



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

Appendix 4D – Interim Report
For the half-year ended 31 December 2021



AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Results for announcement to the market

For the half-year ended 31 December 2021

Key information	Dec 2021 \$	Dec 2020 \$	% Change
Revenue from ordinary activities	9,098,174	4,370,634	108.2%
Profit/(Loss) after tax from ordinary activities attributable to owners	744,398	248,494	199.6%
Earnings Before Interest Tax and Depreciation and Amortisation ("EBITDA") from ordinary activities attributable to owners	1,836,173	805,391	128.0%
Net Profit After Tax before Amortisation ("NPATA") attributable to owners	936,270	410,405	128.1%

Commentary on the Results for the Period

In the table below, Directors have provided numbers which more accurately reflect the underlying performance of the Group. Specifically, the numbers:

- include the results for AF Legal Group Ltd and its controlled entities for the 6 months to 31 December 2021 and proforma results for the same period; and
- removal of share based payment expense and non-recurring or one-off items of expense for the 6 months to 31 December 2021 and proforma results for the same period

A\$'000s	FY22 H1 ¹	FY21 H1 ²	H1 % change	FY22 H1 Proforma ³
Underlying				
Revenue	9,098	4,370	107.7%	11,037
Underlying EBITDA ⁴	2,359	1,096	115.3%	2,928
Margin %	25.9%	25.1%	0.8%	26.5%
Underlying NPATA ⁵	1,315	621	111.8%	1,484
Margin %	14.5%	14.2%	0.3%	13.4%
Statutory				
EBITDA	1,836	805	128.0%	2,509
NPATA	936	410	128.1%	1,180

Notes:

- FY22 H1 refers to the 6-month period ended 31 December 2021
- FY21 H1 refers to the 6-month period ended 31 December 2020
- Proforma refers to the 6-month ended period 31 December 2021 adjusted to include full contribution of the Withnalls acquisition as if it had occurred from 1 July 2021
- Underlying EBITDA adjusts statutory EBITDA to include the removal of non-recurring or unusual costs
- Underlying NPATA adjusts statutory NPATA to include the removal of share based payment expense and non-recurring or unusual costs (net of tax)

Refer to the Directors report for the reconciliation of statutory EBITDA to underlying EBITDA and statutory NPATA to underlying NPATA.

AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Cents per share	Dec 2021 \$	Dec 2020 \$	% Change
Basic earnings per share (cents)	1.00	0.41	145.0%
Diluted earnings per share (cents)	0.96	0.40	141.1%

Dividends

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

Net tangible assets per share (cents)	Dec 2021 \$	Dec 2020 \$	% Change
Net tangible assets per share (cents)	4.90	1.83	167.8%

Control Gained or Lost over Entities

No change in ownership of entities in the current financial period. Refer to Note 7 for details of a business combination after the reporting period.

Dividend reinvestment plans

Not applicable

Details of associates and joint venture entities

Not applicable

Audit qualification or review

The auditors have issued an unqualified review opinion

Attachments

The Interim Report of AF Legal Group Limited for the half-year ended 31 December 2021 is attached

Signed



Grant Dearlove
Executive Chairman

23 February 2022

AF LEGAL GROUP LIMITED | ABN 82 063 366 487
INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

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INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Letter from the Chairman



I am delighted to present the half year report of AF Legal Group Limited (“AFL” or the “Company”) and its controlled entities (together the “Group”) for the 6 months ending December 2021. AFL is a tech enabled specialist Family Law firm with a difference. It was established in 2015 to create a disruptive technology focused law firm that challenged the conventional wisdom of relationship driven business development and instead applied an alternative model driven by data and digital marketing. Growing from an initial start-up in Melbourne, we now have 17 offices in Sydney (3), Melbourne / Victoria (3), Canberra (2), Perth (2), Sunshine Coast (2), Adelaide, Brisbane, Gold Coast, Darwin and Alice Springs, with many more to come. We are now the largest and only national Family Law firm in Australia, the market leader in tech enabled client acquisition by disrupting the way family law clients find legal advice.

Our core family law legal offering is paramount to our success. This focus is about achieving our mission of building on our position as Australia’s largest National Family law firm. The ‘AFL Way’ of holistic care, our case model strategy, and our client outcomes focus, resonates with the market and our clients. We have been recognised as a finalist in the Lawyers Weekly Awards as “Law Firm of the Year” and “New Law Firm of the Year” alongside some of nation’s largest blue-chip firms. In addition, we launched referral partnerships with Slater & Gordon in Australia and Stowe Family Law in the United Kingdom. We continue to enter and develop referral partnerships with larger corporates from ASX companies and large employers to significant membership groups as a new source of organic referral growth into the future.

As revealed in the Review of Operations presentation below, AFL has maintained its strong track record of high growth during the 6 months ending 31 December 2021. What we are most proud of is our organic growth (excluding acquisitions) where we delivered a 20% increase versus the previous half year result. We are proving that we can grow market share not only via acquisition but also organically through our scalable greenfield model driven by our tech enabled client acquisition model. In addition to our organic growth over the period, we were pleased to recently complete the acquisition of Withnalls in Northern Territory. This was a strategic acquisition to expand into an otherwise hard to manage market and we are adding value already with our own model in the region by the opening of a greenfield office in Alice Springs. Moving into the second half of the year, we are buoyed by our strong file opening metrics which are more than double where they were the same time last year. This is providing us with a strong pipeline of revenue to start the second half of the year. Furthermore, we are also reviewing further acquisition opportunities, a number of which will add size and scale, complement our corporate strategy and align with our strict acquisition criteria. We also continue to explore adjacent sectors to our existing family law offerings.

The onset of COVID in early 2020 brought many challenges to traditional firms. As we have noted previously, AFL was already operating in a modern ‘New Law’ environment where technology and flexible arrangements were part of our fabric. We were able to quickly meet the operational challenges and take up the demand generated through our tech enabled digital platform. Whilst we did observe the impact of lockdowns, illness and medical needs across our offices over this period, we expect to see a continued increase in enquiries and file openings over the next 12 months as borders reopen in Australia.

The AFL story is a great one – it has a well-established tech enabled competitive advantage, is operating in a market worth over \$1 billion revenue per annum with no market leader and has the platform and access to resources to execute its growth strategy. As an executive team and a board, we are pleased that we have achieved what we said we would do to date for the benefit of all stakeholders.

I would finally like to thank our shareholders for their continued support and share my gratitude to the entire team at AFL for their efforts now and looking into the future. Most importantly our ‘fanatical client’ focus on all clients who seek our help demonstrates our commitment to quality and protecting the interests of all who struggle through the many issues one can face when addressing the complexities of relationship law.

Yours sincerely



Grant Dearlove
Executive Chairman

23 February 2022

AF LEGAL GROUP LIMITED | ABN 82 063 366 487

INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

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 2021. To comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Mr. Grant Dearlove

Mr. Glen Dobbie

Mr. Edward Finn (resigned 30 August 2021)

Mr. Kevin Lynch

Dr. Sarah Kelly (appointed 30 August 2021)

Company Secretary

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

Maggie Niewidok

Principal Activities

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

Review of Operations

AF Legal Pty Ltd (also known as Australian Family Lawyers) ("AFL") is a wholly owned subsidiary of AF Legal Group Limited and is the trading entity of the group. It is an Australian law firm that specialises in family and relationship law. The firm provides advice to clients in respect of divorce, separation, property and children's matters together with related and ancillary services such as litigation. AFL's strategy is to continue to grow its market share as the largest family and relationship law firm in Australia and to "roll out" its tech enabled 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 and has continued its strategy to expand into additional targeted geographies through organic growth, lateral hires and 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 three new regions including Canberra (February 2020) and Sunshine Coast (June 2020). In FY21, AFL expanded its national footprint with 4 new offices via lateral hires in Adelaide (August 2020), Perth (October 2020), Gold Coast (November 2020) and North Melbourne (November 2020) and completed the strategic acquisitions of Strong Law in Canberra (December 2020) and Watts McCray (June 2021). During this half year period, AFL completed the acquisition of Kordos Lawyers in Melbourne (July 2021) and Withnalls in the Northern Territory (January 2022) and announced additional offices in Canberra (September 2021) and Alice Springs (February 2022).

AFL Strategy

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

AFL provided a progress update on its 3-year strategy at its AGM in November 2021 and announced guidance on its high-level strategy for FY23 and beyond.

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INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

FY20

- **Launch AFL 2.0 - #1 Priority**
- Expand into (1) new geographic region
- Recruit (2) lateral hires
- Complete acquisition integrations
- Implement salesforce CRM and recruit dedicated sales team
- Establish additional services lines

Launch AFL 2.0



FY21

- **Presence in all state and territories in Australia - #1 Priority**
- Consolidate outcomes from AFL 2.0 to turbo charge organic growth
- Recruit (1) lateral hire per office
- Offshore non legal back of house functions
- Roll out new product and channel offerings (eg. online support, affiliates)

Drive top-line

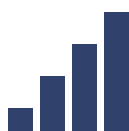


FY22

- Continue organic growth and integrate acquisitions
- Assess larger scale acquisitions
- Assess new jurisdictions
- Review expansion into adjacent sectors and service lines
- Pursue 10% market share of family law market in Australia

Build out platform

FY23 and Beyond



ORGANIC GROWTH



- **Target 10-20% growth p.a.**
- Roll out AFL 3.0 – the next stage of digital client acquisition
- Launch above the line Advertising programs (e.g. radio, TVC, sponsorship etc)
- Increase corporate services partners and aggressive B2B database management and referrer engagement
- Roll out BNPL financing solutions



GREENFIELD GROWTH



- **Minimum 5 new offices per annum**
- Capital city suburban hubs – “hub and spoke” in large pockets within capital cities (e.g. North Melbourne in FY21)
- 25 regions identified as potential office locations (Populations of > 80,000 support family law firms)
- Market dynamics support lateral hires as a shift in legal talent is occurring due to the ageing of the baby boomers



ACQUISITIONS



- **Opportunistic basis with expanded sand box**
- Acquisition “sandbox” is being mastered in Family Law but the opportunity will arise to expand to include opportunities outside of family law but within the personal legal services market
- Continue to assess acquisition opportunities (sometimes large) as both “bolt on” acquisitions and platform acquisitions in existing and new jurisdictions

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INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

AFL Statutory and Underlying Profitability

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

Key information (A\$000)	Dec 2021 ¹	Dec 2020 ²	% Change	Proforma Dec 2021 ³
Revenue from ordinary activities	9,098	4,371	108.2%	11,037
Profit before interest, tax, depreciation, and amortisation ("EBITDA")	1,836	805	128.0%	2,509
Underlying EBITDA ⁴	2,359	1,096	115.3%	2,928
Profit after tax from ordinary activities attributable to owners ("NPAT")	744	248	199.6%	988
NPAT before amortisation ("NPATA")	936	410	128.1%	1,180
Underlying NPATA ⁵	1,315	621	111.8%	1,484

Notes:

1. Dec 2021 refers to the 6-month period ended 31 December 2021
2. Dec 2020 refers to the 6-month period ended 31 December 2020
3. Proforma Dec 2021 refers to the 6-month ended period 31 December 2021 adjusted to include full contribution of the Withnalls acquisition as if it had occurred from 1 July 2021
4. Underlying EBITDA adjusts statutory EBITDA to include the removal of non-recurring or unusual costs
5. Underlying NPATA adjusts statutory NPATA to include the removal of share based payment expense and non-recurring or unusual costs (net of tax)

The Directors consider underlying earnings before interest, tax, depreciation and amortisation ("Underlying EBITDA") and underlying net profit after tax before amortisation ("Underlying NPATA") to reflect the core earnings of the Group. Underlying EBITDA and Underlying NPATA are financial measures not prescribed by Australian Accounting Standards ("AAS") and represents profit under AAS adjusted for non-cash and other items which management consider to be one-off non-recurring in nature.

Underlying EBITDA and Underlying NPATA are key measurements used by management and the board to assess and review business performance.

The following table provides a reconciliation between NPAT and Underlying EBITDA attributable to the owners of AF Legal Group Limited.

AF LEGAL GROUP LIMITED | ABN 82 063 366 487

INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

A\$000	Dec 2021 ¹	Dec 2020 ²	Proforma Dec 2021 ³
Statutory NPAT	744	248	988
Non-controlling interest	-	-	234
Depreciation & amortisation	801	378	803
Finance costs	42	24	33
Income tax	248	155	451
Statutory EBITDA	1,836	805	2,509
Add: Underlying adjustments			
Share based payments	372	100	372
Transaction / acquisition costs	120	-	16
One-off growth-related costs	31	190	31
Underlying EBITDA⁴	2,359	1,096	2,928

Notes:

1. Dec 2021 refers to the 6-month period ended 31 December 2021
2. Dec 2020 refers to the 6-month period ended 31 December 2020
3. Proforma Dec 2021 refers to the 6-month ended period 31 December 2021 adjusted to include full contribution of the Withnalls acquisition as if it had occurred from 1 July 2021
4. Underlying EBITDA adjusts statutory EBITDA to include the removal of share based payment expense and non-recurring or unusual costs

The following table provides a reconciliation between NPAT and the Underlying NPATA which is attributable to the owners of AF Legal Group Limited:

A\$000	Dec 2021 ¹	Dec 2020 ²	Proforma Dec 2021 ³
Statutory NPAT	744	248	988
Add: Amortisation	192	162	192
Statutory NPATA	936	410	1,180
Add: Non-recurring expenses			
Share based payments	372	100	372
Transaction / acquisition costs	120	-	16
One-off growth-related costs	31	190	31
Less: Tax effect of non-recurring expenses	(144)	(79)	(115)
Underlying NPATA⁴	1,315	621	1,484

Notes:

1. Dec 2021 refers to the 6-month period ended 31 December 2021
2. Dec 2020 refers to the 6-month period ended 31 December 2020
3. Proforma Dec 2021 refers to the 6-month ended period 31 December 2021 adjusted to include full contribution of the Withnalls acquisition as if it had occurred from 1 July 2021
4. Underlying NPATA adjusts statutory NPATA to include the removal of share based payment expense and non-recurring or unusual costs (net of tax)

These are directors estimates that have not been subject to external audit. For a comprehensive explanation of trends in underlying performance based on an assessment by the Directors, you are encouraged to read the Investor Presentation which accompanied the Interim Report which was released on 23 February 2022.

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INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Subsequent Events

There was no material impact to performance due to the Coronavirus ('COVID-19') for the Group up to 31 December 2021. However, the impact of the COVID-19 pandemic is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The Group completed the acquisition of 51% shares in Withnalls Lawyers in Darwin on 31 January 2022 for an upfront cash consideration of \$447,287 and shares of \$447,287. As the effective date of the acquisition is 1 January 2022 no revenue or earnings of Withnalls have been included in the half-year results. If the acquisition was effective on 1 July 2021, Whitnalls Lawyers would have contributed the following to the half-year results:

- Revenue of \$1.9m
- Underlying EBITDA of \$0.56m
- Underlying NPAT (pre non-controlling interest) of \$0.47m

The acquisition accounting was not yet complete as at the date of the report. Therefore, no disclosure have been made regarding the fair value of assets acquired and goodwill recognised. No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 thousand dollars, or in certain cases, the nearest dollar.

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



Grant Dearlove
23 February 2022

AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

PKF Brisbane Audit



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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2021, 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.

PKF BRISBANE AUDIT

A handwritten signature in black ink, appearing to read 'Tim Follett', is written over a series of horizontal lines.

TIM FOLLETT
PARTNER

23 FEBRUARY 2022
BRISBANE

PKF Brisbane Audit ABN 33 873 151 348

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AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2021

	Note	31 Dec 2021 \$	31 Dec 2020 \$
Revenue	3	9,098,252	4,370,936
Expenses			
Cost of sales		372,898	536,652
Employee expenses		4,457,493	1,880,612
Administrative expenses		1,164,264	594,207
Other expenses	4	895,143	453,281
Share based payment expense	5	372,203	100,491
Interest expense		42,405	24,631
Depreciation		609,448	215,674
Amortisation		191,872	161,911
Profit before income tax		992,526	403,477
Income tax expense		248,128	154,983
Profit for the period		744,398	248,494
Other comprehensive income		-	-
Total comprehensive income for the period		744,398	248,494
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	6	1.00	0.41
Diluted earnings per share (cents)	6	0.96	0.40

The accompanying notes form part of these financial statements

AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	31 Dec 2021 \$	30 Jun 2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		5,827,209	4,657,653
Trade and other receivables		3,511,253	2,663,757
Other current assets		333,442	697,801
TOTAL CURRENT ASSETS		9,671,904	8,019,211
NON-CURRENT ASSETS			
Deferred tax assets		769,651	773,704
Plant and equipment		246,115	326,127
Intangible assets	7	10,849,270	10,986,429
Right of use assets		585,231	880,550
TOTAL NON-CURRENT ASSETS		12,450,267	12,966,810
TOTAL ASSETS		22,122,171	20,986,021
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		3,518,312	3,075,975
Current tax liabilities		330,884	530,393
Deferred consideration		1,000,000	812,500
Borrowings		18,015	52,123
Provision for employee benefits		413,088	336,082
Lease liabilities		594,162	825,280
TOTAL CURRENT LIABILITIES		5,874,461	5,632,353
NONCURRENT LIABILITIES			
Deferred consideration		875,000	1,125,000
Provision for employee benefits		167,063	240,536
Deferred tax liabilities		597,978	514,526
Lease liabilities		71,622	179,160
TOTAL NONCURRENT LIABILITIES		1,711,663	2,059,222
TOTAL LIABILITIES		7,586,124	7,691,575
NET ASSETS		14,536,047	13,294,446
EQUITY			
Issued capital	8	129,019,565	128,306,710
Accumulated losses		(115,090,736)	(115,835,134)
Reserves		607,218	822,870
TOTAL EQUITY		14,536,047	13,294,446

The accompanying notes form part of these financial statements

AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Consolidated Statement of Changes in Equity For the half-year ended 31 December 2021

	Note	Issued capital \$	Accumulated losses \$	Share based payment reserve \$	Total \$
Balance at 1 July 2020		122,905,429	(115,352,697)	368,731	7,921,463
Comprehensive income					
Profit for the period		-	248,494	-	248,494
Total comprehensive income		-	248,494	-	248,494
Transactions with owners in their capacity as owners and other transfers					
Conversion of performance rights		-	284,858	(284,858)	-
Issue of performance rights	5	-	-	100,491	100,491
Total transactions with owners and other transfers		-	284,858	(184,367)	100,491
Balance at 31 December 2020		122,905,429	(114,819,345)	184,364	8,270,448
Balance at 1 July 2021		128,306,710	(115,835,134)	822,870	13,294,446
Comprehensive income					
Profit for the period		-	744,398	-	744,398
Total comprehensive income		-	744,398	-	744,398
Transactions with owners in their capacity as owners and other transfers					
Issue of shares on acquisition		125,000	-	-	125,000
Conversion of performance rights	8	554,855	-	(554,855)	-
Issue of performance rights	5, 8	33,000	-	339,203	372,203
Total transactions with owners and other transfers		712,855	-	(215,652)	497,203
Balance at 31 December 2021		129,019,565	(115,090,736)	607,218	14,536,047

The accompanying notes form part of these financial statements

AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	31 Dec 2021 \$	31 Dec 2020 \$
Cash Flows from Operating Activities		
Receipts from customers	9,160,495	5,133,580
Payments to suppliers and employees	(6,968,230)	(3,665,766)
Interest received	78	302
Interest expense	(13,476)	(24,631)
Income tax paid	(293,095)	-
Net cash provided by/(used in) operating activities	1,885,772	1,443,485
Cash Flows from Investing Activities		
Purchase of fixed assets	(32,061)	(48,379)
Payment for internally developed intangible assets	(52,855)	(202,594)
Payment for deferred consideration	(62,500)	(273,645)
Payment for business acquisition	-	(233,345)
Net cash provided by/(used in) investing activities	(147,416)	(757,963)
Cash Flows from Financing Activities		
Repayment of lease liabilities	(534,692)	(219,075)
Payments of borrowings	(34,108)	(19,679)
Net cash provided by/(used in) financing activities	(568,800)	(238,754)
Net increase/(decrease) in cash and cash equivalents	1,169,556	446,768
Cash and cash equivalents at the beginning of the financial period	4,657,653	1,554,743
Cash and cash equivalents at the end of the financial period	5,827,209	2,001,511

The accompanying notes form part of these financial statements

AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES | ABN 82 063 366 487

NOTES TO THE INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 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 Interim Report was authorised for issue on 23 February 2022 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 2021 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 2021 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 of 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.

Comparative Amendments

Refer to note 7 for details of the revision of comparative period consolidated statement of financial position due to measurement period adjustments related to the acquisition of Watts McCray (NSW) Pty Ltd.

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.

AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES | ABN 82 063 366 487

NOTES TO THE INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

2. Critical Accounting Judgements and Key Accounting Estimates and Assumptions (con'td)

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.

3. Revenue

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Legal fees	9,096,468	4,369,915
Other income	1,706	719
Interest income	78	302
	9,098,252	4,370,936

4. Other expenses

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Insurance	102,976	65,621
Legal and professional fees	555,230	262,552
Telephone and internet	28,278	22,598
Office costs	152,427	51,088
Others	56,232	51,422
	895,143	453,281

5. Share based payment expense

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Share based payment expense	372,203	100,491

On 16 December 2021, the company issued performance rights pursuant to the Long-Term Incentive Plan, as approved by shareholders at the Company's annual general meeting held on 29 November 2021. 2,000,000 performance rights were issued, exercisable at nil value per performance right for one fully paid share, with 1,000,000 performance rights expiring on 30 June 2023 and the remaining 1,000,000 expiring on 30 June 2024.

The performance rights vest upon satisfaction of continued employment or contract with the Company each year and performance measures per the Annual General Meeting held on 29 November 2021. Upon conversion, the shares will rank equally with the quoted fully paid ordinary shares.

The share-based payment expense for the period relating to performance rights was \$339,203, based on the valuation of performance rights using Black Scholes options methodology:

AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES | ABN 82 063 366 487

NOTES TO THE INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

5. Share based payment expense (cont'd)

- Issued on 1 February 2021 with milestone date of 30 June 2022 at 45 cents per share
- Issued on 16 December 2021 with milestone date of 30 June 2023 and 30 June 2024 at 40.5 cents per share

In addition, there was share-based payment expense of \$33,000 during the period for ordinary shares issued to the CEO in accordance with the Company's long term incentive plan.

During the period, 2,025,000 performance rights with a milestone date of 30 June 2021 were converted resulting in the issuance of 2,025,000 ordinary shares.

4,025,000 performance rights remain on issue as at 31 December 2021.

6. Earnings per share

	Consolidated	
	31 Dec 2021 cents	31 Dec 2020 cents
Basic earnings per share	1.00	0.41
Diluted earnings per share	0.96	0.40
	\$	\$
Profit attributable to the owners of the Group	744,398	248,494
	No.	No.
Weighted average number of ordinary shares used in calculating:		
Basic earnings/(loss) per share	74,366,530	60,809,508
Diluted earnings/(loss) per share	77,335,824	62,234,508

7. Intangible assets

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
Goodwill		
Opening balance	9,732,559	5,465,470
Goodwill from business combination	-	4,267,089
Net carrying amount	9,732,559	9,732,559
Intellectual Property		
Opening balance	706,358	948,530
Less: Amortisation expense	(121,086)	(242,172)
Net carrying amount	585,272	706,358
Website		
Opening balance	549,370	317,773
Additions	52,855	331,992
Less: Amortisation expense	(70,786)	(100,395)
Net carrying amount	531,439	549,370
Total Intangible assets	10,849,270	10,986,429

AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES | ABN 82 063 366 487

NOTES TO THE INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2021

7. Intangible assets (cont'd)

The provisional goodwill associated with the acquisition of Watts McCray was finalised during the half-year resulting in an increase in goodwill recognised of \$580,296. The goodwill has been adjusted as at 30 June 2021 in accordance with the requirements of AASB 3 Business Combinations. The increase in goodwill was a result of increase in provision for doubtful debts by \$150,000, decrease in value of plant & equipment by \$130,296 and an increase in trade and other payables of \$300,000 in relation to the assessment of make good costs.

The impact to the profit and loss and other comprehensive income as a result of these adjustments in the current reporting period is considered to be immaterial to disclose.

8. Issued capital

	Consolidated			
	Dec 2021 Shares	Dec 2021 \$	Jun 2021 Shares	Jun 2021 \$
Ordinary shares fully paid	75,172,899	129,019,565	72,864,868	128,306,710
Balance at the end of the period	75,172,899	129,019,565	72,864,868	128,306,710

Movement in ordinary share capital:

Details	Date	Shares	Issue price (\$)	\$
Balance	1 July 2021	72,864,868	-	128,306,710
Issue of shares on acquisition of Kordos Law	5 July 2021	209,697	0.60	125,000
Issue of shares on exercise of performance rights	9 September 2021	2,025,000	0.27	554,855
Issue of shares to employees in accordance with the Long Term Incentive Plan	15 September 2021	73,334	0.45	33,000
Balance	31 December 2021	75,172,899		129,019,565

9. 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 2021 %	31 Dec 2020 %
AF Legal Pty Ltd	Australia	100	100
Watts McCray (NSW) Pty Ltd	Australia	100	-

10. Events after the Reporting Period

There has been no material impact to performance due to the Coronavirus ('COVID-19') for the Group up to 31 December 2021. However, the impact of the COVID-19 pandemic is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

The Group completed the acquisition of 51% shares in Withnalls Lawyers in Darwin on 31 January 2022 for an upfront cash consideration of \$447,287 and shares of \$447,287. As the effective date of the acquisition is 1 January 2022 no revenue or earnings of Withnalls have been included in the half-year results. If the acquisition was effective on 1 July 2021, Withnalls Lawyers would have contributed the following to the half-year results:

- Revenue of \$1.9m
- Underlying EBITDA of \$0.56m
- Underlying NPAT (pre non-controlling interest) of \$0.47m

The acquisition accounting was not yet complete as at the date of this report. Therefore, no disclosures have been made regarding the fair value of assets acquired and goodwill recognised.

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

AF LEGAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

Directors' Declaration

In the Directors' opinion:

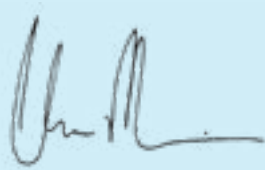
1. the attached financial statements and notes, as set out on pages 12 to 20 are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2021 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.



Grant Dearlove
Executive Chairman

23 February 2022



Glen Dobbie
Director

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 2021, 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 2021, 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.

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 2021 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

23 FEBRUARY 2022
BRISBANE



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