



**HALF YEARLY RESULTS**  
**31 DECEMBER 2016**

## 1. Company details

Name of entity: JustKapital Limited  
 ABN: 72 088 749 008  
 Reporting period: For the half-year ended 31 December 2016  
 Previous period: For the half-year ended 31 December 2015

## 2. Results for announcement to the market

			<b>\$'000</b>
Revenues from ordinary activities	up	5519.6% to	7,755
Loss from ordinary activities after tax attributable to the owners of JustKapital Limited	down	82.3% to	(377)
Loss for the half-year attributable to the owners of JustKapital Limited	down	82.3% to	(377)
			<b>31 Dec 2016    31 Dec 2015</b> <b>Cents               Cents</b>
Basic loss per share			(0.32)      (2.04)
Diluted loss per share			(0.32)      (2.04)

## Dividends

There were no dividends paid, recommended or declared during the current financial period.

### Comments

The loss for the Group after providing for income tax amounted to \$377,000 (31 December 2015: \$2,128,000).

For further commentary, refer to 'Review of operations' within the Directors' report of the Interim Financial Report.

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	4.16	0.09

#### 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

*Current period*

There were no dividends paid, recommended or declared during the current financial period.

*Previous period*

There were no dividends paid, recommended or declared during the previous financial period.

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**7. Dividend reinvestment plans**

Not applicable.

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**8. Details of associates and joint venture entities**

The Group has a material joint operation with Longford Capital Management LP (Longford Capital) where the Group co-invests with Longford Capital in litigation funding. The joint operation is funding one case in the United States and 6 cases in Australia on a 50:50 basis. The Group is entitled to its proportionate share of the Litigation Contracts in progress income received and bears a proportionate share of the joint operation's investment in cases. The total investment in all co-funded cases as at 31 December 2016 was \$4,638,000 (30 June 2016: \$656,000).

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**9. Foreign entities**

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

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**10. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

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**11. Attachments**

*Details of attachments (if any):*

The Interim Financial Report of JustKapital Limited for the half-year ended 31 December 2016 is attached.

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**12. Signed**



Signed \_\_\_\_\_

Date: 24 February 2017

Philip Kapp  
Chairman  
Sydney

# **JustKapital Limited**

**(Formerly known as JustKapital Litigation Partners Limited)**

**ABN 72 088 749 008**

## **Interim Financial Report - 31 December 2016**

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Directors	Philip Kapp - Executive Chairman and Managing Director Tim Storey - Non-Executive Director Mike Hill - Non-Executive Director
Company secretary	Diane Jones
Registered office	Level 16 56 Pitt Street Sydney NSW 2000 Tel: +61 2 9696 0220 Fax: +61 2 9252 3430
Share register	Link Market Services Limited Level 4 152 St George Terrace Perth WA 6000 Tel: 1300 554 474 Fax: +61 2 9287 0303
Auditor	Stantons International Level 2 1 Walker Avenue West Perth WA 6005
Solicitors	Corrs Chambers Westgarth Level 17 8-12 Chiefly Square Sydney NSW 2000
Stock exchange listing	JustKapital Limited shares are listed on the Australian Securities Exchange (ASX code: JKL)
Website	<a href="http://www.justkapital.com.au">www.justkapital.com.au</a>

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of JustKapital Limited (formerly known as JustKapital Litigation Partners Limited) (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

### **Directors**

The following persons were directors of JustKapital Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Philip Kapp  
Tim Storey  
Michael Hill

### **Nature of operations and principal activities**

During the financial half-year the principal continuing activities of the Group consisted of:

- Litigation funding;
- Disbursement funding;
- Insurance broking; and
- Short term finance.

#### Litigation funding

The litigation funding division provides investigation and management services, as well as providing finance to claimants to progress a piece of litigation. These services and funding are provided pursuant to a contract with a claimant. The Group does not provide legal advice to any claimant. The key business driver is to manage and fund the litigation to a successful conclusion. If the litigation is successful, the Group earns a fee and will also be reimbursed the costs paid to progress the litigation, both of which are payable from the sums recovered in the litigation. The fee is generally a percentage of the settlement or judgment proceeds. If the litigation is unsuccessful the Group does not generate any income. In certain jurisdictions the litigation funding agreement contains an undertaking to the contracted parties that the Group will pay any adverse costs ordered in respect of the costs incurred by the defendant(s) during the period of funding.

In any given financial period the profitability of the litigation funding business is dependent upon the outcome of funded cases resolved in that year. However, the successful completion of a case and the timing of that completion is not ultimately within the Group's control. Legislative, regulatory, judicial and policy changes may have an impact on future profitability. The Group plans to have a mix of cases that it is funding. The Group provides updates on its cases to the Australian Securities Exchange ('ASX') on a regular basis, however, specific details concerning individual cases cannot be provided to ensure client confidentiality. The Group also provides the ASX with information if a case has completed.

#### Disbursement funding

The disbursement funding division finances the legal disbursements required by lawyers to progress their clients' claims which the client generally cannot fund themselves. The Group does not fund the legal fees related to the case. The Group charges a mark-up on the disbursement costs paid and immediately invoices the law firm once those costs are paid. The Group's invoice becomes payable upon settlement or judgement of the underlying case and does not depend upon the outcome of the underlying case. However, discounts may be provided from the invoiced cost if the case concludes quickly or in other exceptional circumstances. The key business driver of the disbursement funding business is to ensure that the law firm client progresses the case within normal parameters.

In any given financial period the profitability of the disbursement funding business is dependent upon revenue and discount levels. Legislative, regulatory, judicial and policy changes may have an impact on future profitability.

#### Insurance broking division

This division provides insurance broking services for adverse costs order insurance. This division was established in September 2016.

#### Short term finance division

This division provides short term working capital finance to law firms. This division was established in July 2016.

### **Review of operations**

The loss for the Group after providing for income tax amounted to \$377,000 (31 December 2015: \$2,128,000).

This is a substantial improvement over the loss incurred in the financial half-year ended 31 December 2015, and the year ended 30 June 2016. The improvement is mainly as a result of the Disbursement funding division. Whilst the Litigation funding division has not generated any income in the financial half-year, the Group expects at least one case to conclude by 30 June 2017. As the other operating divisions have recently been established, these divisions are expected to generate a small profit for the year ending 30 June 2017.

### Significant changes in the state of affairs

#### *Convertible bonds*

On 15 July 2016, the Group successfully raised \$5,000,000 in additional capital by issuing 50,000 convertible bonds, each with a face value of \$100.

#### *Litigation funding portfolio*

On 11 July 2016, the Group acquired the litigation funding portfolio of five cases for \$3,200,000. The purchase price was paid in cash and ordinary shares. The cash component was \$500,000 paid at settlement and \$500,000 is payable upon the successful resolution of one of the cases within the portfolio. The share component was 7,333,333 ordinary shares with an agreed issue price of \$0.30 per share. The shares are escrowed until the resolution of two cases in the portfolio.

This portfolio has been co-funded with the Group's joint venture partner Longford Capital on a 50:50 basis.

The seller is also entitled to receive 50% of all proceeds over \$4,000,000 from the "free carry" component of the litigation funding agreements. The "free carry" component ranges between 10% and 15% of the proceeds from each of the cases within the portfolio.

#### *Board changes*

On 1 November 2016, Michael Hill and Tim Storey moved from Executive Directors to Non-Executive Directors as the Group has matured enough that both directors believe that the Group is well placed to pursue its growth and profitability objectives. Philip Kapp also assumed the role of Managing Director and remains Chairman of the Board.

#### *Change of company name*

On 6 December 2016, the Company changed its name from JustKapital Litigation Partners Limited to JustKapital Limited. The ASX code remained unchanged as JKL.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

### 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

A copy of 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



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Philip Kapp  
Chairman

24 February 2017  
Sydney



24 February 2017

Board of Directors  
JustKapital Limited  
Suite 2, Level 16  
56 Pitt Street  
Sydney NSW 2000

Dear Sirs

**RE: JUSTKAPITAL LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of JustKapital Limited.

As Audit Director for the review of the financial statements of JustKapital Limited for the period ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(Authorised Audit Company)**



**Martin Michalik**  
**Director**

**JustKapital Limited**  
**(Formerly known as JustKapital Litigation Partners Limited)**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2016**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Revenue		8,227	-
Discounts and other write-downs		(576)	-
Financing component unwind		(34)	-
Net revenue		7,617	-
Disbursement funding costs and other costs of goods sold		(4,152)	-
Gross margin		3,465	-
Other income	4	138	138
<b>Expenses</b>			
Employee benefits expense		(1,091)	(504)
Administration and other expenses		(1,160)	(1,175)
Business purchase expenses		(475)	(587)
Finance costs		(1,225)	-
<b>Loss before income tax expense</b>		<b>(348)</b>	<b>(2,128)</b>
Income tax expense		(29)	-
<b>Loss after income tax expense for the half-year attributable to the owners of JustKapital Limited</b>		<b>(377)</b>	<b>(2,128)</b>
Other comprehensive profit for the half-year, net of tax		-	-
<b>Total comprehensive loss for the half-year attributable to the owners of JustKapital Limited</b>		<b>(377)</b>	<b>(2,128)</b>
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	19	(0.32)	(2.04)
Diluted loss per share	19	(0.32)	(2.04)

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

		Consolidated	
	Note	31 Dec 2016 \$'000	30 Jun 2016 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1,871	5,568
Trade and other receivables	6	18,010	11,489
Prepayments		95	100
Total current assets		19,976	17,157
<b>Non-current assets</b>			
Trade and other receivables	7	5,156	3,720
Investments held in joint operations		2,864	656
Property, plant and equipment		240	124
Goodwill		5,943	5,943
Other intangibles	8	5,093	999
Deferred tax		3,022	3,051
Total non-current assets		22,318	14,493
<b>Total assets</b>		42,294	31,650
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	1,820	1,421
Borrowings	10	15,208	10,399
Provisions		95	582
Deferred consideration	11	1,500	3,000
Total current liabilities		18,623	15,402
<b>Non-current liabilities</b>			
Borrowings	12	7,400	2,400
Total non-current liabilities		7,400	2,400
<b>Total liabilities</b>		26,023	17,802
<b>Net assets</b>		16,271	13,848
<b>Equity</b>			
Issued capital	13	21,523	18,723
Reserves	14	1,301	1,301
Accumulated losses		(6,553)	(6,176)
<b>Total equity</b>		16,271	13,848

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

JustKapital Limited  
(Formerly known as JustKapital Litigation Partners Limited)  
Statement of changes in equity  
For the half-year ended 31 December 2016



Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2015	15,723	1,155	(4,833)	12,045
Loss after income tax expense for the half-year	-	-	(2,128)	(2,128)
Other comprehensive profit for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(2,128)	(2,128)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	7	-	7
Balance at 31 December 2015	15,723	1,162	(6,961)	9,924

  

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016	18,723	1,301	(6,176)	13,848
Loss after income tax expense for the half-year	-	-	(377)	(377)
Other comprehensive profit for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(377)	(377)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	2,800	-	-	2,800
Balance at 31 December 2016	21,523	1,301	(6,553)	16,271

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

**JustKapital Limited**  
**(Formerly known as JustKapital Litigation Partners Limited)**  
**Statement of cash flows**  
**For the half-year ended 31 December 2016**



	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	5,140	-
Payments to suppliers and employees	(13,175)	(1,316)
	(8,035)	(1,316)
Interest received	33	138
Interest and other finance costs paid	(252)	-
Net cash outflow from operating activities	(8,254)	(1,178)
<b>Cash flows from investing activities</b>		
Payments for new joint venture capital invested	(2,208)	-
Payments for property, plant and equipment	(149)	(10)
Payments for other intangibles	(18)	-
Payments for litigation funding and employee costs	(877)	(483)
Payments from litigation funding - reimbursements	-	364
Payments of deferred consideration on previous business	(2,000)	-
Net cash outflow from investing activities	(5,252)	(129)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings - disbursement funding division	6,260	-
Proceeds from borrowings - corporate	3,000	-
Proceeds from issue of convertible notes	5,000	-
Repayment of borrowings	(4,451)	-
Net cash inflow financing activities	9,809	-
Net decrease in cash and cash equivalents	(3,697)	(1,307)
Cash and cash equivalents at the beginning of the financial half-year	5,568	11,295
Cash and cash equivalents at the end of the financial half-year	<u>1,871</u>	<u>9,988</u>

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

## Note 1. General information

The financial statements cover JustKapital Limited (formerly known as JustKapital Litigation Partners Limited) as a Group consisting of JustKapital Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is the functional and presentation currency of JustKapital Limited.

JustKapital Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 16  
56 Pitt Street  
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2017.

## Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 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 2016 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, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2016 and are not expected to have any significant impact for the full financial year ending 30 June 2017.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

## Note 3. Operating segments

### Identification of reportable operating segments

The Group is organised into three operating segments: (i) litigation funding; (ii) disbursement funding and (iii) other. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. 'Other' represents the aggregation of the insurance broking and short term finance divisions.

Geographically, all divisions operate in Australia. The litigation funding business also operates in the United States, and believes the following countries as being favourable to litigation funding: New Zealand, Hong Kong, Singapore, United Kingdom, Canada and some European countries.

### Note 3. Operating segments (continued)

#### Operating segment information

	Disbursement funding \$'000	Litigation funding \$'000	Other segments \$'000	Total \$'000
<b>Consolidated - 31 Dec 2016</b>				
<b>Revenue</b>				
Net revenue	7,617	-	-	7,617
Other revenue	2	3	133	138
<b>Total revenue</b>	<b>7,619</b>	<b>3</b>	<b>133</b>	<b>7,755</b>
<b>Segment result</b>	<b>1,615</b>	<b>(2,016)</b>	<b>53</b>	<b>(348)</b>
<b>Profit/(loss) before income tax expense</b>	<b>1,615</b>	<b>(2,016)</b>	<b>53</b>	<b>(348)</b>
Income tax expense				(29)
<b>Loss after income tax expense</b>				<b>(377)</b>
<b>Assets</b>				
Segment assets	25,362	16,139	793	42,294
<b>Total assets</b>				<b>42,294</b>
<b>Liabilities</b>				
Segment liabilities	16,012	10,011	-	26,023
<b>Total liabilities</b>				<b>26,023</b>
<b>Consolidated - 31 Dec 2015</b>				
<b>Revenue</b>				
Other revenue	-	138		138
<b>Total revenue</b>	<b>-</b>	<b>138</b>		<b>138</b>
<b>Segment result</b>	<b>-</b>	<b>(2,128)</b>		<b>(2,128)</b>
<b>Loss before income tax expense</b>	<b>-</b>	<b>(2,128)</b>		<b>(2,128)</b>
Income tax expense				-
<b>Loss after income tax expense</b>				<b>(2,128)</b>
<b>Consolidated - 30 Jun 2016</b>				
<b>Assets</b>				
Segment assets	25,478	6,172		31,650
<b>Total assets</b>				<b>31,650</b>
<b>Liabilities</b>				
Segment liabilities	16,647	1,155		17,802
<b>Total liabilities</b>				<b>17,802</b>

### Note 4. Other income

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest income	138	138

**Note 5. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	1,716	5,462
Short term cash deposits	155	106
	<u>1,871</u>	<u>5,568</u>

Short term cash deposits are used as security. Refer to note 17.

**Note 6. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	16,662	15,854
Financing component	(978)	(1,617)
Less: Provision for impairment of receivables	<u>(1,717)</u>	<u>(2,800)</u>
	13,967	11,437
Other receivables	<u>4,043</u>	<u>52</u>
	<u>18,010</u>	<u>11,489</u>

Other receivables include amounts due to the Group from its joint venture partner for its share of investments made in co-funded cases. \$2,590,000 was received in January 2017.

Apart from the provision for impairment noted above, there are no other receivables that are considered past due.

**Note 7. Non-current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	5,778	4,518
Less: Provision for impairment of receivables	<u>(622)</u>	<u>(798)</u>
	<u>5,156</u>	<u>3,720</u>



**Note 8. Non-current assets - other intangibles**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Website - at cost	18	-
Less: Accumulated amortisation	(1)	-
	<u>17</u>	<u>-</u>
Litigation contracts in progress - capitalised external costs	4,602	688
Litigation contracts in progress - capitalised internal costs	474	311
	<u>5,076</u>	<u>999</u>
	<u>5,093</u>	<u>999</u>

**Note 9. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade and other payables	1,172	298
Accruals	474	976
Goods and services tax payable	146	68
Superannuation	28	79
	<u>1,820</u>	<u>1,421</u>

**Note 10. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Assetsecure Pty Limited loan	12,208	10,399
Lucerne Composite Master Fund loan	3,000	-
	<u>15,208</u>	<u>10,399</u>

*Assetsecure Pty Limited loan*

The loan facility is \$20,000,000 and is repayable on demand, notwithstanding the facility expires on 22 January 2019. Interest, line fees and management fees payable total 13.5% per annum.

The facility is subject to a number of covenants. A breach of a covenants may require the Group to repay the loan earlier. No covenants have been breached as at 31 December 2016.

*Lucerne Composite Master Fund loan*

The loan facility is \$5,000,000 and is repayable on 8 November 2017. Interest, line fees and management fees payable total 16.75% per annum.

#### Note 11. Current liabilities - deferred consideration

	Consolidated	
	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Deferred consideration	1,500	3,000

\$1,000,000 (30 June 2016: \$3,000,000) relates to deferred consideration for the acquisition of the Macquarie Medico Legal business and is payable on 30 June 2017. \$500,000 (30 June 2016: \$Nil) relates to the acquisition of the litigation funding portfolio and is payable on the successful resolution of one of the cases within the portfolio.

#### Note 12. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Vendor loan	2,400	2,400
Convertible bonds payable	5,000	-
	7,400	2,400

##### *Vendor loan*

The loan is repayable on 22 January 2018. Interest is payable at 7.5% per annum.

##### *Convertible bonds payable*

On 15 July 2016, the Company issued 50,000 convertible bonds, each with a face value of \$100. The total consideration received from the convertible bonds was \$5,000,000. The bonds mature on 16 July 2018. Interest payments are cumulative and payable at 11.5% per annum, quarterly in arrears. The bonds are convertible into ordinary shares of the Company at the option of the holder prior to their maturity. The holder can elect to convert prior to maturity date by providing notice only after the company's next annual general meeting. The conversion price, if such an election is made, is \$0.30 per ordinary share, or 80% of the issue price of any future equity issued should the issue price be lower than \$0.30 per ordinary share.

If more than 50% of the convertible bonds convert within six months of the Company's annual general meeting and the lead investor issues an option request upon the Company, the Company must issue 10,000,000 unlisted options for nil consideration with a three-year maturity date to the holders on a pro-rated basis. Any options issued will have an exercise price of \$0.50 per share.

The Company has a right to redeem the bonds earlier than their maturity date at a 10% premium to face value. With the agreement of the Company, the bond holders may partially or fully apply the redemption amount to subscribe for ordinary shares at a price that represents a 10% discount to a 5-day volume weighted average price ('VWAP') determined by the holder within the previous 90 days.

#### Note 13. Equity - issued capital

	Consolidated			
	31 Dec 2016 Shares	30 Jun 2016 Shares	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Ordinary shares - fully paid	125,813,124	115,563,124	21,523	18,723

### Note 13. Equity - issued capital (continued)

#### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2016	115,563,124		18,723
Issue of shares	28 October 2016	166,667	\$0.30	50
Issue of shares *	28 October 2016	1,250,000	\$0.20	250
Issue of shares *	22 December 2016	1,500,000	\$0.20	300
Issue of shares as consideration on acquisition of litigation funding portfolio	22 December 2016	7,333,333	\$0.30	2,200
Balance	31 December 2016	<u>125,813,124</u>		<u>21,523</u>

\* Shares granted prior to 15 July 2016.

### Note 14. Equity - reserves

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Share-based payments reserve	<u>1,301</u>	<u>1,301</u>

#### Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

### Note 15. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

### Note 16. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

### Note 17. Contingent liabilities

#### Bank guarantees

The Group has given bank guarantees as at 31 December 2016 of \$155,000 (30 June 2016: \$105,000) to various landlords. The guarantees are secured by an offset arrangement with the short term cash deposits.

## Note 17. Contingent liabilities (continued)

### *Litigation funding agreements*

In certain jurisdictions litigation funding agreements contain an undertaking from the Group that it will pay adverse costs awarded to the successful party in respect of costs incurred during the period of funding, should the client's litigation be unsuccessful. It is not possible to predict in which cases such an award might be made or the quantum of such awards. In general terms an award of adverse costs to a defendant will approximate 70% of the amount paid by the plaintiff to pursue the litigation (although in some cases there may be more than one defendant). Accordingly, an estimate of the total potential adverse costs exposure of the Group which has accumulated from time to time may be made by assuming all cases are lost, that adverse costs equal 70% of the amount spent by the plaintiff and that there is only one defendant per case.

At 31 December 2016 the total amount spent by the Group where undertakings to pay adverse costs have been provided was \$4,670,000 (30 June 2016: \$616,000). The potential adverse costs orders using the above methodology would amount to \$3,269,000 (30 June 2016: \$431,000). The Group does not currently expect that any of the matters will be unsuccessful. The Group has obtained adverse costs order insurance for these matters which should respond if any matter is unsuccessful and an adverse costs order is payable.

### *Earn out - Macquarie Medico Legal business*

The seller of the Macquarie Medico Legal business, which was acquired by the Group on 22 January 2016, is entitled to earn-out consideration, capped at \$14,000,000 in aggregate. Any earn-out will be paid in equal proportions of cash and shares, with shares being issued at \$0.40, \$0.50 and \$0.60 for years 1, 2 and 3 respectively. The earn out is calculated as follows:

Year 1: 40% of the profits before tax of the acquired business in excess of \$4,000,000;

Year 2: \$1,000,000 if the profit before tax is greater than \$5,000,000, plus 40% of the profits before tax of the acquired business in excess of \$5,000,000; and

Year 3: 40% of the profits before tax of the acquired business in excess of \$6,250,000.

### *Earn out - Litigation funding portfolio*

The seller of the Litigation funding portfolio, which was acquired by the Group on 11 July 2016, is entitled to receive 50% of all proceeds over \$4,000,000 from the "free carry" component of the litigation funding agreements. The "free carry" component ranges between 10% and 15% of the proceeds from each of the cases within the portfolio.

## Note 18. Non-cash investing and financing activities

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Acquisition of liquidation funding portfolio by deferred consideration	500	-
Acquisition of liquidation funding portfolio by issuance of shares	2,200	-
	<u>2,700</u>	<u>-</u>

## Note 19. Earnings per share

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Loss after income tax attributable to the owners of JustKapital Limited	<u>(377)</u>	<u>(2,128)</u>

**Note 19. Earnings per share (continued)**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	116,543,649	104,229,791
Weighted average number of ordinary shares used in calculating diluted earnings per share	116,543,649	104,229,791
	Cents	Cents
Basic loss per share	(0.32)	(2.04)
Diluted loss per share	(0.32)	(2.04)

13,474,231 (31 December 2015: 11,974,231) options and the 50,000 (31 December 2015: nil) convertible bond holders have been excluded from the diluted earnings calculation as they are anti-dilutive for the financial half-year.

**Note 20. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- 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;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- 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 directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Philip Kapp  
Chairman

24 February 2017  
Sydney

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF  
JUSTKAPITAL LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of JustKapital Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for JustKapital Limited (the consolidated entity). The consolidated entity comprises both JustKapital Limited (the Company) and the entities it controlled during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of JustKapital Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 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 2016 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*. As the auditor of JustKapital Limited, 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of JustKapital Limited on 24 February 2017.

*Conclusion*

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 JustKapital 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 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
**Director**

West Perth, Western Australia  
24 February 2017



