



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 2023



1. DETAILS OF REPORTING PERIODS

The current reporting period is the 6-month period from 1 July 2023 to 31 December 2023. The previous corresponding reporting period (pcp) was the 6-month period from 1 July 2022 to 31 December 2022, except for the Consolidated Statement of Financial Position, where comparatives are balances as at 30 June 2023.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET:

Key information	Dec-23 \$'000	Dec-22 \$'000	% Change
Revenue from ordinary activities	10,713	8,827	21%
Profit/(Loss) after tax from ordinary activities	1,046	(8,063)	N/A
Profit/(Loss) after tax from ordinary activities attributable to owners	564	(8,343)	N/A

H1 FY23 was significantly impacted by large one-off expenses and charges with a total value of \$8.415 million, mostly resulting from a \$6.569 million goodwill impairment charge and a \$0.75 million write-down of debtors and work in progress, with further amounts detailed below in Table 1.

Table 1: FY23 Normalising Adjustments:

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

Total H1 FY23 Normalising Adjustments	\$8.415 million
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By comparison, H1 FY24 saw a continuation of the steady profitable growth seen across H2 FY23. The business generated a new half-year record revenue of \$10.7million, up by 21% (\$1.9 million) compared to pcp and up by 6.5% (\$0.7million) compared to H2 FY23, despite H1 seasonally being a traditionally quieter half.

H1 FY24 Net Profit Before Tax attributable (NPBT attributable) to the owners of AF Legal Group Limited (AFL Group) of \$510k was our second half year of profitability, since the significant round of adjustments made at H1 FY23. NPBT attributable was up \$973k on pcp NPBT attributable (\$463k) after normalisation and phasing adjustments. Continued profitable growth is expected across H2 FY24.

Please also refer to the attached Director's Report and Interim Financial Statements for the half-year ended 31 December 2023 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 2023, the attached press release and investor presentation, and the additional information below.

Earnings per share	Dec 2023 cents	Dec 2022 cents	% Change
Basic earnings per share (cents)	0.72	-10.89	N/A
Diluted earnings per share (cents)	0.70	-10.89	N/A

Dividends

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

Net tangible assets per share (cents)	Dec 2023 cents	Dec 2022 cents	% Change
Net tangible assets per share (cents)	4.76	3.00	58%

Control gained or lost over entities

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

Dividend reinvestment plans

Interim Dividends were paid during the financial half-year to 31 December 2023 to shareholders of Withnall Cavanagh & Co Pty Ltd of \$4,082 per share on 100 shares on issue, the total dividend being \$408,164 paid out to shareholders as follows: AF Legal Pty Ltd \$208,164 and Non-controlling interests \$200,000.

Details of associates and joint venture entities

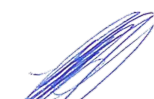
Not applicable

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 2023 is attached



Rick Dennis
Non-Executive Chairman

29 February 2024

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



AF Legal Group Limited
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Interim Financial Statements
For the half-year ended
31 December 2023

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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 2023. 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
Dr. Sarah Kelly
Mr. Peter Johns

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. Priyamvada (Pia) Rasal

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 2023 (H1 FY24), was a profit for the period attributable to the owners of AF Legal Group Limited (AFL Group) of \$0.564 million, financial half-year ended 31 December 2022 (H1 FY23) was a loss \$8.343 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 profit of \$0.993million and \$0.972 million for preceding financial half-year (H2 FY23):

Key elements of the result include:

Revenue

Revenues, which excludes disbursements, of \$10.7 million were up by \$1.9 million or 21% on H1 FY23 representing a new half year revenue record, up by \$0.7m or 6.5% on H2 FY23.

Combined Australian Family Lawyers offices (other than those noted below) were steady relative to pcp, with the majority of revenue growth generated from the following brands/practices:

- Watts McCray: \$0.7 million
- AFL Withnalls: \$0.4 million
- Australian Family Lawyers Wollongong: \$0.3 million
- Australian Family Lawyers Gold Coast: \$0.5 million

Both Australian Family Lawyers Wollongong and Australian Family Lawyers Gold Coast commenced practice in H1 FY23 and have grown solidly over their first 15 to 18 months of operation and are also benefiting from a full half year of revenue for H1 FY24 as against a partial half for H1 FY23. The remaining Australian Family Lawyers offices of Victoria, Queensland, ACT and Western Australia were flat on pcp.

Expenses

Expenses at \$9.7 million (H1 FY23: expenses \$17.4 million, impacted by the one-off \$8.415 million adjustments) were only up 8.7% (\$0.8 million) on H1 FY23 normalised expenses of \$8.9 million for the pcp. With revenue growth well above cost growth this is a positive sign that we are growing off a stabilised cost base.

Normalised earnings

There were no normalisation adjustments for H1 FY24 nor H2 FY23. The last normalising adjustment results occurred in H1 FY23, totaling \$8.415 million as outlined above in Table 1.

Statement of financial position

Net assets at \$7.9 million were \$0.9 million ahead on the financial year ended 30 June 2023 position of \$7.0 million, driven predominantly by a \$1.0 million reduction in Deferred Consideration liabilities due to the payment of 2nd tranche earn out of \$250k for Kordos Lawyers (3rd tranche remains) and final earn out tranches for former Watts McCray principals of \$750k.

Other movements compared to 30 June 2023 included:

- Cash and Cash Equivalents up by \$0.2 million
- Trade and other receivables down by \$0.3 million primarily due to the decrease in debtors
- Right of use asset and liabilities both reduced by \$0.6 million with no new leases secured
- Intangible assets down by \$0.2 million in line with amortization schedule

It is important to note that with the cash balance of \$2.2 million, \$0.6 million is held within AFL Withnalls with a further \$0.4 million related to cash deposits backing bank guarantees in place.

At the end of FY23, our accounts included a legacy Other Tax Liability Provision credit balance which we committed to review and reconcile during FY24. Whilst the review is ongoing any balance not required will be released to profit or loss. We are confident that the H1 FY24 release of \$0.355 million from the legacy provision to the AFL Group was an amount in the provision that was no longer required. The review and reconciliation will continue during FY24 with a further \$0.35 million legacy other tax provision balance to be reviewed during FY24.

The review also identified an existing net liability of \$311k worth of prior period BAS amendments which have now been revised and payment will be made during H2 FY24 (cash impact only).

Operating cash flow

The operating cash flow for the half-year period recorded a strong inflow of \$2.2 million, \$1.1 million up on end of FY23 and \$2.2 million up on pcp at H1 FY23 with an inflow of only \$36k.

The overall net increase in operating cash was used in investing activities of \$1.1 million (\$0.1 million for fixed assets and intangibles, plus \$1.0 million for Watts McCray and Kordos deferred consideration payments) plus the net cash used in financing activities of \$0.9 million (\$0.7 million lease liabilities and \$0.2 million dividends).

FUTURE PROSPECTS AND MATERIAL BUSINESS RISKS

H1 FY24 saw the new executive team focus on the roll out of the people-first agenda as the first step in driving a high-performance culture and increasing organic growth. This involved the stabilisation of operational changes, introduction of a new Legal Leadership Team, investment in Leadership team coaching and improved communication of the growth agenda throughout the business.

With the early positive signs of cultural change and an improving labour market, the business has seen an increase in talented candidates wanting to explore joining the business, one ex-senior lawyer has rejoined the business after leaving 10 months ago. Our ability to recruit quickly to replace leavers when needed, is helping minimise any revenue gaps during lawyer handover.

In addition, the new leadership and communication structure is delivering some positive organic growth opportunities through improved local management, enhanced financial hygiene and sharing of best practice performance ideas and processes. This has contributed significantly to delivering a record revenue and cashflow result in H1 FY24. This positive result is expected to continue during H2 FY24 although revenue growth will moderate will trade against like-for-like practices related to Australian Family Lawyers Wollongong that commenced in July 2022 and Australian Family Lawyers Gold Coast October 2022.

Our most recent office openings in Wollongong, Gold Coast and Bayside Brisbane are now all showing signs of consolidation and increased activity, delivering positive revenue and profitable results. 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.

Our longer standing brands of Watts McCray and Withnalls also performed strongly across the period, whilst our Australian Family Lawyers brand performance has been flat compared to H2 FY23 indicating a stabilising of performance.

New client growth displayed positive trends during H1, setting expectations for strong performance in H2. All new client lead metrics increased, including a 30% increase in new file openings and a 63% increase in website users for the digitally driven Australian Family Lawyers brand. This digital lead flow is increasingly being directed to our Watts McCray brand in NSW. Efficiency in acquiring files also showed positive trends with an ability to increase lead growth at a declining cost of acquisitions (spending 25% less on media). A record month for organic in August at 40% illustrates the growth of the brand and the success of the ongoing thought leadership strategy through initiatives such as the Research Report, PR and a strong content strategy.

As mentioned, H1 FY24 was a stabilisation period, without significant operational system and process changes. Despite this, a number of operational projects have now commenced and are ongoing that will directly contribute to the high-performance culture and further organic growth opportunities including our Junior Lawyer program and Talent Management Project. In addition, the business's current Legal Practice Management System (PMS) software company has been acquired by a cloud-based competitor (there have been significant developments in legal PMS over the past three years). As a result, we have decided to take this opportunity to review the market for a new Legal PMS platform that will help us make best use of modern technology to support our profitable growth strategy for the future.

Whilst H1 FY24 achieved profit, there was a small drop in NPBT attributable compared to H2 FY23 despite a 6.5% increase in revenue. These small movements reflect the challenges arising from the lack of scale in our business. The business is exploring both organic expansion opportunities as well as suitable low risk acquisitions (non-organic) to help escalate profitable growth in revenue and reduce disruptions on overall revenue and profitability levels.

The Board retains its commitment to our longer-term growth aspirations through a combination of organic and inorganic growth opportunities.

Subsequent Events

On 30 January 2024 AF Legal Group Limited extended out our NAB Finance Facility out until 31 January 2027 for approved business and investment purposes. This was all achieved off an updated set of numbers including recent performance along with conservative projections for the near future. Prior to this date, there were no funds drawn on the \$10.0 million facility. There were minor term changes in the updated facility including a slight reduction of the facility to \$9.0 million as against the previous \$10.0 million limit, some minor fee changes and a \$50k increase in credit card limits for ease of business operations for our senior management team.

Other than the events noted above, 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

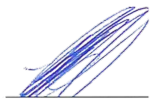
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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

29 February 2024

Auditor's Independence Declaration



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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 2023, 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



TIM FOLLETT
PARTNER

29 FEBRUARY 2024
BRISBANE

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2023

	Note	31-Dec-23 \$'000	31-Dec-22 \$'000
Revenue	3	10,713	8,827
Expenses			
Cost of sales		3	(23)
Employee expenses		6,547	5,448
Administrative expenses	4	1,350	1,490
Other expenses	5	899	2,523
Share based payment expense	6	33	100
Interest expense		94	109
Depreciation		579	674
Amortisation		215	464
Impairment expense	7	-	6,569
Profit/(Loss) before income tax		993	(8,528)
Income tax expense/(benefit)	8	(53)	(465)
Profit/(Loss) for the period after income tax		1,046	(8,063)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		1,046	(8,063)
Profit/(Loss) for the period attributable to:			
Non-controlling interest		482	280
The owners of AF Legal Group Limited		564	(8,343)
Total comprehensive income/(loss) for the period attributable to:			
Non-controlling interest		482	280
The owners of AF Legal Group Limited		564	(8,343)
Total comprehensive income/(loss) for the period		1,046	(8,063)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)		0.72	(10.89)
Diluted earnings per share (cents)		0.70	(10.89)

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

Consolidated Statement of Financial Position
As at 31 December 2023

	Note	31-Dec-23 \$'000	30-Jun-23 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,233	2,052
Trade and other receivables	9	4,224	4,476
Other current assets		830	896
TOTAL CURRENT ASSETS		7,287	7,424
NON-CURRENT ASSETS			
Deferred tax assets		1,750	1,907
Right of use assets		3,040	3,683
Plant and equipment		631	649
Intangible assets	10	4,179	4,382
TOTAL NON-CURRENT ASSETS		9,600	10,621
TOTAL ASSETS		16,887	18,045
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,568	2,880
Current tax liabilities		273	243
Deferred consideration		444	1,194
Lease liabilities		758	792
Employee benefits		800	801
TOTAL CURRENT LIABILITIES		4,843	5,910
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,281	1,458
Lease liabilities		2,347	2,904
Deferred consideration		-	250
Provisions		235	310
Employee benefits		260	171
TOTAL NON-CURRENT LIABILITIES		4,123	5,093
TOTAL LIABILITIES		8,966	11,003
NET ASSETS		7,921	7,042

Consolidated Statement of Financial Position (cont.)

As at 31 December 2023

	Note	31-Dec-23 \$'000	30-Jun-23 \$'000
EQUITY			
EQUITY ATTRIBUTABLE TO THE OWNERS OF AF LEGAL GROUP LIMITED			
Issued capital	11	129,888	129,873
Accumulated losses		(123,165)	(123,729)
Reserves		258	240
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF AF LEGAL GROUP LIMITED		6,981	6,384
Non-controlling interests		940	658
TOTAL EQUITY		7,921	7,042

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

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2023

	Note	Issued capital	Share based payment reserve	Accumulated Loss	Total equity attributable to the owners of AF Legal Group Limited	Non-controlling interests	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022		129,507	1,140	(116,242)	14,405	500	14,905
Comprehensive Loss							
Loss for the period		-	-	(8,343)	(8,343)	280	(8,063)
Total comprehensive Loss		-	-	(8,343)	(8,343)	280	(8,063)
Transactions with owners in their capacity as owners and other transfers							
Conversion of performance rights	11	293	(294)	-	-	-	-
Issue of performance rights	6, 11	73	27	-	99	0	99
Total transactions with owners and other transfers		367	(267)	-	99	0	99
Balance at 31 December 2022		129,873	873	(124,585)	6,161	780	6,941

Consolidated Statement of Changes in Equity (cont.)

For the half-year ended 31 December 2023

	Note	Issued capital	Share based payment reserve	Accumulated Profit/(Loss)	Total equity attributable to the owners of AF Legal Group Limited	Non-controlling interests	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2023		129,873	240	(123,729)	6,384	658	7,042
Comprehensive Profit							
Profit for the period		-	-	564	564	482	1,046
Total comprehensive Profit/(Loss)		-	-	564	564	482	1,046
Transactions with owners in their capacity as owners and other transfers							
Issue of performance rights	6, 11	-	18	-	18	-	18
Issue of Shares to Employees	11	15	-	-	15	-	15
Total transactions with owners and other transfers		15	18	-	33	-	33
Dividends Paid		-	-	-	-	(200)	(200)
Balance at 31 December 2023		129,888	258	(123,165)	6,981	940	7,921

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

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2023

	31-Dec-23	31-Dec-22
	\$'000	\$'000
Cash Flows from Operating Activities		
Receipts from customers	10,962	11,221
Payments to suppliers and employees	(8,549)	(10,737)
Interest received	3	-
Interest expense	-	(2)
Income tax paid	(231)	(446)
Net cash provided by/(used in) operating activities	2,185	36
Cash Flows from Investing Activities		
Purchase of fixed assets	(107)	(208)
Payment for internally developed intangible assets	(11)	(109)
Payment for deferred consideration	(1,000)	(250)
Payment for business acquisition	-	-
Net cash provided by/(used in) investing activities	(1,118)	(567)
Cash Flows from Financing Activities		
Repayment of lease liabilities	(686)	(774)
Payments of borrowings	-	(68)
Payment of dividends	(200)	-
Net cash provided by/(used in) financing activities	(886)	(841)
Net increase/(decrease) in cash and cash equivalents	181	(1,373)
Cash and cash equivalents at the beginning of the financial period	2,052	3,749
Cash and cash equivalents at the end of the financial period	2,233	2,376

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

Notes to the Financial Statements

For the half-year ended 31 December 2023

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 29 February 2024 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 2023 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 2023 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.

Notes to the Financial Statements

For the half-year ended 31 December 2023

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 prior 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. No further reassessment of the estimated useful life of the website asset has been required during the current period.

Notes to the Financial Statements
For the half-year ended 31 December 2023

2. Critical Accounting Judgements and Key Accounting Estimates and Assumptions (cont.)

Income tax expense (benefit)

The group calculates income tax expense (benefit) in accordance with local statutory requirements. The income tax benefit of \$53k for the half year ended 31 December 2023 comprises of prima facie tax on profit at 25%, less the tax effect of amounts which are not deductible/(taxable) in calculating taxable income, and importantly other adjustments. Other adjustments can involve adjustments for current or deferred tax of prior periods or corrections of tax recognised in prior periods. In the half year ended 31 December 2023 an amount of \$355k (tax benefit) has reduced the Group's income tax expense, relating to the release of previously recognised tax provisions relating to a review of other tax provisions recorded. There is judgement and estimation involved in the calculation and release of these provisions and the associated impact on profit or loss for the Group. The actual benefit realised by the Group may differ from the amounts recorded.

Notes to the Financial Statements
For the half-year ended 31 December 2023

3. Revenue

	Consolidated	
	31-Dec-23	31-Dec-22
	\$'000	\$'000
Legal fees	10,710	8,820
Other income	-	7
Interest income	3	-
	10,713	8,827

4. Administrative expenses

	Consolidated	
	31-Dec-23	31-Dec-22
	\$'000	\$'000
Compliance costs	126	137
Computer and software expenses	481	388
Marketing and advertising	479	478
Premises	41	243
Others	223	244
	1,350	1,490

Notes to the Financial Statements
For the half-year ended 31 December 2023

5. Other expenses

	Consolidated	
	31-Dec-23	31-Dec-22
	\$'000	\$'000
Insurance	139	152
Legal and professional fees	428	891
Telephone and internet	42	61
Office costs	135	110
Transaction costs	-	275
Bad debts	11	842
Others	144	192
	899	2,523

6. Share based payment expense

	Consolidated	
	31-Dec-23	31-Dec-22
	\$'000	\$'000
Share based payment expense	33	100

Notes to the Financial Statements

For the half-year ended 31 December 2023

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. A detailed impairment review of each cash-generating unit (“CGU”) was performed as at 31 December 2022 on the back of a preliminary loss for H1 FY23 of the consolidated entity.

The review resulted in an impairment of goodwill of the Sydney and Melbourne CGU worth \$6.569 million in H1 FY23. No impairment resulted following the review of the Brisbane and Darwin CGUs due to their ongoing profitable positions.

With ongoing profitable results, since the impairment charge was taken at end of H1 FY23 no further impairment has been identified in H1 FY24 for any of the three CGUs.

8. Income tax expense/benefit

	31-Dec-23	Consolidated 30-Jun-23
	\$'000	\$'000
Current tax	339	396
Deferred tax	(20)	(623)
Adjustments for current tax of prior periods	(17)	169
Adjustments for deferred tax of prior periods	-	95
Other adjustments	(355)	-
	(53)	37
Deferred income tax expense/(income) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	157	999
(Decrease)/increase in deferred tax liabilities	(177)	(471)
	(20)	528
Numerical reconciliation of income tax expense to prima facie tax payable		
Total profit/(loss) before income tax	993	(7,556)
Tax at the Australian tax rate of 25% (2023: 25%)	248	(1,890)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	71	1,663
Adjustment for current tax of prior periods	(17)	169
Adjustment for deferred tax of prior periods	-	95
Other adjustments	(355)	-
Income tax expense/(benefit)	(53)	37

Notes to the Financial Statements
For the half-year ended 31 December 2023

9. Trade and other receivables

	Consolidated	
	31-Dec-23	30-Jun-23
	\$'000	\$'000
Trade receivables	4,285	4,585
Provision for doubtful debts	(1,272)	(1,342)
	3,013	3,243
Work in progress	1,211	1,233
	4,224	4,476

	Gross amount	Past due and impaired	Past due but not impaired			
			\$'000	\$'000	\$'000	\$'000
	\$'000	\$'000	<30 days	30-60 days	61-90 days	90+ days
			\$'000	\$'000	\$'000	\$'000
31 Dec 2023	4,285	1,272	710	567	229	1,507
30 Jun 2023	4,585	1,342	1,686	299	200	1,058

Notes to the Financial Statements
For the half-year ended 31 December 2023

10. Intangible assets

	Consolidated	
	31-Dec-23	30-Jun-23
	\$'000	\$'000
Goodwill		
Opening balance	3,862	10,431
Measurement period adjustment	-	-
Goodwill from business combination	-	-
Impairment	-	(6,569)
Net carrying amount	3,862	3,862
Intellectual Property		
Opening balance	222	464
Less: Amortisation expense	(121)	(242)
Net carrying amount	101	222
Website		
Opening balance	299	612
Additions	11	183
Less: Amortisation expense	(94)	(497)
Net carrying amount	216	298
Total Intangible assets	4,179	4,382

Notes to the Financial Statements
For the half-year ended 31 December 2023

11. Issued capital

	Dec-2023 Shares	Consolidated Dec-23	Jun 2023 Shares	Jun-23
		\$		\$
Ordinary shares fully paid	78,638,341	129,888,477	78,561,418	129,873,477
Balance at the end of the period	78,638,341	129,888,477	78,561,418	129,873,477

Movement in ordinary share capital:

Details	Date	Shares	Issue price (\$)	\$
Balance	1-Jul-23	78,561,418	-	129,873,477
Issue of shares to employees as per Long Term Incentive Plan	27-Nov-23	76,923	0.1950	15,000
Balance	31-Dec-23	78,638,341		129,888,477

12. 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 2023 %	31 Dec 2022 %
AF Legal Pty Ltd	Australia	100%	100%
Watts McCray (NSW) Pty Ltd	Australia	100%	100%
Withnall Cavanagh & Co Pty Ltd	Australia	51%	51%
AF Legal (Wollongong) Pty Ltd	Australia	75%	75%
AF Legal (Gold Coast) Pty Ltd	Australia	75%	75%

Notes to the Financial Statements

For the half-year ended 31 December 2023

13. Events after the Reporting Period

On 30 January 2024 AF Legal Group Limited extended out our NAB Finance Facility out until 31 January 2027 for approved business and investment purposes. This was all achieved off an updated set of numbers including recent performance along with conservative projections for the near future. Prior to this date, there were no funds drawn on the \$10.0 million facility. There were minor term changes in the updated facility including a slight reduction of the facility to \$9.0 million as against the previous \$10.0 million limit, some minor fee changes and a \$50k increase in credit card limits for ease of business operations for our senior management team.

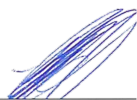
Other than the events noted above, no matters or circumstances have arisen since the end of the financial half-year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future reporting periods.

Directors' Declaration

In the Directors' opinion:

1. the attached financial statements and notes, as set out on pages 12 to 27 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 2023 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
29 February 2024



Peter Johns
Non-Executive Director
29 February 2024

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 2023 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 2023, 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 2023 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

A handwritten signature in black ink, appearing to read 'Tim Follett', written over a light blue horizontal line.

TIM FOLLETT
PARTNER

29 FEBRUARY 2024
BRISBANE