,000	100,000	-	600,000
Purchase price adjustment ⁽ⁱ⁾	466,682	-	-	466,682
	5,950,000	400,000	53,500	6,403,500
Less:				
Cash and cash equivalents	14,163	-	-	14,163
Trade and other receivables ⁽ⁱⁱ⁾	1,712,321	-	-	1,712,321
Other assets	72,982	-	-	72,982
Property, plant and equipment	39,990	-	-	39,990
Intellectual property	1,210,883	-	-	1,210,883
Deferred tax liabilities	(239,048)	-	-	(239,048)
Trade and other payables	(1,733,729)	-	-	(1,733,729)
Employee provisions	(127,749)	-	-	(127,749)
Identifiable assets acquired and liabilities assumed	949,813	-	-	949,813
Goodwill - provisional⁽ⁱⁱⁱ⁾	5,000,187	400,000	53,500	5,453,687

(i) The purchase price adjustment arises from the completion Balance Sheet delivered by AF Legal Pty Ltd and the extent to that Balance Sheet exceeds or is deficient of targets regarding net debt, working capital and related party loans prescribed in the share purchase deed.

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

(iii) 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 period.

The impact to consolidated revenue to the Group from NSF from 29 June 2019 is considered to be not sufficiently material to include in the reported results. Had the results relating to the above acquisitions been consolidated from 1 July 2018, consolidated revenue of the Group would have been \$6,226,849. The disclosure of the consolidated profit/(loss) to the Group from acquisitions is considered to be impracticable due to the level of non-recurring transaction costs and adjustments not pertaining to FY19 performance.

As noted in the Director's Report included in this the Annual Report, management estimates that underlying EBITDA for the year would have been \$1,563,529, following the removal of non-recurring transaction costs and adjustments not pertaining to FY19 performance. The balances in the Director's Report have not been subject to external audit.

13. Intangible Assets

	Consolidated	
	2019 \$	2018 \$
Goodwill		
Opening balance	-	-
Provisional goodwill from business combinations (note 12)	5,453,687	-
Net carrying amount	5,453,687	-
Intellectual Property		
Opening balance	-	-
Additions from business combinations (note 12)	1,210,883	-
Accumulated amortisation	(20,181)	-
Net carrying amount	1,190,702	-
Total intangible assets	6,644,389	-

14. Trade and Other Payables

	Consolidated	
	2019 \$	2018 \$
Current		
Trade payables	605,839	47,081
GST payable	176,523	-
Accrued expenses	91,889	-
Payroll payables	190,471	-
Other payables	46,947	-
	1,111,669	47,081

15. Borrowings

	Consolidated	
	2019 \$	2018 \$
Current		
Borrowings	281,578	-

Borrowings represent a bank overdraft facility with a rolling review term due in January 2020, and is therefore classified as current. The interest rate on the facility is 6.99% pa. The loan has a total facility limited of \$400,000 of which the Group is able to draw down on. The unused amount of the facility at 30 June 2019 is \$118,422.

16. Provisions

	Consolidated	
	2019 \$	2018 \$
Current		
Annual Leave	79,839	-
Other provisions	17,787	-
	97,626	-
Non-Current		
Long-service Leave	19,579	-
	117,205	-

All provisions were additions during June 2019.

17. Contributed Equity

	Consolidated			
	2019 Shares	2019 \$	2018 Shares	2018 \$
Ordinary shares fully paid	60,097,008	122,905,429	393,223,695	115,267,665
Balance at the end of the year	60,097,008	122,905,429	393,223,695	115,267,665
Movement in ordinary share capital:				
Balance at the beginning of the year	393,223,695	115,267,665	393,223,695	115,267,665
Movements during the year				
Consolidation ⁽ⁱ⁾	(373,564,157)	-	-	-
Issuance of shares	40,437,470	8,087,494	-	-
Share issuance costs	-	(449,730)	-	-
Balance at the end of the year	60,097,008	122,905,429	393,223,695	115,267,665
Total share capital balance at the end of the year	60,097,008	122,905,429	393,223,695	115,267,665

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

Share Options**Shares under Option or Issued on Exercise of Options**

The Company issued no options during the financial year. 225,000,000 options (on a pre-consolidation basis) were outstanding as at 30 June 2018. All of these options have now lapsed or have been cancelled.

Shares Issued on the Exercise of Options

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

Share Options that Expired/Lapsed

Of 225,000,000 options outstanding at 30 June 2018, 175,000,000 were exercisable by May 2019 and therefore lapsed during the reporting period. All existing option holders for the remainder have executed deeds to cancel their future outstanding options, which resulted in the cancellation for nil consideration of 50,000,000 unlisted options (on a pre-consolidation basis) exercisable at \$0.02 per Option on or before 18 March 2020.

18. Contingent Liabilities and Contingent Assets

In the opinion of the Directors, there are no contingent liabilities as at 30 June 2019 and no contingent liabilities at the date of this financial report.

19. 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.

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Financial Report

Notes to the Financial Statements
For the year ended 30 June 2019
continued

Name of subsidiary	Country of incorporation	Ownership interest	
		2019 %	2018 %
AF Legal Pty Ltd	Australia	100	-

20. Commitments

Committed at the reporting date but not recognised as liabilities payable:

Operating lease commitments	Consolidated	
	2019 \$	2018 \$
Within one year	262,683	-
One to five years	565,602	-
More than five years	-	-
	828,285	-

Operating lease commitments are in relation to office rentals in Melbourne, Sydney, Brisbane and Mornington. Lease terms range between one and five years.

21. Notes to the Statement of Cash Flows

Reconciliation of loss for the year to cash flows from operating activities	Consolidated	
	2019 \$	2018 \$
Operating loss after income tax	(1,203,789)	(75,618)
Non-cashflow and non-operating activities through profit (loss)		
Depreciation and amortisation	21,745	-
Doubtful debts expense	152,034	-
Changes in assets and liabilities, net of the effects of acquisition of subsidiaries		
(Increase)/decrease in assets:		
Trade and other receivables	(160,750)	(911)
Increase/(decrease) in liabilities:		
Trade and other payables	(221,152)	24,703
Employee provisions	(12,319)	-
Deferred tax liabilities	153,337	-
Cash used by operating activities	(1,270,894)	(51,826)

22. 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 and the loans payable at 30 June 2019. As at the reporting date, the following assets and liabilities were exposed to Australian variable and fixed interest rates:

	Consolidated			
	Weighted Average Interest Rate %	2019 \$	Weighted Average Interest Rate %	2018 \$
Variable Interest				
Cash and cash equivalents	0.10%	1,050,404	0.05%	699,450
Fixed interest				
Borrowings	6.99%	281,578	-	-

Net exposure to cash flow interest rate risk

A movement in interest rates of 1% (2018: 1%) would have an (adverse)/favourable effect on profit before tax of \$7,688 (2018: \$6,994) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

b) Commodity Risk

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

c) Currency Risk

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

Credit Risk Management

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

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

23. 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 2019.

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

	Consolidated	
	2019	2018
Current	\$	\$
Short-term employee benefits	179,484	-
Post-employment benefits	901	-
Other long-term benefits	790	-
Total KMP compensation	181,175	-

24. Related Party Transactions

Transactions with Related Parties

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

Transactions with Key Management Personnel

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

Pursuant to the completion balance sheet mechanism prescribed in the Share Purchase Deed between Navigator Resources Limited and AF Legal Pty Ltd, the sum of \$226,335 is required to be paid by Oscar Churchill Pty Ltd, a related party of Edward Finn. This sum is non interest bearing and expected to be settled within 12 months. Pursuant to the same Share Purchase Deed, deferred consideration of \$500,000 is also due to be paid by the Group to Oscar Churchill Pty Ltd within the next 12 months.

Amounts totalling \$277,000 were paid to ECP Legal Pty Ltd and Eaton Capital Holdings Pty Ltd during the year ended 30 June 2019, being related party entities of Peter Bergin for recruitment fees and success fees in the year.

25. 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.

	2019 \$	2018 \$
Results of parent entity		
Loss for the year	(1,188,226)	(75,618)
Other comprehensive income	-	-
Total comprehensive loss for the year	(1,188,226)	(75,618)
	2019 \$	2018 \$
Financial position of the parent entity at year end		
Current assets	2,150,280	716,339
Total assets	8,100,280	743,457
Current liabilities	954,370	47,081
Total liabilities	954,370	47,081
	2019 \$	2018 \$
Total equity of the parent entity at year end		
Contributed equity	122,905,429	115,267,665
Accumulated losses	(115,759,519)	(114,571,289)

26. Auditor's Remuneration

	2019 \$	2018 \$
Audit and review of the financial reports*	31,500	13,500
Taxation services	21,055	5,617
	52,555	19,117

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

27. Events after the Reporting Period

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the group to affect significantly the operations of the group, results of those operations, or the state of affairs of the group, in subsequent years.

28. Company Details

Principal Place of Business

Level 3, 411 Collins Street
Melbourne, VIC 3000

Registered Office

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

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In the directors' opinion:

1. the financial statements and notes, as set out on pages 18 to 41 are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the company and consolidated group;
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

The directors have been given the declarations from the Chief Executive Officer and the Group Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors dated 26 September 2019.



Grant Dearlove
Chairman



Edward Finn
Chief Executive Officer

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 2019, 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 2019 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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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.

1. Business combinations – including allocation of goodwill

Why significant

During the year, the consolidated entity acquired the following legal practices:

- AF Legal Pty Ltd
- Nita Stratton Funk and Associates; and
- Walls Bridges Lawyers

As disclosed in Note 12, as part of the business combination transactions, the consolidated entity recognised provisional goodwill of \$5,453,687. This represents 55% of total assets at balance date.

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

- significant audit effort required to test the consolidated entity's acquisitions of 3 practices during the year; and
- the level of judgement applied in evaluating management's assessment of goodwill allocated in the 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 the acquired businesses;
- 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 the recognition of any deferred consideration upon the acquisition date;
- assessment of management's goodwill allocation as part of each practice acquisition; and
- assessing the appropriateness of the disclosures in relation to both the business combination and intangible assets acquired included in Notes 1, 12 & 13 of the financial report.



2. Recoverability of trade receivables

Why significant

Trade receivables are significant to the consolidated entity, comprising of 16% of total assets, net of provisions for impairment as at 30 June 2019.

Disclosures are included in Note 1, 2 and 10 of the financial report which outlines the accounting policy for determining the allowance for doubtful debts and the details of the ageing of receivables.

Recoverability of trade receivables is a key audit matter due to:

- being an area of high subjectivity due to the level of judgement applied by the consolidated entity in determining provisions; and
- The consolidated entity adopted Australian Accounting Standard AASB 9 *Financial Instruments*, effective from 1 July 2018. As a result, a forward-looking expected loss impairment model was applied by the Group. This involved judgement as to the expected credit losses.

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 Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

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:

- assessing whether the consolidated entity's provisioning policy was in accordance with the requirements of AASB 9;
- assessing the assumptions used to calculate the trade receivables provision for impairment;
- analysis of the ageing of receivables, collection history, future collection strategies and assessment of significant individual trade receivables; and
- assessing the appropriateness of the disclosures contained in note 1, 2 and 10 of the financial report.



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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

We 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.

We 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 financial report. We are responsible for the direction, supervision and performance of the 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.



The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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, related safeguards.

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 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 2019. 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 2019 complies with section 300A of the *Corporations Act 2001*.

PKF

PKF BRISBANE AUDIT

SHAUN LINDEMANN
PARTNER

26 SEPTEMBER 2019
BRISBANE, AUSTRALIA

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08

Shareholder Information

The shareholder information set out below was applicable as at 18 September 2019.

Distribution of equitable securities

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

Holdings Ranges	Holders	Total Units	%
1-1,000	3,590	121,678	0.20%
1,001-5,000	42	125,432	0.21%
5,001-10,000	215	2,098,386	3.49%
10,001-100,000	255	11,381,346	18.94%
More than 100,000	89	46,370,166	77.16%
Totals	4,191	60,097,008	100.00%

Twenty largest quoted equity security holders

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

Name	Balance	%
OSCAR CHURCHILL PTY LTD	10,875,000	18.10%
DF CAPITAL INVESTMENTS PTY LIMITED	2,075,000	3.45%
GRIM ENTERPRISES PTY LTD	1,500,000	2.50%
MOAT INVESTMENTS PTY LTD	1,250,000	2.08%
BARRIJAG PTY LTD	1,250,000	2.08%
J MCKEAN INVESTMENTS PTY LTD	1,230,000	2.05%
REDWINE HOLDINGS PTY LTD	1,200,000	2.00%
RANAN INVESTMENT PL	1,200,000	2.00%
INISFREE HOLDINGS PTY LIMITED	1,083,333	1.80%
TUBBIN INVESTMENTS PTY LTD	1,083,333	1.80%
MR MUHAMMAD PATEL	1,000,000	1.66%
CATCH 88 PTY LTD	974,000	1.62%
MR RAYMOND MCMARTIN	900,000	1.50%
RORTY CRANKLE PTY LIMITED	900,000	1.50%
HAYDALEX PTY LTD	883,333	1.47%
DMX CAPITAL PARTNERS LIMITED	850,000	1.41%
THE ESPLANADE SUPERANNUATION PTY LTD	700,000	1.16%
MR PRATYUSH BHUPENDRA JAGDISHWALA & MRS URVI PRATYUSH JAGDISHWALA	687,500	1.14%

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Shareholder Information

(continued)

Name	Balance	%
MRS CAROLYN BRAUN & MR GERHARD BRAUN	550,000	0.92%
MR NICHOLAS DAVID YOUNG & MR ANDREW STEVEN YOUNG	541,315	0.90%
Total Securities of Top 20 Holdings	30,732,814	51.14%
Total of Securities	60,097,008	

Substantial holders

Substantial holders in the company are set out below:

Name	Balance	%
OSCAR CHURCHILL PTY LTD	10,875,000	18.10%

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.

Board of Directors

Mr Grant Dearlove	Executive Chairman
Mr Glen Dobbie	Non-Executive Director
Mr Edward Finn	Managing Director

Company Secretary

Maggie Niewidok

Principal Place of Business

Level 3, 411 Collins St
Melbourne, VIC 3000

Registered Office

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

Auditors

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

Share Registry

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

Solicitors

Automic Legal Pty Ltd

Bankers

Westpac Banking Corporation

Securities Exchange Listing

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

Website

<https://australianfamilylawyers.com.au>

Corporate Governance Statement

AF Legal Group Limited (the "Company" or "AFL") is committed to operating effectively and in the best interests of shareholders. The Company had in place appropriate corporate governance policies and practices for the financial year ended 30 June 2019 and has adopted a Corporate Governance Statement which reports against the ASX Corporate Governance Council's Principles and Recommendations and this can be accessed at: <https://australianfamilylawyers.com.au/investors/corporate-governance/>

Date and time of Annual General Meeting

11am, Friday 30 November 2019
Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000