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AF Legal Group Limited and controlled entity

ABN 82 063 366 487

Appendix 4D – Half-year report

For the half-year ended 31 December 2019

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 2019

Key information	Dec 2019 $	Dec 2018 $	% Change
Revenue from ordinary activities	3,305,779	0	n/a.
Profit/(Loss) before interest, tax, depreciation and amortisation, adjusted for impairment	554,008	(202,972)	372.9%
Profit/(Loss) after tax from ordinary activities attributable to owners	127,122	(202,972)	162.6%

Commentary on the Results for the Period

Directors' note that this is the first half year reporting period for the restructured AF Legal Group Limited. Directors also note the prior half-year (December 2018) results reflect the performance of an entity undertaking substantially different activities and are therefore not considered relevant to an assessment of comparative performance.

Directors estimate that had:

- the results of AF Legal Pty Ltd been included in the group results on a pro forma basis for the entire comparative period rather than from the point of acquisition; and
- any non-recurring, one off or unusual costs not been incurred,

the consolidated comparatives and any relevant reconciliation from statutory to underlying profit for the half year ending 31 December 2019 is shown below. These are director estimates that have not been subject to external review. The Directors consider that Underlying numbers provide a better understanding of the underlying performance of the business.

$m (consolidated)	Reported[1]	Adjustments[2]	Underlying[3]	Change on Prior Year[4]
Revenue	3.31	0.00	3.31	+32%
EBITDA (excl. HO)[5]	1.06	0.06	1.12	+41%
EBITDA (excl. HO)[5] margin (%)	32%	n/a	34%	+2%
EBITDA	0.55	0.08	0.63	+15%
NPATA[6]	0.25	0.05	0.30	vs ($0.20m)

Notes:

1. Reported figures are the reviewed accounts for the six months ending 31 December 2019
2. Adjustments relate to the removal of non-recurring or unusual costs
3. Underlying adjusts the reviewed accounts for the six months ending 31 December 2019 to include the removal of non-recurring or unusual costs
4. Change on prior year is prepared on the same basis as the six months ending 31 December 2019 and is calculated by adjusting the audited accounts for the six-month period ending 31 December 2018 to include the removal of non-recurring or unusual costs
5. EBITDA (excl. HO) adjusts the reviewed accounts for the six months period ending 31 December 2019 to include the removal of non-recurring or unusual historic costs, removal of head office costs and costs associated with being listed on the ASX
6. NPATA means net profit after tax before amortisation
7. Contributions from the acquisitions of Walls Bridges Lawyers and Nita Stratton Funk & Associates are included from the time of acquisition

AF Legal Group Limited and its controlled entity

Appendix 4D – Half-yearly Report

Cents per share	Dec 2019 $	Dec 2018 $	% Change
Basic earnings per share (cents)	0.21	(1.11)	119.0%
Diluted earnings per share (cents)	0.21	(1.11)	118.8%

Refer to Note 5 for further information on earnings per share calculations

Dividends

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

Net tangible assets per share (cents)	Dec 2019 $	Dec 2018 $	% Change
Net tangible assets per share (cents) (1)	0.98	0.81	21.4%

(1) As at 31 December 2019, the net tangible assets per shares presented above is inclusive of right of use assets and lease liabilities

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 2019 is attached

Signed

Grant Dearlove
Chairman

25 February 2020

HALF YEAR REPORT

AF Legal Group Limited
ABN 82 063 366 487
for the half year ended 31 December 2019

Contents

01 Letter from the Chairman

Dear Investors

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 2019.

AFL is a law firm with a difference. It was established in 2015 by Edward Finn (Founder and Managing Director) who identified an opportunity 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. This alternative model provides the platform to deliver outstanding client service. AFL has an unwavering commitment to client service and achieving the best outcomes for our clients. AFL currently employs market leading accredited family law specialists in each of its state locations, who are recognised as experts in the field of family law.

Research suggests that the family law market in Australia is worth an estimated $1.1 billion in revenue and is highly fragmented and well suited for consolidation. We do not believe that any family law firm currently has an established national presence. This represents a significant opportunity for the Company to provide high quality legal advice in each state in Australia to people who have need for advice in respect to relationship issues, children or who have made the decision to separate. AFL's objective is to become the market leading provider of Family Law services in Australia.

As revealed in the Review of Operations below, AFL has continued its strong growth in revenues and underlying profitability during the 6 months ending 31 December 2019. It has continued its strategy to expand into additional targeted geographies through both organic growth, lateral hires and strategic acquisitions. This commenced during 2019, through the acquisition of Walls Bridges Lawyers in Mornington, Victoria and Nita Stratton Funk & Associates in Brisbane. More recently, AFL has expanded into Canberra with the opening of a new office with a lateral hire in January 2020. Canberra is a unique jurisdiction for family law underpinned by favourable demographics including a population of over 400,000 residents which earn the highest net weekly wages in Australia. In addition, AFL has strengthened its Brisbane office with an additional lateral hire in Queensland, the state with the highest divorce rates in Australia on a per capita basis. AFL continues to assess both organic, lateral hire and acquisitive growth opportunities nationwide. The launch of the next phase of its marketing and technology platform "AFL 2.0" is also expected to underpin further growth based on recent improved performance.

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 the company now 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.

Grant Dearlove
Executive Chairman

02 Director's 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 2019. 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:

Mr. Glen Dobbie

Mr. Grant Dearlove

Mr. Edward Finn

Mr Kevin Lynch (appointed on 22 October 2019)

Company Secretary

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

Alistair McKeough (resigned on 20 September 2019)

Maggie Niewidok (appointed on 20 September 2019)

Principal Activities

The Group's principal activity during the half-year was trading in the Family Law industry.

The Group's principal activity during the comparative half-year period, whilst operating as Navigator Resources Limited were:

- Conducting geochemical exploration activities at the Violet Gold Project in the Kookynie Goldfield, Western Australia;
- Evaluating several different potential opportunities in the mining and extractive industries; and
- Conducting due diligence and negotiating terms for the prospective acquisition of AF Legal Pty Ltd.

On 8 April 2019, the shareholders of Navigator Resources Limited resolved to change the nature and scale of the Company's activities, and subject to satisfaction of a number of conditions precedent, including the successful raising of funds under a Prospectus, to acquire AF Legal Pty Ltd. This denoted that the Company would no longer operate in the mineral exploration industry. On 30 May 2019 the acquisition of AF Legal Pty Ltd was completed and the Group commenced trading in the Family Law industry.

Review of Operations

AF Legal Pty Ltd (also known as Australian Family Lawyers) 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.

As revealed in the financial information below, the Group has continued its strong growth in revenues and underlying profitability during the 6 months ending 31 December 2019. It has continued its strategy to expand into additional targeted geographies through both organic growth, lateral hires and strategic acquisitions. This commenced during 2019, through the acquisition of Walls Bridges Lawyers in Mornington, Victoria and Nita Stratton Funk & Associates in Brisbane.

More recently, the Group has expanded into Canberra with the opening of a new office with a lateral hire in January 2020. Canberra is a unique jurisdiction for family law underpinned by favourable demographics including a population of over 400,000 residents which earn the highest net weekly wages in Australia. In addition, the Group has strengthened its Brisbane office with an additional lateral hire in Queensland, the state with the highest divorce rates in Australia on a per capita basis. The Group continues to assess both organic, lateral hire and acquisitive growth opportunities nationwide. The launch of the next phase of its marketing and technology platform "AFL 2.0" is also expected to underpin further growth based on recent improved performance.

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 and other professional services sectors.

AFL announced its 3 year strategy at its AGM in November 2019.

FY20	FY21	FY22
Launch AFL 2.0 (evolution of digital marketing platform) - #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	Consolidate outcomes from AFL 2.0 to turbo charge organic growth Expand into (3) new geographic regions Recruit (3) lateral hires Offshore non legal back of house functions Roll out new product offerings (e.g. online support)	Move into new "add-on" services (eg. funding) Expand into adjacent sectors (e.g. wills and estates) Assess larger scale acquisitions Assess new jurisdictions
Launch AFL 2.0	**Drive top-line**	**Build out platform**
Tracking ahead of schedule		

Statutory and Underlying Profitability

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

Key information	31 Dec 2019 $	31 Dec 2018 $	% change
Revenue from ordinary activities	3,305,779	0	n/a
Profit/(Loss) before interest, tax, depreciation and amortisation, adjusted for impairment	554,008	(202,972)	372.9%
Profit/(Loss) after tax from ordinary activities attributable to owners	127,122	(202,972)	162.6%

Directors' note that this is the first half year reporting period for the restructured AF Legal Group Limited. Directors also note the prior half-year (December 2018) results reflect the performance of an entity undertaking substantially different activities and are therefore not considered relevant to an assessment of comparative performance.

Directors estimate that had:

- the results of AF Legal Pty Ltd been included in the group results on a pro forma basis for the entire comparative period rather than from the point of acquisition; and
- any non-recurring, one off or unusual costs not been incurred,

the consolidated comparatives and any relevant reconciliation from statutory to underlying profit for the half year ending 31 December 2019 is shown below. These are director estimates that have not been subject to external review. The Directors consider that underlying numbers provide a better understanding of the underlying performance of the business.

$m (consolidated)	Reported[1]	Adjustments[2]	Underlying[3]	Change on Prior Year[4]
Revenue	3.31	-	3.31	+32%
EBITDA (excl. HO)[5]	1.06	0.06	1.12	+41%
EBITDA (excl. HO)[5] margin (%)	32%	n/a	34%	+2%
EBITDA	0.55	0.08	0.63	+15%
NPATA[6]	0.25	0.05	0.30	vs ($0.20m)

Notes:

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5. EBITDA (excl. HO) adjusts the reviewed accounts for the six months period ending 31 December 2019 to include the removal of non-recurring or unusual costs, removal of head office costs and costs associated with being listed on the ASX
6. NPATA means net profit after tax before amortisation
7. Contributions from the acquisitions of Walls Bridges Lawyers and Nita Stratton Funk & Associates are included from the time of acquisition

Subsequent Events

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 Company to affect significantly the operations of the company, results of those operations, or the state of affairs of the Company, in subsequent years.

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
25 February 2020

03 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 2019 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

- 50% of its management staff are female
- 77% of its fee earning staff are female
- 79% of all of its staff are female.

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

04 Auditor's Independence Declaration

PKF Brisbane Audit

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019, 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

SHAUN LINDEMANN
PARTNER

BRISBANE
DATE: 25 FEBRUARY 2020

PKF Brisbane Audit
ABN 33 873 151 348

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05 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 2019

	Note	31 Dec 2019 $	31 Dec 2018 $
Revenue	3	3,306,102	1,394
Expenses			
Employee benefits expense		1,639,477	-
Advertising & marketing expense		165,657	-
Administrative expense		153,560	2,674
Other expenses	4	770,577	174,574
Interest expense		34,085	-
Share based payment expense	5	22,823	-
Depreciation and amortisation expense		281,041	-
Impairment loss		-	27,118
Profit/(Loss) before income tax		**238,882**	**(202,972)**
Income tax expense	6	111,760	-
Profit/(Loss) for the year		127,122	(202,972)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**127,122**	**(202,972)**
Earnings per share for profit / (loss) attributable to the ordinary equity holders of the Company:			
Basic earnings / (loss) per share (cents)	7	0.21	(1.11)
Diluted earnings / (loss) per share (cents)	7	0.21	(1.11)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	31 Dec 2019 $	30 Jun 2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		491,311	1,050,406
Trade and other receivables		2,166,555	2,002,231
Other current assets		97,634	56,031
TOTAL CURRENT ASSETS		**2,755,500**	**3,108,668**
NON CURRENT ASSETS			
Deferred tax assets		440,312	125,602
Plant and equipment		61,132	38,426
Intangible assets	8	6,690,312	6,644,390
Right of use assets	9	912,542	-
TOTAL NON CURRENT ASSETS		**8,104,298**	**6,808,418**
TOTAL ASSETS		**10,859,798**	**9,917,086**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		865,041	1,129,458
Current tax liabilities		357,247	370,814
Deferred consideration		600,000	600,000
Borrowings		11,439	281,578
Provision for employee benefits		118,748	79,839
Lease liabilities	10	308,878	-
TOTAL CURRENT LIABILITIES		**2,261,353**	**2,461,689**
NON CURRENT LIABILITIES			
Provision for employee benefits		24,094	19,579
Deferred tax liabilities		667,177	305,467
Lease liabilities	10	626,878	-
TOTAL NON CURRENT LIABILITIES		**1,318,149**	**325,046**
TOTAL LIABILITIES		**3,579,502**	**2,786,735**
NET ASSETS		**7,280,296**	**7,130,351**
EQUITY			
Issued capital		122,905,429	122,905,429
Accumulated losses		(115,647,956)	(115,775,078)
Reserves		22,823	-
TOTAL EQUITY		**7,280,296**	**7,130,351**

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2019

	Note	Issued capital $	Accumulated losses $	Share based payment reserve $	Total $
Balance at 1 July 2018		**115,267,665**	**(114,571,293)**	**-**	**696,372**
Comprehensive income					
Profit/(Loss) for the period		-	(202,972)	-	(202,972)
Total comprehensive income		**-**	**(202,972)**	**-**	**(202,972)**
Transactions with owners in their capacity as owners and other transfers					
Issue of shares		-	-	-	-
Total transactions with owners and other transfers		**-**	**-**	**-**	**-**
Balance at 31 December 2018		**115,267,665**	**(114,774,265)**	**-**	**493,400**
Balance at 1 July 2019		**122,905,429**	**(115,775,078)**	**-**	**7,130,351**
Comprehensive income					
Profit/(Loss) 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	5	-	-	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**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2019

	31 Dec 2019 $	31 Dec 3018 $
Cash Flows from Operating Activities		
Receipts from customers	3,472,033	-
Payments to suppliers and employees	(3,336,634)	(173,987)
Interest received	323	1,394
Interest expense	(34,085)	-
Income tax paid	(78,327)	-
Net cash provided by/(used in) operating activities	**23,310**	**(172,593)**
Cash Flows from Investing Activities		
Purchase of fixed assets	(41,529)	-
Payment for internally developed intangible assets	(167,008)	-
Net cash provided by/(used in) investing activities	**(208,537)**	**-**
Cash Flows from Financing Activities		
Repayment of lease liabilities	(103,729)	-
Payments of borrowings	(270,139)	-
Net cash provided by/(used in) financing activities	**(373,868)**	**-**
Net increase/(decrease) in cash and cash equivalents	**(559,095)**	**(172,593)**
Cash and cash equivalents at the beginning of the financial period	1,050,406	699,450
Cash and cash equivalents at the end of the financial period	**491,311**	**526,857**

The accompanying notes form part of these financial statements

05 Financial Report

Notes to the Financial Statements
For the half year ended 31 December 2019

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 24 February 2020 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 2019 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 2019 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.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminate the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. Due to the approach adopted there has been no impact to opening retained earnings as at 1 July 2019.

The following is a reconciliation of total operating lease commitments at 30 June 2019 (as disclosed in the financial statements to 30 June 2019) to the lease liabilities recognised at 1 July 2019:

	$
Total operating lease commitments disclosed at 30 June 2019	828,285
Recognition exemptions:	
Leases with remaining lease term of less than 12 months	(8,580)
Operating lease liabilities before discounting	819,705
Discount using incremental borrowing rate	(26,537)
Operating lease liabilities	793,168
Reasonably certain extension options	-
Total lease liabilities recognised under AASB 16 at 1 July 2019	793,168

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

2. Critical Accounting Judgements and Key Accounting Estimates and Assumptions

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates:

a) Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the assets is determined.

Key judgements:

b) Provision for impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 9 with an 'expected credit loss' (ECL) model. The new impairment model applies to the Group in relation to financial assets classified at amortised cost, being the Group's trade receivables. Based on the Group's assessment of historical provision rates, there is no material financial impact on the impairment provisions on adoption of this standard and no adjustment to retained earnings is required. For the current period, the Group has elected to measure loss allowances on trade receivables using a life-time expected loss model. The Group has also used the practical expedient of a provisions matrix using a single loss rate approach to approximate the expected credit losses. These provisions are considered representative across all business and geographical segments of the group based on historical credit loss experience.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

3. Revenue

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Legal fees	3,305,779	-
Interest income	323	1,803
	3,306,102	**1,803**

4. Other expenses

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Cost of sales	276,296	-
Compliance costs	254,931	40,606
Others	239,350	133,968
	770,577	**174,574**

5. Share based payment expense

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Share based payment expense	22,823	-
	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 $0.00 per performance right for one fully paid share, expiring on 4 December 2022. 2,025,000 performance rights have a milestone date of 30 June 2020 and the remaining 2,025,000 performance rights have a milestone date of 30 June 2021.

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 $22,823, based on the valuation of performance rights with milestone date of 30 June 2020 at 3.75 cents per share and valuation of performance rights with milestone date of 30 June 2021 at 11.24 cents per share. The valuation was done using the Black Scholes option methodology.

6. 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 2019 is 27.5%, compared to 30% for the six months ended 31 December 2018. The Group's tax rate status was assessed at 30 June 2019, and the aggregated turnover for the year was below the $50 million threshold hence the base rate entity status change.

	Consolidated	
	31 Dec 2019 $	31 Dec 2018 $
Current tax on profit for this half year	78,461	-
Deferred tax	33,299	-
	111,760	-

7. Earnings per share

	Consolidated	
	31 Dec 2019 cents	31 Dec 2018 cents
Basic earnings/(loss) per share	0.21	(1.11)
Diluted earnings/(loss) per share	0.20	(1.11)
	$	$

Profit/(Loss) attributable to the owners of the Group	127,122	(202,972)

	Consolidated	
	31 Dec 2019 No.	31 Dec 2018 No.
Weighted average number of ordinary shares used in calculating:		
Basic earnings/(loss) per share	60,097,008	18,223,695
Diluted earnings/(loss) per share	60,713,312	18,223,695

On 12 April 2019 the Company undertook a share consolidation of 1 ordinary share for every 20 on issue. The number of shares used in calculating basic and diluted earnings/(loss) per share has been adjusted retrospectively for the periods presented.

8. Intangible Assets

	Consolidated	
	31 Dec 2019 $	30 Jun 2019 $
Goodwill		
Opening balance	5,453,687	-
Goodwill from business combinations	-	5,453,687
Net carrying amount	**5,453,687**	**5,453,687**
Intellectual Property		
At cost	1,210,883	-
Additions from business combinations	-	1,210,883
Less: Accumulated amortisation	(141,267)	(20,181)
Net carrying amount	**1,069,616**	**1,190,702**
Website		
At cost	167,008	-
Less: Accumulated amortisation	-	-
Net carrying amount	167,008	-
Total intangible assets	**6,690,312**	**6,644,389**

9. Right of use assets

	Consolidated	
	31 Dec 2019 $	**30 June 2019 $**
Right of use assets	1,053,675	-
Less: Accumulated depreciation	(141,133)	-
	912,542	-

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

10. Lease liability

	Consolidated	
	31 Dec 2019 $	**30 Jun 2019 $**
Current	308,878	-
Non-current	626,878	-
	935,756	-

Change in lease liabilities during the half-year period breakdown as follows:

	Total $
As of 1 July 2019	793,168
New lease commitments entered during the period	269,254
Interest expense	(22,937)
Lease repayments	(103,729)
As of 31 December 2019	**935,756**

11. 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 2019 %	Ownership interest 30 Jun 2019 %
AF Legal Pty Ltd	Australia	100	100%

12. Events after the Reporting Period

There has not arisen in the interval between the end of the 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

06 Directors' Declaration

affect significantly the operations of the group, results of those operations, or the state of affairs of the group, in subsequent years.

In the Directors' opinion:

1. The attached financial statements and notes, as set out on pages 10 to 21 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 2019 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
Chairman

Edward Finn
Chief Executive Officer

07 Independent Auditor's Report

PKF Brisbane Audit

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") and its controlled entity ("the Group"), which comprises the consolidated balance sheet as at 31 December 2019, and the consolidated statement of 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 Group, 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 Group's financial position as at 31 December 2019, 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.

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PKF Brisbane Audit

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 Group's financial position as at 31 December 2019 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

SHAUN LINDEMANN
PARTNER

25 FEBRUARY 2020
BRISBANE

08 Corporate Directory

Board of Directors

Mr Grant Dearlove	Executive Chairman
Mr Edward Finn	Managing Director
Mr Glen Dobbie	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