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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 2024



1. DETAILS OF REPORTING PERIODS

The current reporting period is the 6-month period from 1 July 2024 to 31 December 2024. The previous corresponding reporting period (pcp) was the 6-month period from 1 July 2023 to 31 December 2023, except for the Consolidated Statement of Financial Position, where comparatives are balances as at 30 June 2024.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET:

Key information	Dec-24 \$'000	Dec-23 \$'000	% Change
Revenue from ordinary activities	12,706	10,713	19%
Profit/(Loss) after tax from ordinary activities	564	1,046	(46%)
Profit/(Loss) after tax from ordinary activities attributable to owners	282	564	(50%)

H1 FY25 was impacted by the following normalised adjustments detailed below in Table 1.

Table 1: H1 FY25 Normalising Adjustments:

Business acquisition costs re second Armstrong Legal acquisition*	\$0.137m
Legal defence fees	\$0.310m
Total H1 FY25 Normalising Adjustments	\$0.447 million
Total H1 FY25 Normalising Adjustments (Attributable to Owners)	\$0.354 million

* acquisition of Armstrong Legal's Criminal and Family Law practices and the armstronglegal.com.au website

Legal defence fees relate to engagement of lawyers to defend a formal proceeding and an industry regulator investigation. Both matters are at discovery stage, with no certainty on possible liability. The matters date back to 2022 and 2021 respectively. Discussions with insurers regarding coverage is ongoing at the time of writing. Regardless, the company has decided to be conservative in its approach and expense incurred legal fees during the half year in the H1 FY25 accounts.

Despite the large one-off expenses and charges, H1 FY25 saw a continuation of the steady profitable growth seen across H2 FY24. The business generated a new half-year record revenue of \$12.7 million, up by 19% (\$2.0 million) compared to pcp and up by 16% (\$1.8 million) compared to H2 FY24 Normalised Revenue \$11.0 million. These comparatives are impacted by the additional revenue resulting from the two Armstrong Legal acquisitions (Apr-24 and Oct-24)

H1 FY25 Normalised Net Profit Before Tax attributable (NPBT attributable) to the owners of AF Legal Group Limited (AFL Group) of \$561k was our fourth half year of profitability, since the significant round of adjustments made at H1 FY23. Continued profitable growth is expected across H2 FY25.

Please also refer to the attached Director's Report and Interim Financial Statements for the half-year ended 31 December 2024 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 2024, the attached press release and investor presentation, and the additional information below.

Earnings per share	Dec 2024 cents	Dec 2023 cents	% Change
Basic earnings per share (cents)	0.31	0.72	(57%)
Diluted earnings per share (cents)	0.30	0.70	(57%)

Dividends

Interim dividends were paid during the financial half-year to 31 December 2024 to shareholders of Withnall Cavanagh & Co Pty Ltd of \$5,160 per share on 100 shares on issue, the total dividend being \$516,000 paid out to shareholders as follows: AF Legal Pty Ltd \$263,160 and Non-controlling interests \$252,840.

Net tangible assets per share (cents)	Dec 2024 cents	Dec 2023 cents	% Change
Net tangible assets per share (cents)	3.73	4.76	(22%)

Control gained or lost over entities

During the period the Group incorporated new entities as listed in Note 13 of the interim financial statements.

Dividend reinvestment plans

No dividend reinvestment plans were paid or proposed during the current financial period.

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 2024 is attached.

Signed



Rick Dennis
Non-Executive Chairman
27 February 2025

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AF Legal Group Limited
and its controlled entities
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Interim Financial Statements

For the half-year ended
31 December 2024

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Contents

Directors' Report	6
Auditor's Independence Declaration	12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	32
Independent Auditor's Report	33

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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 2024. 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
Ms. Sarah Kelly (resigned 31 December 2024)
Mr. Peter Johns
Ms. Emma Fredericks (appointed 1 January 2025)

COMPANY SECRETARY

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

Ms. Stephanie So

Principal Activities

The Group's principal activities are in the areas of Family Law, Contested Wills and Estates Law and Criminal Law. The Group provides advice to clients in respect of these areas of law 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 2024 (H1 FY24), was a profit for the period attributable to the owners of AF Legal Group Limited (AFL Group) of \$0.282 million, financial half-year ended 31 December 2023 (H1 FY23) was a profit of \$0.564 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 \$0.635 million up from \$0.483 million for the preceding financial half-year (H2 FY24):

Key elements of the result include:

Revenue

Revenue, which excludes disbursements, of \$12.7 million represents a new half-year record, up by \$1.8 million or 16% on H2 FY24 normalised revenue of \$11.0 million and up by \$2.0 million or 19% relative to pcp of \$10.7 million.

Combined Australian Family Lawyers offices (other than those noted below) were steady relative to pcp but saw a 5% (\$0.2 million) increase compared to H2 FY24. Strong revenue performance increases by other Family Law brands compared to H2 FY24 were:

- Watts McCray: \$0.1 million

- AFL Withnalls: \$0.4 million
- Australian Family Lawyers Gold Coast: \$0.1 million

The Armstrong Legal Brand consisted of three practices, Contested Wills & Estates (ACWE, Armstrong Legal first deal) and Criminal Law and Family law (ACL and ALFL – Armstrong Legal second deal). ACWE acquisition was completed in early April 2024 and has maintained a strong consistent performance as expected during the first nearly 9 months. ACL and ALFL acquisition completed end October 2024, with the first two months performance impacted by time and cost of migration of the team, and transition of the website including associated processes and systems. The second deal also included a small team of Family Lawyers which joined the Watts McCray brand.

Expenses

Expenses of \$12.1 million increased by \$1.4 million (13%) compared to H2 FY24 of \$10.7 million and \$2.4 million (25%) compared to pcp (H1 FY24) \$9.7 million. The majority of this increase was due to additional costs arising from the two Armstrong Legal acquisitions, legal fees (see normalisation below), with some cost savings seen in the remainder of the business excluding Armstrong Legal. With revenue growth above cost growth this is a positive sign that we are growing off a stabilised cost base.

Normalised earnings

There were normalisation adjustments for H1 FY25 and H2 FY24, results are summarised below in Table 1 and Table 2 respectively:

Table 1: H1 FY25 – Normalising adjustments:

Business acquisition costs – ACL & ALFL	\$0.137 million
Legal defence fees	\$0.310 million
Total Normalising Adjustments	\$0.447 million

Table 2: H2 FY24 – Normalising adjustments:

Business acquisition costs – ACWE	\$0.176 million
Deferred consideration favourable adjustment	(\$0.193 million)
Debtor provision adjustments	\$0.191 million

Total Normalising Adjustments **\$0.174 million**

Both periods include normalisation for acquisition costs for each of the two Armstrong Legal acquisitions in Q2 FY25 and Q4 FY24 respectively. Legal defence fees relate to engagement of lawyers to defend a formal proceeding and an industry regulator investigation. Both matters are at discovery stage, with no certainty on possible liability. The matters date back to 2022 and 2021 respectively. Discussions with insurers regarding coverage is ongoing at the time of writing. Regardless, the company has decided to be conservative in its approach and expense incurred legal fees during the half year in the H1 FY25 accounts.

Statement of financial position

Net assets at \$10.3 million were \$0.3 million ahead on the financial year ended 30 June 2024 position of \$10.0 million, driven predominantly by a \$2.6 million increase made up of Goodwill (\$1.7 million) and Intangibles (\$0.9 million Brand) due to the Q2 FY25 ACL and ALFL acquisition and the \$0.6 million reduction in Deferred Consideration liabilities due to the payment of 3rd and final tranche earn out of \$250k for Kordos Lawyers and the first of two earn out payments of \$375k for the original Armstrong Legal deal in Q4 FY24.

Other movements compared to 30 June 2024 included:

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- Cash and cash equivalents up by \$1.0 million
- Trade and other receivables down by \$0.9 million primarily due to the decrease in debtors
- Right of use asset and liabilities increased by \$0.4 million with a new lease in Sydney for the combined Armstrong Legal teams

It is important to note that with the cash balance of \$3.3 million, \$1.3 million is held within AFL Withnalls with a further \$0.4 million related to cash deposits backing bank guarantees in place including a \$0.2 million deposit that is being returned in H2 FY25 as not required for security going forward.

Operating cash flow

The operating cash flow for the half-year period recorded a strong inflow of \$3.0 million, \$2.5 million up on end of FY24 and \$0.8 million up on pcp at H1 FY24 of \$2.2m. The half-yearly increase was mostly driven from strong revenue performance, up \$2.0 million (19%) on pcp with ongoing improvements in collection of receivables that saw Trade and other receivables decrease by \$0.9m (9%) since end of FY24.

The overall net increase in operating cash was used in investing activities of \$3.4 million (\$2.5 million for the second Armstrong Legal business acquisition, \$0.3 million for fixed assets and intangibles, plus \$0.6 million for Armstrong Legal and Kordos deferred consideration payments) plus the net cash used in financing activities of \$1.4 million (\$2.3m in borrowings for the second Armstrong Legal business acquisition, \$0.6 million lease liabilities and \$0.3 million dividends).

FUTURE PROSPECTS AND MATERIAL BUSINESS RISKS

H1 FY24 saw the business achieve its fourth consecutive profitable half-year result, with expectations that recent acquisitions, current workload, improving processes and systems and buoyant recruitment market for lateral hires will contribute to further increases in net profit for H2 FY25.

Many positive elements drove this success, chief of these being our pleasing progress on our transition to a people-first culture. During H1 FY25, the business undertook its second "Great Place to Work" (GPTW) survey, following the introduction of the new executive management team, which saw the overall satisfaction rating rise to 84% from 53% nearly 18 months ago. This welcomed turnaround in culture was nurtured from further delegation of leadership to local senior management teams supported by the introduction of a new national Legal Leadership Team (LLT). Investment in improved training including specialist leadership coaching for team leaders, targeted attendance at specialist conferences, more mentor and financial support for the specialist accreditation course and a new Development Program policy that provides team members with further clarity around their role capability and expectations. This positive change in culture also aids the recruitment process, attracting more interest in working with the Group, enhancing our ability to replace leavers with new talented professionals in a timely manner. This will help minimise any revenue gaps as this process improves.

Secondly, the Group will benefit from a full half year contribution from the ACWE, ACL and ALFL team revenue. H2 FY25 will see the new teams settled into a new office, the website migrated and improved, the processes and systems (including new laptops) adopted and operational. New client leads are flowing back to normal levels and the new servicing of urgent new Criminal Law clients receiving the necessary contact with our lawyers 24/7. There is little left to do other than the normal quality servicing of our clients and generation of fees.

In addition, the business has invested in the further development and SEO optimisation of both the Watts McCray and Armstrong Legal websites (post-acquisition migration). This has improved digital lead generation, fueling more opportunities for team and/or office location expansion nationally. Unlike Family Law, the new practice areas of ACWE and ACL are state based laws, which require specialist state based experienced lawyers to run these matters. With existing Family Law office leases in most states and territories, we can start to recruit new ACWE and ACL lateral hires into these new locations to meet the lead demand with minimal additional cost outlay in the short to medium term.

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New client growth displayed positive trends during H1 FY25, and expectations for H2 FY25 to lift with increased lead volume across the Group with the addition of the Armstrong Legal website. New client lead metrics increased, including a 33% increase in digital leads for Australian Family Lawyers and digital lead flow increasing significantly to our Watts McCray brand in NSW with 77% growth on the pcp. Efficiency also showed positive trends with an ability to increase lead growth at a declining cost per lead (spending 21% less on media). With a continued strong focus on SEO, organic traffic hit a new record of 50%, consistently improving on the previous record of 40% over consecutive months. Further reinforcing the growth of the brand and the success of the local SEO and content strategy across all sites. Furthermore, an SEO audit of the Armstrong Legal site has identified large potential to rollout a content refresh and optimisation focus that will bring dividends in increasing quality of work from this site over the next 18 months.

The business continued to progress Project Titan, a project focused on replacement of the existing multiple Practice and Document management systems with a new single modern cloud-based platform. The aim, to ensure the business can improve access to and avail of all new world technologies including AI to find transactional efficiencies, time and cost savings, offer our team of professionals best in industry tools to support them in their jobs and realise new growth opportunities. At the end of H1 FY25, the business selected preferred service providers from the shortlisted options and signed contracts with commitments totaling \$1.5 million. We are excited to commence project implementation from H2 FY25, with project timeline expected to complete over a period of 12 to 14 months. The new system provides real time and efficiency savings and will significantly improve the user experience (positive addition to our talent retention and attraction benefits) and ultimately the client experience.

Ongoing review of the management of financial and operational procedures remains a high priority. Such focus has contributed to the improvements in operating cash inflows, improved management of debtors, improved remote working support for busy teams nationwide during peak periods ensuring more clients can be serviced with increased revenue.

Legal defence fees relate to engagement of lawyers to defend a formal proceeding and an industry regulator investigation. Both matters are at discovery stage, with no certainty on possible liability. The matters date back to 2022 and 2021 respectively. Discussions with insurers regarding coverage is ongoing at the time of writing. Regardless, the company has decided to be conservative in its approach and expense incurred legal fees during the half year in the H1 FY25 accounts.

Despite H1 FY25 net profit before income tax ("NPBT") \$0.6 million falling 40% (\$0.4 million) compared to pcp, H1 FY24, it increased 31% (\$0.1 million) compared to H2 FY24 of \$0.5 million. In addition, H1 FY25 normalised NPBT attributable to the owners of \$0.2 million was double the H2 FY24 result

Together with the upsides noted above, the Group is optimistic about an increasing profitable trend for H2 FY25 and onwards. It is worth noting that our normalised NPBT attributable of \$561k for H1 FY25 is effectively 72% of our full year FY24 normalised NPBT attributable of \$781k, so we are continuing our steady profitable momentum.

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

Subsequent Events

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

Rounding of amounts

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

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Auditor's Independence Declaration

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

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

On behalf of the directors



Rick Dennis

27 February 2025

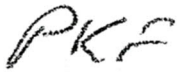
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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF AF LEGAL GROUP LIMITED

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2024, there have been:

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

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



PKF BRISBANE AUDIT



TIM FOLLETT
PARTNER

27 FEBRUARY 2025
BRISBANE

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2024

	Note	31-Dec-24 \$'000	31-Dec-23 \$'000
Revenue	3	12,706	10,713
Expenses			
Cost of sales		1	3
Employee expenses		7,883	6,547
Administrative expenses	4	2,088	1,350
Other expenses	5	989	899
Share based payment expense	6	24	33
Interest expense		287	94
Depreciation		709	579
Amortisation		90	215
Impairment expense		-	-
Profit/(Loss) before income tax		635	993
Income tax expense/(benefit)	7	71	(53)
Profit/(Loss) for the period after income tax		564	1,046
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		564	1,046
Profit/(Loss) for the period attributable to:			
Non-controlling interest		282	482
The owners of AF Legal Group Limited		282	564
Total comprehensive income/(loss) for the period attributable to:			
Non-controlling interest		282	482
The owners of AF Legal Group Limited		282	564
Total comprehensive income/(loss) for the period		564	1,046
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)		0.31	0.72
Diluted earnings per share (cents)		0.30	0.70

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

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Consolidated Statement of Financial Position
As at 31 December 2024

	Note	31-Dec-24 \$'000	30-Jun-24 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,313	2,317
Trade and other receivables	8	8,645	9,543
Other current assets		948	1,073
TOTAL CURRENT ASSETS		12,906	12,933
NON-CURRENT ASSETS			
Deferred tax assets		2,752	2,532
Right of use assets		3,643	3,208
Plant and equipment		875	743
Intangible assets	9	6,905	4,293
TOTAL NON-CURRENT ASSETS		14,175	10,776
TOTAL ASSETS		27,081	23,709
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,437	1,985
Current tax liabilities		289	221
Deferred consideration		375	625
Lease liabilities		1,285	981
Employee benefits		1,099	1,039
TOTAL CURRENT LIABILITIES		5,485	4,851
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,224	2,046
Lease liabilities		2,482	2,334
Deferred consideration		-	375
Borrowings	10	5,892	3,591
Provisions		315	269
Employee benefits		374	269
TOTAL NON-CURRENT LIABILITIES		11,287	8,884
TOTAL LIABILITIES		16,772	13,735
NET ASSETS		10,309	9,974

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Consolidated Statement of Financial Position (cont.)

As at 31 December 2024

	Note	31-Dec-24 \$'000	30-Jun-24 \$'000
EQUITY			
EQUITY ATTRIBUTABLE TO THE OWNERS OF AF LEGAL GROUP LIMITED			
Issued capital	11	131,607	131,607
Accumulated losses		(122,257)	(122,767)
Reserves		72	276
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF AF LEGAL GROUP LIMITED		9,422	9,116
Non-controlling interests		887	858
TOTAL EQUITY		10,309	9,974

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

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Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2024

	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		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

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Consolidated Statement of Changes in Equity (cont.)

For the half-year ended 31 December 2024

	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 2024		131,607	276	(122,767)	9,116	858	9,974
Comprehensive Profit							
Profit for the period		-	-	282	282	282	564
Total comprehensive Profit/(Loss)		-	-	282	282	282	564
Transactions with owners in their capacity as owners and other transfers							
Issue of performance rights	6	-	24	-	24	-	24
Lapsed of performance rights		-	(228)	228	-	-	-
Total transactions with owners and other transfers		-	(204)	228	24	-	24
Dividends Paid		-	-	-	-	(253)	(253)
Balance at 31 December 2024		131,607	72	(122,257)	9,422	887	10,309

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 2024

	Note	31-Dec-24 \$'000	31-Dec-23 \$'000
Cash Flows from Operating Activities			
Receipts from customers		13,932	10,962
Payments to suppliers and employees		(10,519)	(8,549)
Interest received		1	3
Interest expense		(190)	-
Income tax paid		(210)	(231)
Net cash provided by/(used in) operating activities		3,014	2,185
Cash Flows from Investing Activities			
Purchase of fixed assets		(287)	(107)
Payment for internally developed intangible assets		(37)	(11)
Payment for deferred consideration		(625)	(1,000)
Payment for business acquisition	12	(2,483)	-
Net cash provided by/(used in) investing activities		(3,432)	(1,118)
Cash Flows from Financing Activities			
Repayment of lease liabilities		(634)	(686)
Proceeds of borrowings		2,301	-
Payment of dividends		(253)	(200)
Net cash provided by/(used in) financing activities		1,414	(886)
Net increase/(decrease) in cash and cash equivalents		996	181
Cash and cash equivalents at the beginning of the financial period		2,317	2,052
Cash and cash equivalents at the end of the financial period		3,313	2,233

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

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Notes to the Financial Statements

For the half-year ended 31 December 2024

1. Material Accounting Policies

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

The consolidated financial statements were authorised for issue on 27 February 2025 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 2024 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 2024 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 historically been identified (family law) and operations are only located in one geographical segment being Australia. The recent acquisitions of other law areas are being integrated into the business but not yet included in the internal reports that are reviewed and used in assessing performance and determining the allocation of resources.

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Notes to the Financial Statements
For the half-year ended 31 December 2024

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 10 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.

Business Combinations

As discussed in Note 12, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

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 9, 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.

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

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Notes to the Financial Statements
For the half-year ended 31 December 2024

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 expense of \$71k for the half year ended 31 December 2024 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. 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.

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Notes to the Financial Statements
For the half-year ended 31 December 2024

3. Revenue

	31-Dec-24	31-Dec-23
	\$'000	\$'000
Legal fees	12,705	10,710
Other income	-	-
Interest income	1	3
	12,706	10,713

4. Administrative expenses

	31-Dec-24	31-Dec-23
	\$'000	\$'000
Compliance costs	168	126
Computer and software expenses	514	481
Marketing and advertising	542	479
Premises	259	41
Others	605	223
	2,088	1,350

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Notes to the Financial Statements
For the half-year ended 31 December 2024

5. Other expenses

	31-Dec-24	31-Dec-23
	\$'000	\$'000
Insurance	176	139
Legal and professional fees	185	428
Telephone and internet	63	42
Office costs	198	135
Transaction costs	137	-
Bad debts	31	11
Others	199	144
	989	899

6. Share based payment expense

	31-Dec-24	31-Dec-23
	\$'000	\$'000
Share based payment expense	24	33

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Notes to the Financial Statements
For the half-year ended 31 December 2024

7. Income tax expense/benefit

	31-Dec-24	31-Dec-23
	\$'000	\$'000
Current tax	349	339
Deferred tax	(278)	(20)
Adjustments for current tax of prior periods	-	(17)
Adjustments for deferred tax of prior periods	-	-
Other adjustments		(355)
	71	(53)
Deferred income tax expense/(income) included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(220)	157
(Decrease)/increase in deferred tax liabilities	(58)	(177)
	(278)	(20)
Numerical reconciliation of income tax expense to prima facie tax payable		
Total profit/(loss) before income tax	635	993
Tax at the Australian tax rate of 25% (2024: 25%)	159	248
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	(14)	71
General Interest charges	-	-
Adjustment for current tax of prior periods	-	(17)
Adjustment for deferred tax of prior periods	(74)	-
Other adjustments	-	(355)
Income tax expense/(benefit)	71	(53)

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Notes to the Financial Statements
For the half-year ended 31 December 2024

8. Trade and other receivables

	31-Dec-24	30-Jun-24
	\$'000	\$'000
Trade receivables	5,213	6,047
Provision for doubtful debts	(546)	(567)
	4,667	5,480
Work in progress	3,978	4,063
	8,645	9,543

	Gross amount	Past due and impaired	Past due but not impaired			
			<30 days	30-60 days	61-90 days	90+ days
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
31-Dec-24	5,213	546	815	385	292	3,175
30-Jun-24	6,047	567	2,328	637	253	2,262

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Notes to the Financial Statements
For the half-year ended 31 December 2024

9. Intangible assets

Goodwill	Note	31-Dec-24	30-Jun-24
		\$'000	\$'000
Opening balance		4,142	3,862
Measurement period adjustment		-	-
Goodwill from business combination	12	1,721	280
Impairment		-	-
Net carrying amount		5,863	4,142
Brand			
Opening balance		-	-
Additions	12	944	-
Less: Amortisation expense		-	-
Net carrying amount		944	-
Website			
Opening balance		151	298
Additions		11	11
Less: Amortisation expense		(64)	(158)
Net carrying amount		98	151
Total Intangible assets		6,905	4,293

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Notes to the Financial Statements
For the half-year ended 31 December 2024

10. Borrowing

	31-Dec-24	30-Jun-24
	\$'000	\$'000
NAB Finance Facility	5,892	3,591

The Group has secured a \$9.0 million corporate markets loan facility to fund the acquisitions. The borrowing limit has been reduced to \$8.3 million due to facility limit amortisation as per the agreement. The facility is for a term of 3 years to January 2027.

\$2.3 million was drawn down in October 2024 for the second Armstrong Legal business acquisition.

The covenants of the facility are as follows:

- Debt Service Cover Ratio: to be greater than 2.00 times, calculated on a rolling 12-month basis defined as EBITDA divided by Interest Expense plus Scheduled Principal Repayments
- Gross Leverage Ratio: to be less than 2.25 times at all times, calculated on a rolling 12-month basis and defined as Gross Debt divided by EBITDA

The Group complied with terms of the covenant during H1 FY25 and is not expecting any breaches during H2 FY25

The facility interest rate is the drawn margin 3.4% + BBSY

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Notes to the Financial Statements
For the half-year ended 31 December 2024

11. Issued capital

	Dec-2024 Shares	Dec-24 \$	Jun 2024 Shares	Jun-24 \$
Ordinary shares fully paid	91,299,204	131,606,092	91,299,204	131,606,092
Balance at the end of the period	91,299,204	131,606,092	91,299,204	131,606,092

Movement in ordinary share capital:

Details	Date	Shares	Issue price (\$)	\$
Balance	1-Jul-24	91,299,204	-	131,606,092
Issue of shares to employees as per Long Term Incentive Plan		-	-	-
Balance	31-Dec-24	91,299,204	-	131,606,092

12. Business Combination

On 28 October 2024 the Group acquired the Armstrong Legal Criminal Law (ACL) and Family Law (ALFL) Legal Teams, Brand and associated website and business assets from Armstrong Legal, a fully owned law firm subsidiary from Go To Court Holdings Pty Ltd. The acquirer was the registered wholly owned subsidiaries of AF Legal Group Limited, including:

- AF Legal Armstrong Legal Holding Pty Ltd, previously named the AF Legal Contested Estates Holding Pty Ltd) for the Brand and Website asset
- Armstrong Legal Trading Pty Ltd (for the ACL team and associated assets and employee entitlements) - previously named Armstrong Contested Estates Pty Ltd
- Watts McCray (NSW) Pty Ltd (for the ALFL team and associated assets and employee entitlements). Details of the business combination are noted below:

	\$'000
Purchase consideration:	
Cash consideration	2,483
Deferred consideration	-
	2,483
Assets and Liabilities acquired:	
Work in progress	24
Trade receivables	304
Prepayment	9
Trade payables (net of unbilled and unpaid disbursements)	1
Employee benefits	(284)
Brand - Indefinite Intangible**	944
Deferred tax liability	(236)
Fair Value of Assets and Liabilities acquired	762
Goodwill on acquisition *	1,721

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Notes to the Financial Statements

For the half-year ended 31 December 2024

* Goodwill is attributable to the high profitability of the acquired business assets and synergies expected. Provisional accounting for the business acquisition has been completed.

** The Brand asset acquired was valued using an external valuer and incorporated benefits of the business assets including the website acquired.

In accordance with accounting principals of Business Combinations, the financial results reported herein contain the results for the full reporting period and the results of the ACL and ALFL teams from the point of acquisition effective date, 28 October 2024. In the two months to 31 December 2024, the additional ACL and ALFL teams contributed a cost neutral impact to the Group's results.

13. 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 2024 %	31 Dec 2023 %
AF Legal Pty Ltd	Australia	100%	100%
Watts McCray (NSW) Pty Ltd	Australia	100%	100%
Withnall Cavanagh & Co Pty Ltd	Australia	51%	51%
Watts McCray (Illawarra) Pty Ltd	Australia	75%	75%
AF Legal (Gold Coast) Pty Ltd	Australia	75%	75%
AF Legal Armstrong Legal Holding Pty Ltd	Australia	100%	-
Armstrong Legal Trading Pty Ltd	Australia	100%	-
AF Legal AAA Holding Pty Ltd	Australia	100%	-
AF Legal AAA Trading Pty Ltd	Australia	100%	-
AF Legal BBB Holding Pty Ltd	Australia	100%	-
AF Legal BBB Trading Pty Ltd	Australia	100%	-

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Notes to the Financial Statements
For the half-year ended 31 December 2024

14. Commitments and Contingencies

As at 31 December 2024, the Group has no other material commitments except as disclosed below:

On the 31 December 2024 the Group entered into new supplier commitments as part of Project Titan (project aimed at replacing the existing practice management and document management IT systems). The commitment with suppliers ranged from three to five years for a total commitment of \$1.5 million over that period of which an estimated 18% is expected to be capitalised and then amortised over the five-year period.

The Group was aware of the following contingencies:

Legal defence fees relate to engagement of lawyers to defend a formal proceeding and an industry regulator investigation. Both matters are at discovery stage, with no certainty on possible liability. The matters date back to 2022 and 2021 respectively. Discussions with insurers regarding coverage is ongoing at the time of writing. Regardless, the company has decided to be conservative in its approach and expense incurred legal fees during the half year in the H1 FY25 accounts.

Other than the matters above, no other commitments and contingencies were noted at balance date.

15. Events after the Reporting Period

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

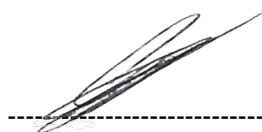
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Directors' Declaration

In the Directors' opinion:

1. the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2024 and of its performance for the financial period ended on that date; and
3. 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)(a) of the Corporations Act 2001.



Rick Dennis
Non-Executive Chairman
27 February 2025



Peter Johns
Non-Executive Director
27 February 2025

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 2024, 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 2024, 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 2024 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.

A handwritten signature in blue ink that reads "PKF".

PKF BRISBANE AUDIT

A handwritten signature in blue ink, appearing to be "Tim Follett".

TIM FOLLETT
PARTNER

27 FEBRUARY 2025
BRISBANE

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