

AF Legal Group Limited and controlled entity

ABN 82 063 366 487

Appendix 4D – Half-year report

For the half-year ended 31 December 2020

For personal use only

AF Legal Group Limited and its controlled entity

Appendix 4D – Half-yearly Report

Results for announcement to the market

For the half-year ended 31 December 2020

Key information	Dec 2020 \$	Dec 2019 \$	% Change
Revenue from ordinary activities	4,370,936	3,306,102	32.2%
Profit before interest, tax, depreciation and amortisation, adjusted for impairment	805,391	553,695	45.5%
Profit after tax from ordinary activities attributable to owners	248,494	127,122	95.5%

Commentary on the Results for the Period

In the table below, directors have provided estimates to more accurately reflect the underlying performance of the Group. Specifically, the estimates:

- include the results for AF Legal Pty Ltd for the 6 months to 31 December 2020 and 12 months ended 31 December 2020; and
- remove a number of non-recurring or one-off items of expense and income for 6 months to 31 December 2020 and 12 months ended 31 December 2020

A\$'000s	FY21 H1	LTM	H1 % change	LTM % change
Underlying				
Revenue	4,371	7,968	32%	39%
Gross Profit	2,264	4,256	43%	59%
% Margin	52%	53%	4%	7%
Operating EBITDA ³	1,574	3,092	42%	58%
Margin %	36%	39%	2%	5%
Underlying EBITDA ⁴	1,096	2,182	67%	73%
Margin %	25%	27%	5%	5%
Statutory				
EBITDA	841	1,265	46%	836%
NPAT	248	306	96%	n.a.

Notes:

- H1 refers to the 6 month period ending 31 December 2020
- LTM refers to the 12 month period ending 31 December 2020
- Operating EBITDA adjusts statutory EBITDA to include the removal of non recurring or unusual costs, removal of head office costs and costs associated with being listed on the ASX
- Underlying EBITDA adjusts statutory EBITDA to include the removal of non recurring or unusual costs

AF Legal Group Limited and its controlled entity

Appendix 4D – Half-yearly Report

Cents per share	Dec 2020 \$	Dec 2019 \$	% Change
Basic earnings per share (cents)	0.41	0.21	95.2%
Diluted earnings per share (cents)	0.40	0.21	90.5%

Dividends

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

Net tangible assets per share (cents)	Dec 2020 \$	Dec 2019 \$	% Change
Net tangible assets per share (cents)	1.83	0.98	86.7%

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

Audit qualification or review

The auditors have issued an unqualified review opinion

Attachments

The Half Year Report of AF Legal Group Limited for the period ending 31 December 2020 is attached

Signed



Grant Dearlove
Executive Chairman

18 February 2021



INTERIM REPORT

for the half year ended 31 December 2020

AF Legal Group Limited
ABN 82 063 366 487

For personal use only

INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

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INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

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 entity (together the “Group”) for the 6 months ending December 2020. AFL is a law firm with a difference. It was established in 2015 to create a disruptive law firm that challenged the conventional wisdom of relationship driven business development and instead applied an alternative model driven by data and digital marketing. We have in quick time progressed to become the market leader in client acquisition disrupting the way family law clients find legal advice.

As revealed in the Review of Operations below, AFL has continued its growth in revenues and underlying profitability during the 6 months ending 31 December 2020. We have also continued our strategy to expand into additional targeted geographies through organic growth, lateral hires and strategic acquisitions. We are now in every major state and territory in Australia. During the period, we expanded our 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). In addition, we completed the strategic acquisition of Strong Law in Canberra in December 2020. These expansion activities have been underpinned by the execution of our proprietary disruptive digital marketing strategy. We continue to have a strong pipeline of organic, lateral hire and acquisition opportunities.

Our core family law legal offering is paramount to our success. This focus is about achieving our mission of becoming Australia’s largest National Family law firm. The ‘AFL Way’ of holistic care, our case model strategy, and our client outcomes focus, has resonated with the market. In our first year we were 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 the nation’s largest blue-chip firms. In addition, we launched a referral partnership with Slater & Gordon in November 2020. This referral partnership will allow AFL to support Slater & Gordon clients who may need family law advice. This was in addition to the arrangement entered into with Stowe Family Law in the United Kingdom to help UK Citizens living in Australia. We continue to explore these referral partnerships with larger corporates as a new source of organic growth into the future.

The onset of COVID in early 2020 brought many challenges to traditional firms. AFL was already operating in a modern 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 digital channels. 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 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.

I would finally like to thank our shareholders for their continued support and share my gratitude to the entire staff at AFL for their efforts now and looking into the future.



Yours sincerely

Grant Dearlove
Executive Chairman

INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

Directors' Report

The Directors of AF Legal Group Limited (the "Company") submit herewith the Financial Report of the Company, and its controlled entity (together the "Group") for the half year ended 31 December 2020. To comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The following persons were Directors and Company Secretary 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

Mr. Kevin Lynch

Company Secretary

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

Maggie Niewidok

Principal Activities

The Group's principal activities is a law firm that specialises 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 become the largest family and relationship law firm in Australia and to "roll out" its proprietary client acquisition model into other areas of law, overseas geographies and other professional services sectors.

AFL 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 two new regions including Canberra (February 2020) and Sunshine Coast (June 2020). During this period, 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). In addition, AFL completed the strategic acquisition of Strong Law in Canberra in December 2020.

AFL Strategy

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

AFL updated its 3-year strategy at its AGM in November 2020.

INTERIM REPORT | FOR THE HALF YEAR ENDED 31 DECEMBER 2020

Director's Report (continued)

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

- Move into new "add-on" services (eg. funding)
- Expand into adjacent sectors (eg. wills and estates)
- Assess larger scale acquisitions
- Assess new jurisdictions
- ~10% market share of family law market in Australia

Build out platform

AFL Statutory and Underlying Profitability

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

Key information	Dec 2020 \$	Dec 2019 \$	% Change
Revenue from ordinary activities	4,370,936	3,306,102	32.2%
Profit before interest, tax, depreciation and amortisation, adjusted for impairment	805,391	553,695	45.5%
Profit after tax from ordinary activities attributable to owners	248,494	127,122	95.5%

In the table below, directors have provided estimates to more accurately reflect the underlying performance of the Group. Specifically, the estimates:

- include the results for AF Legal Pty Ltd for the 6 months to 31 December 2020 and 12 months ended 31 December 2020; and
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- Underlying EBITDA adjusts statutory EBITDA to include the removal of non recurring or unusual costs

INTERIM REPORT | FOR THE HALF YEAR ENDED 31 DECEMBER 2020

Director's Report (continued)

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 18 February 2021.

Subsequent Events

There was no impact to performance due to the Coronavirus ('COVID-19') for the Group up to 31 December 2020. 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.

On 1 February 2021, the Group announced the issue of 2,625,000 performance rights under the Company's Long-Term Incentive Plan. Each performance right entitles the holder to one ordinary share subject to vesting conditions. 600,000 performance rights vest on 30 June 2021 and 2,025,000 performance rights vest on 30 June 2022, both with nil exercise price.

On 18 February 2021, the Group announced a non-renounceable, pro rata entitlement offer on the basis of 1 new fully paid ordinary share in the Group at an issue price of \$0.50 per share for every 6.15 existing shares held to raise up to \$5.0m. The proceeds of the entitlement offer are anticipated to help to fund future acquisitions however the entitlement offer is not inter conditional with any acquisition.

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.

Rounding of amounts

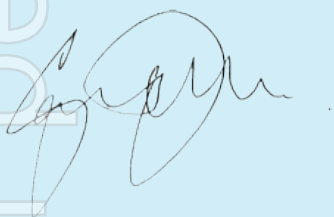
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

18 February 2021

INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

Corporate Governance Information

Corporate Governance Statement

AF Legal Group Limited (the “Company” or “AFL”) is committed to operating effectively and in the best interests of shareholders. The Company had in place appropriate corporate governance policies and practices for half-year ended 31 December 2020 and has adopted a Corporate Governance Statement which reports against the ASX Corporate Governance Council’s Principles and Recommendations and this can be accessed at: <https://australianfamilylawyers.com.au/investors/corporate-governance/>

Gender Diversity

The Company recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity.

A full copy of AFL’s gender diversity policy can be found at: <https://australianfamilylawyers.com.au/wp-content/uploads/2019/04/AF-Legal-Group-Diversity-Policy.pdf>.

The Board of Directors has set the measurable target that at least 50% of its staff, and 50% of its Senior Management are female.

The Board is pleased to report that:

- 78% of its management staff are female;
- 88% of its fee earning staff are female; and
- 86% of all of its staff are female.

At present no director of the Company is female, an issue that the Board is actively considering.

**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 2020, 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 entity it controlled during the half-year.

PKF BRISBANE AUDIT



TIM FOLLETT
PARTNER

BRISBANE
18 FEBRUARY 2021

INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

Financial Report

AF Legal Group Limited and its controlled entity

ABN 82 063 366 487

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$	31 Dec 2019 \$
Revenue	4	4,370,936	3,306,102
Expenses			
Cost of sales		536,652	304,340
Employee expenses		1,880,612	1,651,370
Administrative expenses		594,207	469,572
Other expenses	5	453,281	303,979
Share based payment expense	6	100,491	22,823
Interest expense		24,631	34,085
Depreciation		215,674	159,965
Amortisation		161,911	121,086
Profit before income tax		403,477	238,882
Income tax expense	7	154,983	111,760
Profit for the period		248,494	127,122
Other comprehensive income		-	-
Total comprehensive income for the period		248,494	127,122
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	8	0.41	0.21
Diluted earnings per share (cents)	8	0.40	0.20

The accompanying notes form part of these financial statements

INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

AF Legal Group Limited and its controlled entity

ABN 82 063 366 487

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 Dec 2020 \$	30 Jun 2020 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,001,511	1,554,743
Trade and other receivables		1,478,412	1,801,746
Other current assets		115,323	141,423
TOTAL CURRENT ASSETS		3,595,246	3,497,952
NON-CURRENT ASSETS			
Deferred tax assets		489,783	563,475
Plant and equipment		97,115	68,490
Intangible assets	9	7,155,800	6,731,773
Right of use assets	10	578,460	726,751
TOTAL NON-CURRENT ASSETS		8,321,158	8,090,489
TOTAL ASSETS		11,916,404	11,588,441
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		1,700,232	1,470,891
Current tax liabilities		550,289	478,972
Deferred consideration		137,500	273,645
Borrowings		1,671	21,349
Provision for employee benefits	12	199,812	174,777
Lease liabilities	11	393,082	375,281
TOTAL CURRENT LIABILITIES		2,982,586	2,794,814
NON-CURRENT LIABILITIES			
Provision for employee benefits	12	34,376	38,422
Deferred tax liabilities		398,501	438,527
Lease liabilities	11	230,493	395,215
TOTAL NON-CURRENT LIABILITIES		663,370	872,164
TOTAL LIABILITIES		3,645,956	3,666,978
NET ASSETS		8,270,448	7,921,463
EQUITY			
Issued capital		122,905,429	122,905,429
Accumulated losses		(114,819,345)	(115,352,697)
Reserves		184,364	368,731
TOTAL EQUITY		8,270,448	7,921,463

The accompanying notes form part of these financial statements

INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

AF Legal Group Limited and its controlled entity

ABN 82 063 366 487

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

	Note	Issued capital \$	Accumulated losses \$	Share based payment reserve \$	Total \$
Balance at 1 July 2019		122,905,429	(115,775,078)	-	7,130,351
Comprehensive income					
Profit for the period		-	127,122	-	127,122
Total comprehensive income		-	127,122	-	127,122
Transactions with owners in their capacity as owners and other transfers					
Issue of shares		-	-	-	-
Issue of performance rights	6	-	-	22,823	22,823
Total transactions with owners and other transfers		-	-	22,823	22,823
Balance at 31 December 2019		122,905,429	(115,647,956)	22,823	7,280,296
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	6	-	284,858	(284,858)	-
Issue of performance rights	6	-	-	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

The accompanying notes form part of these financial statements

INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

AF Legal Group Limited and its controlled entity

ABN 82 063 366 487

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

	Note	31 Dec 2020 \$	31 Dec 2019 \$
Cash Flows from Operating Activities			
Receipts from customers		5,133,580	3,472,033
Payments to suppliers and employees		(3,665,766)	(3,336,634)
Interest received		302	323
Interest expense		(24,631)	(34,085)
Income tax paid		-	(78,327)
Net cash provided by/(used in) operating activities		1,443,485	23,310
Cash Flows from Investing Activities			
Purchase of fixed assets		(48,379)	(41,529)
Payment for internally developed intangible assets		(202,594)	(167,008)
Payment for deferred consideration		(273,645)	-
Payment for business acquisition	3	(233,345)	-
Net cash provided by/(used in) investing activities		(757,963)	(208,537)
Cash Flows from Financing Activities			
Repayment of lease liabilities		(219,075)	(103,729)
Payments of borrowings		(19,679)	(270,139)
Net cash provided by/(used in) financing activities		(238,754)	(373,868)
Net increase/(decrease) in cash and cash equivalents		446,768	(559,095)
Cash and cash equivalents at the beginning of the financial period		1,554,743	1,050,406
Cash and cash equivalents at the end of the financial period		2,001,511	491,311

The accompanying notes form part of these financial statements

INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements

AF Legal Group Limited and its controlled entity

ABN 82 063 366 487

Notes to the Financial Statements

For the half-year ended 31 December 2020

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 entity (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 18 February 2021 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 2020 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 2020 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 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.

Intangible Assets - Website development costs

Expenditure incurred during the research and feasibility stages are expenses when incurred. Development costs are capitalised only when technical feasibility analysis identifies that the project is expected to deliver future economic benefits, and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

The amortisation rate used for the website development asset is 20% over 5 years period based on the straight-line method.

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

Comparative figures in the statement of profit or loss and other comprehensive income and in the statement of financial position have been reclassified to conform to the current year presentation.

INTERIM REPORT | FOR THE HALF YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements (continued)

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.

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. Business combinations

On 1 December 2020 the group acquired Strong Law Pty Ltd, a family law practise located in Canberra, ACT. The effective date of the acquisition was 1 October 2020. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Total \$
Purchase consideration:	
Cash paid	233,345
Deferred consideration	150,000
Total purchase consideration	383,345
Provisional goodwill	383,345
Net assets acquired	-

The Directors have assessed that no material assets or liabilities were acquired as part of the transaction, as a result the excess in purchase consideration over the fair value of net assets acquired is recorded as provisional goodwill at balance date.

4. Revenue

	Consolidated	
	31 Dec 2020 \$	31 Dec 2019 \$
Legal fees	4,369,915	3,297,093
Other income	719	8,686
Interest income	302	323
	4,370,936	3,306,102

INTERIM REPORT | FOR THE HALF YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements (continued)

5. Other expenses

	Consolidated	
	31 Dec 2020 \$	31 Dec 2019 \$
Insurance	65,621	42,772
Legal and professional fees	262,552	135,301
Telephone and internet	22,598	35,095
Office costs	51,088	41,318
Others	51,422	49,493
	453,281	303,979

6. Share based payment expense

	Consolidated	
	31 Dec 2020 \$	31 Dec 2019 \$
Share based payment expense	100,491	22,823

On 4 December 2019, 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 2019. 4,050,000 performance rights were issued, exercisable at nil value per performance right for one fully paid share, expiring on 4 December 2022. 2,025,000 performance rights had a milestone date of 30 June 2020 and the remaining 2,025,000 performance rights have a milestone date of 30 June 2021. 1,200,000 performance rights issued to Edward Finn were cancelled upon Edward's decision to retire as Managing Director.

The performance rights vest upon satisfaction of continued employment or contract with the Company each year and performance measures as determined by the Remuneration Committee. Upon conversion, the shares will rank equally with the quoted fully paid ordinary shares.

The share-based payment expense for the period was \$100,491, based on the valuation of performance rights with milestone date of 30 June 2021 at 20 cents per share. The valuation was done using the Black Scholes option methodology.

During the period, 1,425,000 performance rights with a milestone date of 30 June 2020 were converted resulting in the issuance of 1,425,000 ordinary shares.

1,425,000 performance rights with a milestone date of 30 June 2021 still remain on issue.

7. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 31 December 2020 is 26% (31 December 2019: 27.5%).

	Consolidated	
	31 Dec 2020 \$	31 Dec 2019 \$
Current tax on profit for this half year	121,684	78,461
Deferred tax	33,299	33,299
	154,983	111,760

INTERIM REPORT | FOR THE HALF YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements (continued)

8. Earnings per share

	Consolidated	
	31 Dec 2020 cents	31 Dec 2019 cents
Basic earnings per share	0.41	0.21
Diluted earnings per share	0.40	0.20
	\$	\$
Profit attributable to the owners of the Group	248,494	127,122
	No.	No.
Weighted average number of ordinary shares used in calculating:		
Basic earnings/(loss) per share	60,809,508	60,097,008
Diluted earnings/(loss) per share	62,234,508	60,713,312

9. Intangible assets

	Consolidated	
	31 Dec 2020 \$	30 Jun 2020 \$
Goodwill		
Opening balance	5,465,470	5,453,687
Provisional goodwill from business combinations – refer Note 3	383,345	-
Goodwill adjustment	-	11,783
Net carrying amount	5,848,815	5,465,470
Intellectual Property		
Opening balance	948,530	1,210,883
Additions from business combinations	-	-
Less: Amortisation expense	(121,086)	(262,355)
Net carrying amount	827,444	948,530
Website		
Opening balance	317,773	-
Additions	202,795	339,731
Less: Amortisation expense	(41,027)	(21,958)
Net carrying amount	479,541	317,773
Total Intangible assets	7,155,800	6,731,773

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Notes to the Financial Statements (continued)

10. Right of use assets

	Consolidated	
	31 Dec 2020 \$	30 Jun 2020 \$
Opening balance	726,751	-
Additions during the period	47,629	1,061,118
Less: Depreciation expense	(195,920)	(334,367)
	578,460	726,751

The Group leases various premises under non-cancellable operating leases expiring between 1 and 3 years, in some cases, options to extend. All leases have annual CPI escalation clauses. The above commitments do not include commitments for any renewal options on leases.

11. Lease Liability

	Consolidated	
	31 Dec 2020 \$	30 Jun 2020 \$
Current	393,082	375,281
Non-current	230,493	395,215
	623,575	770,496

12. Provision for employee benefits

	31 Dec 2020 \$	30 Jun 2020 \$
Current		
Annual leave	199,812	174,777
Non-current		
Long service leave	34,376	38,422

13. Interest in subsidiary

The subsidiary 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 2020 %	30 Jun 2020 %
AF Legal Pty Ltd	Australia	100	100

INTERIM REPORT | FOR THE HALF YEAR ENDED 31 DECEMBER 2020

Notes to the Financial Statements (continued)

14. Events after the Reporting Period

There was no impact to performance due to the Coronavirus ('COVID-19') for the Group up to 31 December 2020. 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.

On 1 February 2021, the Group announced the issue of 2,625,000 performance rights under the Company's Long-Term Incentive Plan. Each performance right entitles the holder to one ordinary share subject to vesting conditions. 600,000 performance rights vest on 30 June 2021 and 2,025,000 performance rights vest on 30 June 2022, both with nil exercise price.

On 18 February 2021, the Group announced a non-renounceable, pro rata entitlement offer on the basis of 1 new fully paid ordinary share in the Group at an issue price of \$0.50 per share for every 6.15 existing shares held to raise up to \$5.0m. The proceeds of the entitlement offer are anticipated to help to fund future acquisitions however the entitlement offer is not inter conditional with any acquisition.

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.

INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

Directors' Declaration

In the Directors' opinion:

1. the attached financial statements and notes, as set out on pages 9 to 18 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 2020 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



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 2020, 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 company and the consolidated entity, comprising the company and the entity 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 and its controlled entity 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 2020, 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*.

Independence

In conducting our review, we have complied with the 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.

Directors' Responsibility for the Half-Year 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 2020 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AF Legal Group Limited and its controlled entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

18 FEBRUARY 2021
BRISBANE

INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

Corporate Directory

Board of Directors

Mr Grant Dearlove	Executive Chairman
Mr Glen Dobbie	Executive Director
Mr Edward Finn	Non Executive Director
Mr. Kevin Lynch	Non Executive Director

Company Secretary

Maggie Niewidok

Principal Place of Business

Level 3, 411 Collins St
Melbourne, VIC 3000

Registered Office

c/o Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000

Auditors

PKF Brisbane Audit
Level 6, 10 Eagle Street
Brisbane QLD 4000

Share Registry

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000

Solicitors

Automic Legal Pty Ltd

Bankers

Westpac Banking Corporation

Securities Exchange Listing

Company's ordinary shares are listed on the Australian Securities Exchange Limited (ASX). The Company's ASX code for fully paid ordinary shares is "AFL".

Website

<https://australianfamilylawyers.com.au>

INTERIM REPORT | FOR THE HALF YEAR YEAR ENDED 31 DECEMBER 2020

Corporate Governance Statement

AF Legal Group Limited (the “Company” or “AFL”) is committed to operating effectively and in the best interests of shareholders. The Company had in place appropriate corporate governance policies and practices for the financial year ended 31 December 2020 and has adopted a Corporate Governance Statement which reports against the ASX Corporate Governance Council’s Principles and Recommendations and this can be accessed at: <https://australianfamilylawyers.com.au/investors/corporate-governance/>

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