



**Results for announcement to the market**

**AF Legal Group Limited and its controlled entities  
ABN 82 063 366 487**

**Appendix 4E – Preliminary Final Report (Unaudited)  
For the year ended 30 June 2021**



# AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

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

### Results for announcement to the market

For the year ended 30 June 2021

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

Cents per share	2021 cents	2020 cents	% Change
Basic earnings per share (cents)	(0.66)	0.70	-194.4%
Diluted earnings per share (cents)	(0.66)	0.66	-194.4%
Refer to Note 6 for further information on earnings per share calculations			

### Dividends

No dividends were paid or proposed during the year.

# AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

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

### Results for announcement to the market

For the year ended 30 June 2021

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

Refer to page 4 of the 30 June 2021 preliminary financial report and accompanying notes for AF Legal Group Limited and its controlled entities.

#### Consolidated Statement of Financial Position

Refer to page 5 of the 30 June 2021 preliminary financial report and accompanying notes for AF Legal Group Limited and its controlled entities.

#### Consolidated Statement of Changes in Equity

Refer to page 6 of the 30 June 2021 preliminary financial report and accompanying notes for AF Legal Group Limited and its controlled entities.

#### Consolidated Statement of Cash Flows

Refer to page 7 of the 30 June 2021 preliminary financial report and accompanying notes for AF Legal Group Limited and its controlled entities.

Net tangible assets per share (cents)	2021	2020	% Change
Net tangible assets per share (cents) <sup>(1)</sup>	5.12	1.96	161.2%

<sup>1</sup> As at 30 June 2021, the net tangible assets per share presented above is inclusive of right to use assets and lease liabilities

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

On 16 June 2021, the Company completed the acquisition of 100% share capital in Watts McCray (NSW) Pty Ltd. The effective date of the acquisition was 1 January 2021. Refer to Note 7 Business Combinations for additional information.

### Commentary on the Results for the Period

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

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

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

In accordance with the accounting principles of Business Combinations, the financial results reported herein contain the results for the full reporting period and the results of Strong Law, Watts McCray and Kordos Lawyers from the point of acquisition only, since 1 October 2020, 1 January 2021 and 1 April 2021 respectively. As such they are not representative of underlying or comparative trading performance. Furthermore, as the prior year results reflect the performance of the acquisitions whose accounts did not reflect their underlying performance, they are also not considered relevant to an assessment of underlying or comparative performance. For a more comprehensive explanation of trends in underlying and comparative 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 year.

### Status of Audit

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

# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

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

For the year ended 30 June 2021

		Consolidated	
	Note	2021 \$	2020 \$
<b>Revenue</b>	3	11,123,487	7,039,063
<b>Expenses</b>			
Cost of sales		(711,142)	(529,399)
Employee benefits expense		(5,487,776)	(3,325,296)
Administrative expenses	5	(1,821,569)	(923,360)
Other expenses	4	(1,712,506)	(942,786)
Share based payment expense		(738,997)	(368,731)
Depreciation and amortisation expense		(1,146,748)	(624,880)
<b>Profit/(Loss) before income tax</b>		<b>(495,251)</b>	<b>324,611</b>
Income tax (expense)/benefit		12,814	97,770
<b>Profit/(Loss) for the year</b>		<b>(482,437)</b>	<b>422,381</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>(482,437)</b>	<b>422,381</b>
<b>Earnings per share for profit / (loss) attributable to the ordinary equity holders of the Company:</b>			
Basic earnings / (loss) per share (cents)	6	(0.66)	0.70
Diluted earnings / (loss) per share (cents)	6	(0.66)	0.66

The accompanying notes form part of these financial statements

# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Consolidated Statement of Financial Position

As at 30 June 2021

		Consolidated	
	Note	2021 \$	2020 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		4,657,653	1,554,743
Trade and other receivables		2,813,757	1,801,746
Other current assets		697,801	141,463
<b>TOTAL CURRENT ASSETS</b>		<b>8,169,211</b>	<b>3,497,952</b>
<b>NON CURRENT ASSETS</b>			
Deferred tax assets		773,704	563,475
Right of use assets		880,550	726,751
Plant and equipment		455,213	68,490
Intangible assets	8	9,564,241	6,731,773
<b>TOTAL NON CURRENT ASSETS</b>		<b>11,673,708</b>	<b>8,090,489</b>
<b>TOTAL ASSETS</b>		<b>19,842,919</b>	<b>11,588,441</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		2,776,623	1,470,891
Current tax liabilities		530,393	478,871
Deferred consideration		250,000	273,645
Lease liability		825,280	375,281
Borrowings		52,123	21,349
Provision for employee benefits		336,082	174,777
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,770,501</b>	<b>2,794,814</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities		514,526	438,527
Lease liability		179,160	395,215
Deferred consideration		843,750	-
Provision for employee benefits		240,536	38,422
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>1,777,972</b>	<b>872,164</b>
<b>TOTAL LIABILITIES</b>		<b>6,548,473</b>	<b>3,666,978</b>
<b>NET ASSETS</b>		<b>13,294,446</b>	<b>7,921,463</b>
<b>EQUITY</b>			
Issued capital	9	128,306,710	122,905,429
Reserves		822,870	368,731
Accumulated losses		(115,835,134)	(115,352,697)
<b>TOTAL EQUITY</b>		<b>13,294,446</b>	<b>7,921,463</b>

The accompanying notes form part of these financial statements

# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

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

The accompanying notes form part of these financial statements



# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	2021 \$	2020 \$
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	12,418,773	7,717,099
Payments to suppliers and employees	(11,071,035)	(5,955,257)
Interest received	500	478
Interest expense	(119,588)	(16,130)
Income tax paid	(77,558)	(98,986)
<b>Net cash provided by/(used in) operating activities</b>	<b>1,151,092</b>	<b>1,647,204</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	(124,896)	(78,440)
Payments for business combinations	(1,733,345)	-
Payment of deferred consideration	(348,645)	(100,000)
Purchase of intangible assets	(331,992)	(339,731)
<b>Net cash provided by/(used in) investing activities</b>	<b>(2,538,877)</b>	<b>(518,171)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from share issues	5,516,956	-
Payment of share issue costs	(303,175)	-
Repayment of lease liabilities	(753,859)	(364,465)
Payments from borrowings	30,774	(260,229)
<b>Net cash provided by/(used in) financing activities</b>	<b>4,490,695</b>	<b>624,694</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,102,910</b>	<b>504,339</b>
Cash and cash equivalents at the beginning of the financial year	1,554,743	1,050,404
<b>Cash and cash equivalents at the end of the financial year</b>	<b>4,657,653</b>	<b>1,554,743</b>

The accompanying notes form part of these financial statements

# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Notes to Appendix 4E

For the year ended 30 June 2021

### 1. Significant Accounting Policies

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

The 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 comply 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 for the financial year ended 30 June 2020, the December 2020 half-year report and any public announcements made by AF Legal Group Limited and its controlled entities during the year ended 30 June 2021 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 2021.

#### Basis of Preparation

The preliminary financial report has been prepared on an accruals and going concern 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. 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 2020, unless stated otherwise.

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

##### a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the 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.



# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Notes to Appendix 4E

For the year ended 30 June 2021

### 1. Significant Accounting Policies (continued)

#### Business Combinations

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

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

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

#### Goodwill

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

- i. the consideration transferred;
- ii. any non-controlling interest; and
- iii. the acquisition date fair value of any previously held equity interest; over the fair value of net identifiable assets acquired at acquisition date.

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

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

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

#### b) 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.

#### c) 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.

# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Notes to Appendix 4E

For the year ended 30 June 2021

### 1. Significant Accounting Policies (continued)

#### d) 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.

#### e) 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
- Website – 5 years

#### f) 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.

#### g) 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.

#### h) 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.

#### i) 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

Judgements made by management in the application of the Group'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:

# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Notes to Appendix 4E

For the year ended 30 June 2021

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

#### Coronavirus (COVID-19) pandemic

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

#### Goodwill

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

#### Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available.

#### Recovery of deferred tax assets

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

#### Lease term

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

#### Incremental borrowing rate

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

### 3. Revenue

	Consolidated	
	2021 \$	2020 \$
Legal fees	11,008,604	6,882,349
Interest income	500	157
Other income	114,383	156,557
	<b>11,123,487</b>	<b>7,039,063</b>

# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Notes to Appendix 4E

For the year ended 30 June 2021

### 4. Other expenses

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

### 5. Administration expenses

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

### 6. Earnings per share

	Consolidated	
	2021	2020
	cents	cents
<b>Basic and diluted earnings/(loss) per share:</b>		
From continuing operations	(0.66)	0.70
<b>Total basic earnings/(loss) per share</b>	<b>(0.66)</b>	<b>0.70</b>
From continuing operations	(0.66)	0.66
<b>Total diluted earnings/(loss) per share</b>	<b>(0.66)</b>	<b>0.66</b>
<b>Profit/(Loss) attributable to the owners of the Group</b>	<b>\$</b>	<b>\$</b>
Profit/(Loss) from continuing operations	(482,437)	422,381
<b>Net Profit/(Loss) attributable to the owners of the Group</b>	<b>(482,437)</b>	<b>422,381</b>

# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Notes to Appendix 4E

For the year ended 30 June 2021

### 6. Earnings per share (continued)

Weighted average number of ordinary shares for the purposes of:	No.	No.
Basic earnings/(loss) per share	72,864,868	60,097,008
Diluted earnings/(loss) per share	72,864,868	64,147,008

### 7. Business Combinations

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

	Strong Law \$	Watts McCray \$	Kordos Law \$	Total Fair Value \$
<b>Purchase consideration:</b>				
Cash paid / payable	233,345	1,500,000	125,000	1,858,345
Issuance of shares	-	187,500	125,000	312,500
Deferred consideration	150,000	281,250	750,000	1,181,250
	<b>383,345</b>	<b>1,968,750</b>	<b>1,000,000</b>	<b>3,352,095</b>
<b>Less:</b>				
Cash and cash equivalents	-	-	292,000	292,000
Trade and other receivables(i)	-	831,750	-	831,750
Other assets	-	517,481	-	517,481
Property, plant and equipment	-	310,578	-	310,578
Right of use assets	-	444,664	-	444,664
Current tax liabilities	-	(282,141)	-	(282,141)
Trade and other payables	-	(665,240)	-	(665,430)
Lease liabilities	-	(525,893)	-	(525,893)
Employee provisions	-	(414,148)	-	(414,148)
<b>Identifiable assets acquired and liabilities assumed</b>	<b>-</b>	<b>217,051</b>	<b>292,000</b>	<b>509,051</b>
<b>Goodwill - provisional(ii)</b>	<b>383,345</b>	<b>1,751,699</b>	<b>708,000</b>	<b>2,843,044</b>

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

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

No amount of the goodwill is deductible for tax purposes.

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

In accordance with the accounting principles of Business Combinations, the financial results reported herein contain the results for the full reporting period and the results of Watts McCray from the point of acquisition only, since 1 January 2021. In the 6 months to June 2021, Watts McCray contributed a statutory loss of \$44,983 to the Group's results. Had the results relating to Watts McCray acquisition been consolidated from 1 July 2020, contributed statutory profit would have been \$881,619. These amounts disclosed have not been subject to external audit.

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

# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Notes to Appendix 4E

For the year ended 30 June 2021

### 8. Intangible Assets

	2021 \$	2020 \$
<b>Goodwill</b>		
Opening balance	5,465,470	5,453,687
Additions from business combinations	2,843,043	-
Goodwill adjustment	-	11,783
<b>Net carrying amount</b>	<b>8,308,513</b>	<b>5,465,470</b>
<b>Intellectual property</b>		
Opening balance	948,530	1,190,702
Amortisation expense	(242,172)	(242,172)
<b>Net carrying amount</b>	<b>706,358</b>	<b>948,530</b>
<b>Website</b>		
Opening balance	317,773	-
Additions	331,992	339,731
Accumulated amortisation	(100,395)	(21,958)
<b>Net carrying amount</b>	<b>549,370</b>	<b>317,773</b>
<b>Total intangible assets</b>	<b>9,564,241</b>	<b>6,731,773</b>

### 9. Issued Capital

	Consolidated			
	2021 Shares	2021 \$	2020 Shares	2020 \$
Ordinary shares	72,864,868	128,306,710	60,097,008	122,905,429
<b>Balance at the end of the year</b>	<b>72,864,868</b>	<b>128,306,710</b>	<b>60,097,008</b>	<b>122,905,429</b>
<b>Movement in ordinary share capital:</b>				
Balance at the beginning of the year	60,097,008	122,905,429	60,097,008	122,905,429
<b>Movements during the year</b>				
Issuance of shares	12,767,860	5,704,456	-	-
Share issuance costs	-	(303,175)	-	-
<b>Balance at the end of the year</b>	<b>72,864,868</b>	<b>128,306,710</b>	<b>60,097,008</b>	<b>122,905,429</b>

### 10. Contingent liabilities and contingent assets

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



# TO THE MEMBERS OF AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Notes to Appendix 4E

For the year ended 30 June 2021

### 11. Interests 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. The subsidiary's principal place of business is also its country of incorporation.

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

### 12. Events after the reporting date

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

Aside from the above, there has not arisen in the interval between the end of the full 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.



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