

Results for announcement to the market

**AF Legal Group Limited (formerly Navigator Resources Limited)  
and controlled entities**

ABN 82 063 366 487

*Appendix 4E – Preliminary Final Report (Unaudited)*

For the year ended 30 June 2019

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## AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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### Appendix 4E – Preliminary Final Report (Unaudited)

#### Results for announcement to the market

For the year ended 30 June 2019

| Key information   | 2019<br>\$  | 2018<br>\$ | % Change |
|---|-------------|------------|----------|
| Revenue from ordinary activities  | 429,512     | 153,530    | 180%     |
| Profit/(Loss) after tax from ordinary activities attributable to owners | (1,203,789) | (75,618)   | 1,492%   |
| Net profit/(loss) attributable to owners                                | (1,203,789) | (75,618)   | 1,492%   |

| Cents per share  | 2019<br>\$ | 2018<br>\$ | % Change |
|--|------------|------------|----------|
| Basic and diluted earnings per share (cents)                               | (0.020)    | (0.004)    | 421%     |
| Refer to Note 6 for further information on earnings per share calculations |            |            |          |

#### Dividends

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No dividends were paid or proposed during the year.

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# AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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## Appendix 4E – Preliminary Final Report (Unaudited)

### Results for announcement to the market

For the year ended 30 June 2019

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#### Consolidated Statement of Profit or Loss and Other Comprehensive Income

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Refer to page 5 of the 30 June 2019 preliminary financial report and accompanying notes for AF Legal Group Limited.

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#### Consolidated Statement of Financial Position

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Refer to page 6 of the 30 June 2019 preliminary financial report and accompanying notes for AF Legal Group Limited.

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#### Consolidated Statement of Cash Flows

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Refer to page 8 of the 30 June 2019 preliminary financial report and accompanying notes for AF Legal Group Limited.

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| Net tangible assets per share (cents) | 2019<br>\$ | 2018<br>\$ | % Change |
|---------------------------------------|------------|------------|----------|
| Net tangible assets per share (cents) | 0.01       | 0.03       | (76%)    |

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#### Control Gained or Lost over Entities in the Year

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On 31 May 2019, the Group acquired 100% interest of AF Legal Pty Ltd.

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#### Commentary on the Results for the Period

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On 19 December 2018, Navigator Resources Ltd (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 March 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 Ltd; 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 AF Legal Pty Ltd which resulted in the issue of 10,875,000 new shares.

Following compliance with ASX relisting conditions, AF Legal Group Ltd commenced trading on the ASX on 7 June 2019 under the ticker AFL. This re-listing represents an exciting development for the group and its shareholders.

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AF Legal Pty Ltd (also known as Australian Family Lawyers) is a wholly owned subsidiary of AF Legal Group Ltd and is the trading entity of the group. It is an Australian law firm that specialises in family and relationship law. The firm provides advice to clients in respect of divorce, separation, property and children's matters together with related and ancillary services such as litigation.

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 referenced in this report in Note 10. 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 Rochdale 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.

This is the first reporting period for the restructured AF Legal Group Ltd. In accordance with the accounting principles of Business Combinations, the financial results reported herein contain the results of the former Navigator Resources Ltd 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 they are not representative of underlying trading performance. Directors assessment of the underlying result is disclosed in Note 10 below. As the prior year results reflect the performance of an entity undertaking substantially different activities, they are also not considered relevant to an assessment of comparative performance. For a more comprehensive explanation of trends in performance, you are encouraged to read the Investor Presentation which accompanies this report.

No dividends or returns to shareholders were made during the financial reporting period.

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#### **Status of Audit**

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The preliminary report is based on financial statements which are in the process of being audited.

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# To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

|   | Note | Consolidated       |                 |
|---|------|--------------------|-----------------|
|   |      | 2019<br>\$         | 2018<br>\$      |
| <b>Revenue</b>  | 3    | 429,512            | 153,530         |
| <b>Expenses</b>   |      |                    |                 |
| Employee benefits expense   |      | (144,615)          | -               |
| Administrative expenses   | 5    | (571,877)          | (140,709)       |
| Other expenses  | 4    | (872,197)          | (88,439)        |
| Depreciation and amortisation expense   |      | (21,745)           | -               |
| Impairment loss   | 9    | (27,118)           | -               |
| <b>Profit/(Loss) before income tax</b>  |      | <b>(1,208,040)</b> | <b>(75,618)</b> |
| Income tax (expense)/benefit  |      | 4,251              | -               |
| <b>Profit/(Loss) for the year</b>   |      | <b>(1,203,789)</b> | <b>(75,618)</b> |
| Other comprehensive income  |      | -                  | -               |
| <b>Total comprehensive income/(loss) for the year</b>   |      | <b>(1,203,789)</b> | <b>(75,618)</b> |
| <b>Earnings per share for profit / (loss) attributable to the ordinary equity holders of the Company:</b> |      |                    |                 |
| Basic earnings / (loss) per share (cents)   | 6    | (0.020)            | (0.004)         |
| Diluted earnings / (loss) per share (cents)   | 6    | (0.020)            | (0.004)         |

The accompanying notes form part of these financial statements

# To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

## Consolidated Statement of Financial Position As at 30 June 2019

|                                 |      | Consolidated     |                |
|---------------------------------|------|------------------|----------------|
|                                 | Note | 2019<br>\$       | 2018<br>\$     |
| <b>ASSETS</b>                   |      |                  |                |
| CURRENT ASSETS                  |      |                  |                |
| Cash and cash equivalents       | 7    | 1,050,404        | 699,450        |
| Trade and other receivables     | 8    | 2,002,231        | 6,106          |
| Other current assets            |      | 56,031           | 10,783         |
| TOTAL CURRENT ASSETS            |      | <b>3,108,666</b> | <b>716,339</b> |
| NON-CURRENT ASSETS              |      |                  |                |
| Exploration tenement            | 9    | -                | 27,118         |
| Deferred tax assets             |      | 125,602          | -              |
| Plant and equipment             |      | 38,427           | -              |
| Intangible assets               | 11   | 6,644,389        | -              |
| TOTAL NON-CURRENT ASSETS        |      | <b>6,808,418</b> | <b>27,118</b>  |
| TOTAL ASSETS                    |      | <b>9,917,084</b> | <b>743,457</b> |
| <b>LIABILITIES</b>              |      |                  |                |
| CURRENT LIABILITIES             |      |                  |                |
| Trade and other payables        | 12   | 1,111,669        | 47,081         |
| Current tax liabilities         |      | 370,814          | -              |
| Deferred tax liabilities        |      | 305,467          | -              |
| Deferred consideration          | 10   | 600,000          | -              |
| Borrowings                      |      | 281,578          | -              |
| Provision for employee benefits | 13   | 97,626           | -              |
| TOTAL CURRENT LIABILITIES       |      | <b>2,767,154</b> | <b>47,081</b>  |
| NON-CURRENT LIABILITIES         |      |                  |                |
| Provision for employee benefits | 13   | 19,579           | -              |
| TOTAL NON-CURRENT LIABILITIES   |      | <b>19,579</b>    | <b>-</b>       |
| TOTAL LIABILITIES               |      | <b>2,786,733</b> | <b>47,081</b>  |
| <b>NET ASSETS</b>               |      | <b>7,130,351</b> | <b>696,376</b> |
| <b>EQUITY</b>                   |      |                  |                |
| Issued capital                  | 14   | 122,905,429      | 115,267,665    |
| Accumulated losses              |      | (115,775,078)    | (114,571,289)  |
| <b>TOTAL EQUITY</b>             |      | <b>7,130,351</b> | <b>696,376</b> |

The accompanying notes form part of these financial statements

# To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

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

The accompanying notes form part of these financial statements

# To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

## Consolidated Statement of Cash Flows

For the year ended 30 June 2019

|   | 2019<br>\$         | 2018<br>\$      |
|---|--------------------|-----------------|
| <b>Cash Flows from Operating Activities</b>                       |                    |                 |
| 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)          | -               |
| <b>Net cash provided by/(used in) operating activities</b>        | <b>(1,270,894)</b> | <b>(51,826)</b> |
| <b>Cash Flows from Investing Activities</b>                       |                    |                 |
| Payments for business combinations                                | (3,161,818)        | -               |
| Payment of deferred consideration                                 | (26,750)           | -               |
| <b>Net cash provided by/(used in) investing activities</b>        | <b>(3,188,568)</b> | <b>-</b>        |
| <b>Cash Flows from Financing Activities</b>                       |                    |                 |
| Proceeds from share issues  | 5,912,494          | -               |
| Payment of share issue costs                                      | (449,730)          | -               |
| Payments from borrowings  | (652,348)          | -               |
| <b>Net cash provided by/(used in) financing activities</b>        | <b>4,810,416</b>   | <b>-</b>        |
| <b>Net increase/(decrease) in cash and cash equivalents</b>       | <b>350,954</b>     | <b>(51,826)</b> |
| Cash and cash equivalents at the beginning of the financial year  | 699,450            | 751,276         |
| <b>Cash and cash equivalents at the end of the financial year</b> | <b>1,050,404</b>   | <b>699,450</b>  |

The accompanying notes form part of these financial statements



# To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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## Notes to Appendix 4E

For the year ended 30 June 2019

### 1. Significant Accounting Policies

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

#### Statement of Compliance

The preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A, the disclosure requirements of ASX Appendix 4E, Australian Accounting Standards and the Corporations Act 2001.

The preliminary financial report complies with Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The preliminary financial report does not include all the notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for AF Legal Group Limited (formerly Navigator Resources Limited) for the financial year ended 30 June 2018, the December 2018 half-year report and any public announcements made by AF Legal Group Limited and its controlled entities during the year ended 30 June 2019 in accordance with the continuous disclosure requirements of the ASX Listing Rules.

The preliminary financial report was authorised for issue by the Directors on 30 August 2019.

#### Basis of Preparation

The preliminary financial report has been prepared on an accruals and going concern basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. All amounts are presented in Australian dollars, unless otherwise noted.

#### Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the preliminary 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.

# To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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## Notes to Appendix 4E

For the year ended 30 June 2019

### 1. Significant Accounting Policies (Continued)

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#### 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.

# To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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## Notes to Appendix 4E

For the year ended 30 June 2019

### 1. Significant Accounting Policies (Continued)

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#### Basis of Preparation (Continued)

##### a) Principles of Consolidation (Continued)

###### **Business Combinations (Continued)**

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

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

###### **Goodwill**

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

- i. the consideration transferred;
- ii. any non-controlling interest; and
- iii. the acquisition date fair value of any previously held equity interest.

,over the fair value of net identifiable assets acquired at acquisition date.

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Acquired goodwill is allocated to the group's cash generating units that are expected to benefit from the combination, representing the lowest level at which goodwill is monitored, but being not larger than an operating segment. Goodwill is tested for impairment annually.

# To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

## Notes to Appendix 4E

For the year ended 30 June 2019

### 1. Significant Accounting Policies (Continued)

#### 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.

# To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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## Notes to Appendix 4E

For the year ended 30 June 2019

### 1. Significant Accounting Policies (Continued)

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

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 company'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:

- iv. Identifying the contract with the customer;
- v. Identifying performance obligations;
- vi. Determining the transaction price;
- vii. Allocating the transaction price to distinct performance obligations; and
- viii. Recognising revenue.

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

## To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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### Notes to Appendix 4E

For the year ended 30 June 2019

#### 1. Significant Accounting Policies (Continued)

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##### 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 adopting the modified retrospective approach in the year ending 30 June 2020 and will not restate comparative amounts. As the group has non cancellable operating lease commitments of \$828,285, 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.

## To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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### Notes to Appendix 4E

For the year ended 30 June 2019

#### 1. Significant Accounting Policies (Continued)

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##### d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company 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.

## To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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### Notes to Appendix 4E

For the year ended 30 June 2019

#### 1. Significant Accounting Policies (Continued)

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##### g) Trade and Other Receivables (Continued)

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 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.



# To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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## Notes to Appendix 4E

For the year ended 30 June 2019

### 1. Significant Accounting Policies (Continued)

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#### 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.

## To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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### Notes to Appendix 4E

For the year ended 30 June 2019

#### 1. Significant Accounting Policies (Continued)

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##### 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.

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

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Judgements made by management in the application of the Company's accounting policies that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant note to the financial statements.

The following are the key judgements and assumptions concerning the future, and other key sources of estimation of uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### **a) Impairment**

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

To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

Notes to Appendix 4E  
For the year ended 30 June 2019

### 3. Revenue

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

### 4. Other expenses

|                             |                |               |
|-----------------------------|----------------|---------------|
| Office costs                | 45,581         | -             |
| Legal and professional fees | 599,352        | 49,836        |
| Insurance                   | 20,924         | 14,268        |
| Interest                    | 1,907          | -             |
| Other                       | 52,399         | 24,335        |
| Doubtful debts              | 152,034        | -             |
|                             | <b>872,197</b> | <b>88,439</b> |

## To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

### Notes to Appendix 4E

For the year ended 30 June 2019

#### 5. Administration expenses

|  |                |                |
|--|----------------|----------------|
| ASX, registries and company secretarial fees | 207,766        | 66,629         |
| Accounting and tax fees                      | 10,180         | 6,637          |
| Audit fees                                   | 95,343         | 13,017         |
| Directors fees                               | 86,095         | -              |
| Marketing and advertising                    | 34,001         | -              |
| Business development                         | 1,344          | 53,989         |
| Recruitment                                  | 90,528         | -              |
| Premises expenses                            | 24,757         | -              |
| Other  | 21,863         | 437            |
|  | <b>571,877</b> | <b>140,709</b> |

#### 6. Earnings per Share

|  | Consolidated       |                 |
|--|--------------------|-----------------|
|  | 2019<br>cents      | 2018<br>cents   |
| <b>Basic and diluted earnings/(loss) per share:</b>                    |                    |                 |
| From continuing operations   | (0.020)            | (0.004)         |
| <b>Total basic and diluted earnings/(loss) per share</b>               | <b>(0.020)</b>     | <b>(0.004)</b>  |
| <b>Profit/(Loss) attributable to the owners of the Group</b>           | <b>\$</b>          | <b>\$</b>       |
| Profit/(Loss) from continuing operations                               | (1,203,789)        | (75,618)        |
| <b>Net Profit/(Loss) attributable to the owners of the Group</b>       | <b>(1,203,789)</b> | <b>(75,618)</b> |
| <b>Weighted average number of ordinary shares for the purposes of:</b> | <b>No.</b>         | <b>No.</b>      |
| Basic earnings/(loss) per share  | 60,097,008         | 19,661,185      |
| Diluted earnings/(loss) per share                                      | 60,097,008         | 19,661,185      |

## To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

### Notes to Appendix 4E

For the year ended 30 June 2019

#### 6. Earnings per Share (Continued)

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.

#### 7. Cash and Cash Equivalents

|              | Note | Consolidated     |                |
|--------------|------|------------------|----------------|
|              |      | 2019<br>\$       | 2018<br>\$     |
| Cash on hand |      | 1,050,404        | 699,450        |
|              |      | <b>1,050,404</b> | <b>699,450</b> |

#### 8. Trade and Other Receivables

##### Current

|   |                  |              |
|---|------------------|--------------|
| Trade receivables                         | 1,907,255        | -            |
| Provision for impairment                  | (298,310)        | -            |
|   | <b>1,608,945</b> | <b>-</b>     |
| Other receivables (Work in progress)      | 166,931          | -            |
| GST receivable                            | -                | 6,106        |
| Amounts due from related parties          | 226,355          | -            |
| Total current trade and other receivables | <b>2,002,231</b> | <b>6,106</b> |

## To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

### Notes to Appendix 4E

For the year ended 30 June 2019

#### 9. Exploration Tenements

|                     | Consolidated |            |
|---------------------|--------------|------------|
|                     | 2019<br>\$   | 2018<br>\$ |
| Violet Gold Project | -            | 27,118     |

During the year the company 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.

#### 10. Business Combinations

On 31 May 2019, the Group acquired 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.

## To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

### Notes to Appendix 4E

For the year ended 30 June 2019

#### 10. Business Combinations (Continued)

|   | AF Legal &<br>Walls Bridges<br>\$ | NSF<br>\$      | Walls<br>Bridges<br>\$ | Total Fair<br>Value<br>\$ |
|---|-----------------------------------|----------------|------------------------|---------------------------|
| <b>Purchase consideration:</b>                              |                                   |                |                        |                           |
| Cash  | 2,808,318                         | 300,000        | 53,500                 | 3,161,818                 |
| Shares issued   | 2,175,000                         | -              | -                      | 2,175,000                 |
| Deferred consideration                                      | 500,000                           | 100,000        | -                      | 600,000                   |
| Purchase price adjustment <sup>(i)</sup>                    | 466,682                           | -              | -                      | 466,682                   |
|   | <b>5,950,000</b>                  | <b>400,000</b> | <b>53,500</b>          | <b>6,403,500</b>          |
| <b>Less:</b>  |                                   |                |                        |                           |
| Cash and cash equivalents                                   | 14,163                            | -              | -                      | 14,163                    |
| Trade and other receivables <sup>(ii)</sup>                 | 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)                 |
| <b>Identifiable assets acquired and liabilities assumed</b> | <b>949,813</b>                    | <b>-</b>       | <b>-</b>               | <b>949,813</b>            |
| <b>Goodwill - provisional<sup>(iii)</sup></b>               | <b>5,000,187</b>                  | <b>400,000</b> | <b>53,500</b>          | <b>5,453,687</b>          |

(i) The purchase price adjustment is a result of a net debt and working capital assessment performed in accordance with the share purchase agreement.

(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.

No amount of the goodwill is deductible for tax purposes

## To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

### Notes to Appendix 4E

For the year ended 30 June 2019

#### 10. Business Combinations (Continued)

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. Management also estimates that underlying EBITDA would have been \$1,563,529 following the removal of transaction costs and adjustments not pertaining to FY19 performance. These balances have not been subject to external audit.

#### 11. Intangible Assets

|                                      | Consolidated |      |
|--------------------------------------|--------------|------|
|                                      | 2019         | 2018 |
|                                      | \$           | \$   |
| <b>Goodwill:</b>                     |              |      |
| Opening balance                      | -            | -    |
| Additions from business combinations | 5,453,687    | -    |
| Impairment losses                    | -            | -    |
| Net carrying amount                  | 5,453,687    | -    |
| <b>Intellectual property:</b>        |              |      |
| Opening balance                      | -            | -    |
| Additions from business combinations | 1,210,883    | -    |
| Accumulated amortisation             | (20,181)     | -    |
| Net carrying amount                  | 1,190,702    | -    |
| Total intangible assets              | 6,644,389    | -    |



To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

Notes to Appendix 4E  
For the year ended 30 June 2019

**12. Trade and Other Payables**

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

**13. Provisions**

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

## To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

### Notes to Appendix 4E

For the year ended 30 June 2019

#### 14. Contributed Equity

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

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

#### 15. 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.

## To the Members of AF Legal Group Limited (formerly Navigator Resources Limited) and controlled entities

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### Notes to Appendix 4E

For the year ended 30 June 2019

#### 16. Interests in subsidiaries

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

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

#### 17. Commitments

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

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

#### 18. Events after the Reporting Period

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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.