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A / F L E G A L

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

Appendix 4D
Half-year information
For the half-year ended
31 December 2022



1. DETAILS OF REPORTING PERIODS

The current reporting period is the 6-month period from 1 July 2022 to 31 December 2022. The previous corresponding reporting period was the 6-month period from 1 July 2021 to 31 December 2021, except for the Consolidated Statement of Financial Position, where comparatives are balances as at 30 June 2022.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET:

Key information	Dec 2022 \$	Dec 2021 \$	% Change
Revenue from ordinary activities	8,826,687	8,614,601	2.5%
Profit/(Loss) after tax from ordinary activities	(8,063,214)	744,398	N/A
Profit/(Loss) after tax from ordinary activities attributable to owners	(8,343,455)	744,398	N/A

H1 FY23 saw several one-off expenses and charges which adversely impacted our results. These included a write-down of debtors and work in progress due to adoption of a more cautious approach to provisioning for older items, whilst another followed a review of the useful lives of non-current assets. Other one-off charges included costs associated with the potential merger with GTC Legal, which did not proceed as previously announced, as well as certain expenses which were not provided for in prior periods.

The combination of the preliminary H1 FY23 results and the general revenue downturn across a number of specific geographies, necessitated a review of the carrying value of Goodwill. Further detail is provided in the notes to the Interim Financial Statements, but the outcome was the booking of a \$6.569 million goodwill impairment charge in the FY23 half-year results.

In summary, these one-off expenses, and charges included:

Goodwill impairment charge	\$6.569m
FY22 executive bonuses	\$0.353m
Business acquisition costs re GTC merger	\$0.273m
Share based payments	\$0.100m
New branch start-up costs	\$0.120m
Debtor/WIP provision adjustments	\$0.750m
Website asset useful life revision	\$0.250m

Total H1 Normalising Adjustments	\$8.415 million
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Please also refer to the attached Director's Report and Interim Financial Statements for the half-year ended 31 December 2022 and the attached press release and investor presentation.

The remainder of the information requiring disclosure to comply with listing rule 4.2A is contained in the attached Director's Report and Interim Financial Statements for the half-year ended 31 December 2022, the attached press release and investor presentation, and the additional information below.

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Earnings per share	Dec 2022 \$	Dec 2021 \$	% Change
Basic earnings per share (cents)	-10.89	1.00	N/A
Diluted earnings per share (cents)	-10.89	0.96	N/A

Dividends

No dividends were paid or proposed during the current financial period.

Net tangible assets per share (cents)	Dec 2022 \$	Dec 2021 \$	% Change
Net tangible assets per share (cents)	3.00	4.45	-32.5%

Control gained or lost over entities

No change in ownership of entities in the current financial period.

Dividend reinvestment plans

Not applicable

Details of associates and joint venture entities

Not applicable

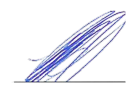
Review

The financial statements were subject to a review by the auditors and the review report is attached as part on the Interim Financial Statements.

Attachments

The Interim Report of AF Legal Group Limited for the half-year ended 31 December 2022 is attached

Signed



Rick Dennis
Non-Executive Chairman

27 February 2023

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



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

Interim Financial Statements
For the half-year ended
31 December 2022

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Directors' Report

The Directors of AF Legal Group Limited (the "Company") submit herewith the Financial Report of the Company, and its controlled entities (together the "Group") for the half year ended 31 December 2022. To comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTOR DETAILS

The following persons were Directors of the Company during the half year and up to the date of this report are:

Mr. Rick Dennis (appointed 1 July 2022)
Dr. Sarah Kelly
Mr. Peter Johns (appointed 15 November 2022)
Mr. Grant Dearlove (resigned on 14 November 2022)
Mr. Kevin Lynch (ceased on 14 November 2022)

COMPANY SECRETARY

The following persons were Company Secretary of the Company during the half year and up to the date of this report are:

Ms. Maggie Niewidok (resigned 7 November 2022)
Ms. Priyamvada (Pia) Rasal (appointed 7 November 2022)

Principal Activities

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

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Earnings and result

Earnings

Net profit after tax ("NPAT") for the financial half-year ended 31 December 2022, was a loss for the period attributable to the owners of AF Legal Group Limited of \$8.343 million (H1 2022: profit \$0.744 million).

Net profit before tax ("NPBT") for the period (attributable to both the owners of AF Legal Group Limited and the Non-controlling interests) is a loss of \$8.528 million which sits within the range of a loss of between \$8.4 million to \$8.9 million flagged in our Company and Trading Update of 10 February 2023.

Key elements of the result include:

Revenue

Revenues, which exclude disbursements (prior year has been adjusted to be consistent with this basis) of \$8.8 million were up by \$0.2m or 2.5% on the prior corresponding period of H1 FY22 (pcp). AFL Withnalls' Northern Territory contributed \$1.5m of the increase (Jan-22 acquisition date means there is no pcp revenue for this business). Allowing for this, the remainder of the Group saw a decline

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in Revenue (excluding disbursements) of \$1.3m, with Watts McCray Sydney, AFL Melbourne, and AFL Canberra all down.

Expenses

Expenses at \$17.4 million (H1 2022: expenses \$7.6 million) were up significantly on the pcp, by \$9.8m largely due to the following one-off expenses and charges totaling \$8.315 million:

▪ Goodwill impairment charge	\$6.569m
▪ Debtor/WIP provision adjustments	\$0.750m
▪ Website asset useful life revision	\$0.250m
▪ FY22 Executive bonuses	\$0.353m
▪ Business acquisition costs re GTC merger	\$0.273m
▪ New branch start-up costs	\$0.120m

Additionally, Withnalls expenses for H1 2022 were \$0.9 million, which given the 1 January 2022 acquisition effective date, means these are unmatched by any pcp expenditure, thereby representing an increase in Group costs relative to the pcp.

Normalised earnings

Normalising the net profit before tax ("NPBT") for the financial half-year ended 31 December 2022, for one-off expenses and charges outlined above of \$8.315m and also the share-based payment of \$0.100m (in line with prior year treatment) results in a normalised loss for the period attributable to the owners of AF Legal Group Limited of \$393k.

The total group normalised loss before tax for the period (attributable to both the owners of AF Legal Group Limited and the Non-controlling interests) is \$113k which is within the range of breakeven to a \$0.5 million loss flagged in our Company and Trading Update of 10 February 2023.

Statement of financial position

Net assets at \$6.9 million were well down on the financial year ended 30 June 2022 position of \$14.9 million, resulting from the goodwill impairment and the other one-off expenses and charges outlined.

Noteworthy balance sheet movements since the end of the financial year ended 30 June 2022 include:

- Cash down by \$1.4m (refer to Cash Flow comments)
- Trade and other receivables down by \$0.8m primarily due to the increase in the provision for doubtful debts
- Right of use asset up by \$2.6m due to entering into new leases for Watts McCray Sydney CBD and Parramatta (offset by liability increases listed below)
- Intangible assets down by \$6.9m primarily due to goodwill impairment charge
- Lease liabilities up by \$2.5m in line with ROU asset increase mentioned above.

It is important to note that with the cash balance of \$2.4m, \$0.7m is held within Withnalls with a further \$0.4m related to cash deposits backing bank guarantees in place.

Operating cash flow

The operating cash flow for the half-year period was an inflow of \$36k (H1 2022: inflow of \$1.9 million) despite the overall loss position, bearing in mind the significant non-cash component (goodwill impairment, debtors/WIP provisioning, depreciation and amortisation).

The overall net decrease in cash held of \$1.4 million was the result of the net cash used in investing activities of \$567k (\$317k for fixed assets and intangibles, plus \$250k Kordos deferred consideration) plus the net cash used in financing activities of \$841k (primarily lease liabilities).

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FUTURE PROSPECTS AND MATERIAL BUSINESS RISKS

Whilst calendar 2022 was characterised by a challenging labour market in legal professional services, we do anticipate a more positive recruitment market for legal professionals in calendar 2023 which should limit negative impacts from a shortage of staff. We have seen signs of this already with a number of new starters having commenced in Q3 FY23.

Whilst January is traditionally a quiet period for our lawyers due primarily to school and festive season holiday impact, our Q3 activity so far has us cautiously optimistic as to an overall lift in revenue across the remainder of H2 FY23.

Our most recent office openings in Wollongong, Gold Coast and Bayside Brisbane are showing signs of increased activity which should have a positive impact on our revenue performance. In addition to our newer opened offices, we did highlight our Watts McCray Sydney based business in our ASX announcement of 10 February 2023 as seeing a lift in productivity which is continuing. Similar productivity lifts are evident in our WA and ACT operations, whilst our Withnalls Darwin based business continues to perform strongly.

With our legal management system changes largely completed, we are focused on driving our existing businesses to improved performance across all metrics for calendar 2023 and beyond. We see H2 FY23 and calendar 2023 in general as a period of stability for AF Legal as we concentrate on returning our business to profitability. To this end, we continue to pursue appropriate cost reduction opportunities.

Our balance sheet is robust following a series of prudent financial decisions adopted in our half year accounts. We remain essentially debt free but also retain our undrawn \$10 million NAB acquisition debt facility ready for the appropriate opportunity. Whilst we focus on our existing businesses, we will continue to pursue similar lateral hire branch openings through our partnership model which has shown pleasing results to date and which represents a low risk growth strategy for us.

We continue to investigate possible acquisition opportunities to grow our revenue base.

The Board retains its commitment to our longer-term growth aspirations as set out in the AFL 3.0 strategy, through a combination of organic and inorganic growth opportunities.

Subsequent Events

On 10 February 2023 the Company announced that Interim Chief Financial Officer, Chris McFadden, had been appointed as permanent Chief Financial Officer and Chief Operating Officer.

Other than this appointment, no matters or circumstances have arisen since the end of the financial half-year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future reporting periods.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

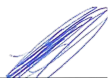
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Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Rick Dennis
27 February 2023

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PKF BRISBANE AUDIT



**TIM FOLLETT
PARTNER**

27 FEBRUARY 2023
BRISBANE

PKF Brisbane Audit ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane, QLD 4000 | GPO Box 1568, Brisbane, QLD 4001 | T: +61 7 3839 9733
Brisbane | Rockhampton www.pkf.com.au

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2022

	Note	31 Dec 2022 \$	31 Dec 2021 \$
Revenue	3	8,826,687	8,614,601
Expenses			
Cost of sales		(23,054)	(110,753)
Employee expenses		5,448,482	4,457,493
Administrative expenses	4	1,489,756	1,164,264
Other expenses	5	2,522,901	895,143
Share based payment expense	6	99,557	372,203
Interest expense		109,348	42,405
Depreciation		674,361	609,448
Amortisation		464,436	191,872
Impairment expense	7	6,569,000	-
Profit/(Loss) before income tax		(8,528,100)	992,526
Income tax expense/(benefit)		(464,886)	248,128
Profit/(Loss) for the period after income tax		(8,063,214)	744,398
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		(8,063,214)	744,398
Profit/(Loss) for the period attributable to:			
Non-controlling interest		280,241	-
The owners of AF Legal Group Limited		(8,343,455)	744,398
Total comprehensive income/(loss) for the period attributable to:			
Non-controlling interest		280,241	-
The owners of AF Legal Group Limited		(8,343,455)	744,398
Total comprehensive income/(loss) for the period		(8,063,214)	744,398
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)		(10.89)	1.00
Diluted earnings per share (cents)		(10.89)	0.96

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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Consolidated Statement of Financial Position
As at 31 December 2022

	Note	31 Dec 2022 \$	30 Jun 2022 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,376,224	3,749,048
Trade and other receivables	8	3,542,253	4,403,079
Other current assets		1,025,284	950,914
TOTAL CURRENT ASSETS		6,943,761	9,103,041
NON-CURRENT ASSETS			
Deferred tax assets		1,736,581	907,466
Right of use assets		4,054,721	1,489,778
Plant and equipment		528,786	436,919
Intangible assets	9	4,582,365	11,507,195
TOTAL NON-CURRENT ASSETS		10,902,453	14,341,358
TOTAL ASSETS		17,846,214	23,444,399
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,242,585	2,160,524
Current tax liabilities		295,432	737,890
Deferred consideration		1,375,000	1,375,000
Lease liabilities		746,000	376,033
Borrowings		48,631	116,410
Provisions		-	263,695
Employee benefits		885,265	731,053
TOTAL CURRENT LIABILITIES		5,592,913	5,760,605
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,370,335	987,349
Lease liabilities		3,228,746	1,142,169
Deferred consideration		250,000	500,000
Provisions		306,605	30,722
Employee benefits		156,234	118,513
TOTAL NON-CURRENT LIABILITIES		5,311,920	2,778,753
TOTAL LIABILITIES		10,904,833	8,539,358
NET ASSETS		6,941,381	14,905,041

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Consolidated Statement of Financial Position (cont.)

As at 31 December 2022

	Note	31 Dec 2022 \$	30 Jun 2022 \$
EQUITY			
EQUITY ATTRIBUTABLE TO THE OWNERS OF AF LEGAL GROUP LIMITED			
Issued capital	10	129,873,477	129,506,852
Accumulated losses		(124,584,964)	(116,241,506)
Reserves		872,791	1,139,859
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF AF LEGAL GROUP LIMITED		6,161,304	14,405,205
Non-controlling interests		780,077	499,836
TOTAL EQUITY		6,941,381	14,905,041

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

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Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2022

	Note	Issued capital \$	Share based payment reserve \$	Accumulated losses \$	Total equity attributable to the owners of AF Legal Group Limited \$	Non-controlling interests \$	Total \$
Balance at 1 July 2021		128,306,710	822,870	(115,835,134)	13,294,446	-	13,294,446
Comprehensive income							
Profit for the period		-	-	744,398	744,398	-	744,398
Total comprehensive income		-	-	744,398	744,398	-	744,398
Transactions with owners in their capacity as owners and other transfers							
Issue of shares on acquisition		125,000	-	-	125,000	-	125,000
Conversion of performance rights	10	554,855	(554,855)	-	-	-	-
Issue of performance rights	6, 10	33,000	339,203	-	372,203	-	372,203
Total transactions with owners and other transfers		712,855	(215,652)	-	497,203	-	497,203
Balance at 31 December 2021		129,019,565	607,218	(115,090,736)	14,536,047	-	14,536,047

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Consolidated Statement of Changes in Equity (cont.)
For the half-year ended 31 December 2022

	Note	Issued capital \$	Share based payment reserve \$	Accumulated losses \$	Total equity attributable to the owners of AF Legal Group Limited \$	Non-controlling interests \$	Total \$
Balance at 1 July 2022		129,506,852	1,139,859	(116,241,506)	14,405,205	499,836	14,905,041
Comprehensive Loss							
Loss for the period		-	-	(8,343,455)	(8,343,455)	280,241	(8,063,214)
Total comprehensive Loss		-	-	(8,343,455)	(8,343,455)	280,241	(8,063,214)
Transactions with owners in their capacity as owners and other transfers							
Conversion of performance rights	10	293,625	(293,625)	-	-	-	-
Issue of performance rights	6, 10	73,000	26,557	-	99,557	-	99,557
Total transactions with owners and other transfers		366,625	(267,068)	-	99,557	-	99,557
Balance at 31 December 2022		129,873,477	872,791	(124,584,964)	6,161,304	780,077	6,941,381

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

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Consolidated Statement of Cash Flows
For the half-year ended 31 December 2022

	31 Dec 2022 \$	31 Dec 2021 \$
Cash Flows from Operating Activities		
Receipts from customers	11,220,728	9,160,495
Payments to suppliers and employees	(10,737,426)	(6,968,230)
Interest received	70	78
Interest expense	(1,952)	(13,476)
Income tax paid	(445,833)	(293,095)
Net cash provided by/(used in) operating activities	35,587	1,885,772
Cash Flows from Investing Activities		
Purchase of fixed assets	(208,336)	(32,061)
Payment for internally developed intangible assets	(108,607)	(52,855)
Payment for deferred consideration	(250,000)	(62,500)
Payment for business acquisition	-	-
Net cash provided by/(used in) investing activities	(566,942)	(147,416)
Cash Flows from Financing Activities		
Repayment of lease liabilities	(773,688)	(534,692)
Payments of borrowings	(67,779)	(34,108)
Net cash provided by/(used in) financing activities	(841,468)	(568,800)
Net increase/(decrease) in cash and cash equivalents	(1,372,824)	1,169,556
Cash and cash equivalents at the beginning of the financial period	3,749,048	4,657,653
Cash and cash equivalents at the end of the financial period	2,376,224	5,827,209

The above consolidated statement of cash flows should be read
in conjunction with the accompanying notes

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Notes to the Financial Statements

For the half-year ended 31 December 2022

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 consolidated financial statements were authorised for issue on 27 February 2023 in accordance with a resolution of the Directors of the Company.

Basis of Preparation

These general-purpose financial statements for the interim reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The condensed consolidated financial statements have been prepared on the basis of historical costs except for the statement of cash flows. Cost is based on the fair values of consideration given in exchange for assets. The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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.

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Notes to the Financial Statements
For the half-year ended 31 December 2022

2. Critical Accounting Judgements and Key Accounting Estimates and Assumptions

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

Goodwill and other indefinite life intangible assets

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 the full annual report. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital, and growth rates of the estimated future cash flows. Refer to Note 7 and 9 for further information.

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 8, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. During the period, the useful life of the website asset contained in intangible assets was re-assessed from 5 to 3 years, resulting in a \$250,000 impact to profit and loss recorded further in note 9.

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Notes to the Financial Statements
For the half-year ended 31 December 2022

3. Revenue

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Legal fees	8,820,059	8,612,817
Other income	6,558	1,706
Interest income	70	78
	8,826,687	8,614,601

4. Administrative expenses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Compliance costs	136,806	158,251
Computer and software expenses	388,343	353,992
Marketing and advertising	477,682	458,545
Premises	243,230	115,092
Others	243,695	78,384
	1,489,756	1,164,264

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Notes to the Financial Statements
For the half-year ended 31 December 2022

5. Other expenses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Insurance	151,768	102,976
Legal and professional fees	890,748	555,230
Telephone and internet	61,315	28,278
Office costs	109,921	66,810
Transaction costs	275,026	44,729
Bad debts	842,382	24,263
Others	191,741	72,857
	2,522,901	895,143

6. Share based payment expense

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Share based payment expense	99,557	372,203

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Notes to the Financial Statements
For the half-year ended 31 December 2022

7. Goodwill Impairment

The consolidated entity tests whether goodwill and other intangible assets have suffered any impairment on an annual basis, or more frequently, if required. As a result of the preliminary loss for H1 FY23 within the consolidated entity, a detailed impairment review of each cash-generating unit (“CGU”) has been performed as at 31 December 2022.

The recoverable amounts of each CGU were determined based on value-in-use calculations, covering forecasts for the current year, followed by an extrapolation of expected cash flows for the unit out to the end of FY27 using growth rates deemed appropriate by management. FY27 also includes a terminal value. The present value of the expected cash flows was determined by applying a suitable discount rate.

The various assumptions used are outlined below:

Assumptions

Growth Rate	15.0%
Revenue & Working Capital Growth rate	7.5%
Maintenance Capex. Growth rate	10.0%
WACC	13.4%
Terminal Growth Rate	2.0%

The growth rate reflects management’s conservative view of longer-term average growth rates. The discount rate or weighted average cost of capital (“WACC”) reflects appropriate adjustments relating to market risk and specific risk factors.

Impairment

The Sydney and Melbourne recoverable amount of \$2.743 million was then compared to the carrying value of goodwill for the Sydney and Melbourne CGU being \$9.311 million, which ultimately necessitated the need for the \$6.569 million impairment charge to goodwill for the Sydney and Melbourne CGU as presented in note 9. The impairment has primarily arisen due to the lower cashflow forecasts attributed to this CGU. The impairment has impacted the one business segment in which the consolidated entity operates being family law and the one geographical segment being Australia.

The ongoing profitable position of Brisbane and Darwin resulted in no impairment for these CGUs.

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Notes to the Financial Statements
For the half-year ended 31 December 2022

8. Trade and other receivables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Trade receivables	3,725,969	3,467,584
Provision for doubtful debts	(1,342,400)	(592,400)
	2,383,569	2,875,184
Work in progress	1,158,684	1,527,895
	3,542,253	4,403,079

	Gross amount	Past due and impaired	Past due but not impaired			
			<30 days	30-60 days	61-90 days	90+ days
	\$	\$	\$	\$	\$	\$
31 Dec 2022	3,725,969	1,342,400	882,023	382,794	361,561	757,191
30 Jun 2022	3,467,584	592,400	830,000	347,000	227,000	1,471,184

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Notes to the Financial Statements
For the half-year ended 31 December 2022

9. Intangible assets

	31 Dec 2022	Consolidated
	\$	30 Jun 2022
		\$
Goodwill		
Opening balance	10,431,322	9,152,263
Measurement period adjustment	-	581,555
Goodwill from business combination	-	697,504
Impairment	(6,569,000)	-
Net carrying amount	3,862,322	10,431,322
Intellectual Property		
Opening balance	464,186	706,358
Less: Amortisation expense	(121,086)	(242,172)
Net carrying amount	343,100	464,186
Website		
Opening balance	611,687	549,369
Additions	108,607	209,570
Less: Amortisation expense	(343,350)	(147,252)
Net carrying amount	376,944	611,687
Total Intangible assets	4,582,365	11,507,195

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Notes to the Financial Statements
For the half-year ended 31 December 2022

10. Issued capital

	Consolidated			
	Dec 2022 Shares	Dec 2022 \$	Jun 2022 Shares	Jun 2022 \$
Ordinary shares fully paid	78,561,418	129,873,477	76,330,891	129,506,852
Balance at the end of the period	78,561,418	129,873,477	76,330,891	129,506,852

Movement in ordinary share capital:

Details	Date	Shares	Issue price (\$)	\$
Balance	1 July 2022	76,330,891	-	129,506,852
Issue of shares to employees as per Long Term Incentive Plan	2 September 2022	102,167	0.323	33,000
Issue of shares to employees as per Long Term Incentive Plan	2 September 2022	103,360	0.387	40,000
Issue of shares on exercise of performance rights	16 December 2022	2,025,000	0.145	293,625
Balance	31 December 2022	78,561,418		129,873,477

11. Interest in subsidiaries

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

Name of subsidiary	County of incorporation	Ownership interest	
		31 Dec 2022 %	31 Dec 2021 %
AF Legal Pty Ltd	Australia	100%	100%
Watts McCray (NSW) Pty Ltd	Australia	100%	100%
Withnall Cavanagh & Co Pty Ltd	Australia	51%	-
AF Legal (Wollongong) Pty Ltd	Australia	75%	-
AF Legal (Gold Coast) Pty Ltd	Australia	75%	-

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Notes to the Financial Statements

For the half-year ended 31 December 2022

12. Events after the Reporting Period

On 10 February 2023 the Company announced that Interim Chief Financial Officer, Chris McFadden, had been appointed as permanent Chief Financial Officer and Chief Operating Officer.

Other than this appointment, no matters or circumstances have arisen since the end of the financial half-year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future reporting periods.

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Directors' Declaration

In the Directors' opinion:

1. the attached financial statements and notes, as set out on pages 12 to 25 are in accordance with the *Corporations Act 2001* including:
 - a. complying with Accounting Standard *AASB 134: Interim Financial Reporting*; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.



Rick Dennis
Non-Executive Chairman
27 February 2023



Peter Johns
Non-Executive Director
27 February 2023

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AF LEGAL GROUP LIMITED**

Conclusion

We have reviewed the accompanying half-year financial report of AF Legal Group Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AF Legal Group Limited is not in accordance with the *Corporations Act 2001* including:-

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Independence

In conducting our review, we have complied with the auditor independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors of the company a written Auditor's Independence Declaration.

Responsibility of the Directors for the Financial Report

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

PKF Brisbane Audit ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane, QLD 4000 | GPO Box 1568, Brisbane, QLD 4001 | T: +61 7 3839 9733

Brisbane | Rockhampton www.pkf.com.au

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Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PKF BRISBANE AUDIT



TIM FOLLETT
PARTNER

27 FEBRUARY 2023
BRISBANE

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