

SHINE CORPORATE LTD AND CONTROLLED ENTITIES

ABN: 93 162 817 905

**Financial report for the half-year ended
31 December 2016**

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SHINE CORPORATE LTD DIRECTORS' REPORT

Your Directors present their report, together with the consolidated interim financial report of the Group, being Shine Corporate Ltd ("the Company") and its controlled entities (collectively known as "the Group") for the half year ended 31 December 2016.

DIRECTORS

The names of the Company's Directors in office during the half year end and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Tony Bellas (Non-Executive Director)
Carolyn Barker AM (Non-Executive Director)
Gregory Moynihan (Non-Executive Director)
Simon Morrison (Executive Director to 29 December 2016, appointed Managing Director 30 December 2016)
Courtney Petersen (Executive Director to 23 August 2016, appointed Managing Director 24 August 2016, resigned 29 December 2016)

REVIEW AND RESULTS OF OPERATIONS

Revenue

Consolidated revenue and other income for the half year was \$73,955,000 (31 December 2015: \$64,038,000), representing an increase of 15.5%. However, the 31 December 2015 result included a combination of above average write-offs in the period and the recognition of additional provisions against work in progress ("WIP") of \$14,432,000. On a like-for-like basis, revenue has declined from \$78,470,000 to \$73,955,000. The net decline in revenue is due to the lower than anticipated results in parts of the business including the Energy and Resources practice as outlined in the ASX market update dated 19 December 2016. See note 6 to the financial statements for full details.

Expenses

Total expenses increased by \$6,296,000 (9.8%) from \$64,464,000 to \$70,760,000. Included in the increase is impairment of goodwill of \$5,000,000 within the Energy and Resources practice as described in the ASX market update dated 19 December 2016.

Employee benefits expense increased by \$3,210,000 (8.6%), from \$37,446,000 to \$40,656,000, reflecting the inclusion of acquired subsidiaries for the full period compared to the previous period, increased management and supervision in Shine Lawyers in the current period compared to the prior comparative period and redundancy costs incurred as a result of rebalancing resources to better match capacity with available work.

Results - Net Profit after Income Tax

The consolidated net profit after income tax from continuing operations for the half year was \$3,917,000 (31 December 2015: \$1,331,000).

Results - Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment (EBITDAI)

The reconciliation of Net Profit after Income Tax to EBITDAI is as follows:

	31-Dec-16		31-Dec-15	
	\$000s		\$000s	
Net profit after income tax	3,917		1,331	
Add back:				
Financing costs	1,324		1,496	
Depreciation and amortisation	768		1,136	
Goodwill impairment	5,000	7,092	-	2,632
Subtract:				
Income Tax benefit	(722)		(1,757)	
Interest revenue	(95)	(817)	(122)	(1,879)
EBITDAI *	10,192		2,084	
Add back:				
Additional WIP and disbursements provisions	-	-	16,559	16,559
EBITDAI normalised *	10,192		18,643	

* Statutory EBITDAI is a non-IFRS measure that is not a calculation which appears in the Financial Statements and, accordingly, has not been audited.

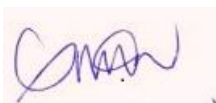
Dividends

The Board of Directors declared an interim unfranked ordinary dividend of 0.6 cents per share on 27 February 2017 (2015: nil).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act in relation to the review of the half year report is provided with this report.

Signed in accordance with a resolution of the Directors.



Simon Morrison

Managing Director

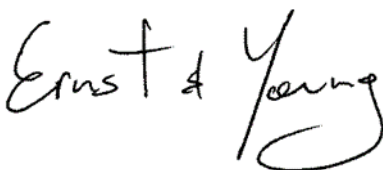
Dated: 28 February 2017

Auditor's Independence Declaration to the Directors of Shine Corporate Ltd

As lead auditor for the review of Shine Corporate Ltd for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, 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 Shine Corporate Ltd and the entities it controlled during the financial period.



Ernst & Young



Ric Roach
Partner
28 February 2017

SHINE CORPORATE LTD
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>For the six months ended</i>	Consolidated Group		
		31 December 2016	31 December 2015
	Note	\$000s	\$000s
Continuing operations			
Revenue	6	73,955	64,038
Less Expenses:			
Employee benefits expense		(40,656)	(37,446)
Depreciation and amortisation expense		(768)	(1,136)
Finance costs		(1,324)	(1,496)
Other expenses	7	(24,821)	(23,942)
Impairment of Goodwill	13	(5,000)	-
Share of net profit/(loss) of associates and joint venture entities	4	1,809	(444)
Profit/(loss) before income tax from continuing operations		3,195	(426)
Income tax benefit	8	722	1,757
Net profit for the period from continuing operations		3,917	1,331
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Exchange differences on translation of foreign operations		12	4
Total comprehensive income for the period		3,929	1,335
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Group:		¢	¢
Basic earnings per share in cents	10	2.26	0.77
Diluted earnings per share in cents	10	2.26	0.77

The accompanying notes form part of these financial statements.

SHINE CORPORATE LIMITED
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated Group			
		31 December 2016	30 June 2016
	Note	\$000s	\$000s
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	11	11,919	12,120
Trade and other receivables		12,778	17,117
Income tax receivable		221	366
Work in progress	12	104,745	101,287
Unbilled disbursements	12	30,232	28,713
Other current assets		869	645
TOTAL CURRENT ASSETS		160,764	160,248
NON-CURRENT ASSETS			
Trade and other receivables		354	3,767
Work in progress	12	107,794	101,700
Unbilled disbursements	12	26,690	24,219
Property, plant and equipment		5,552	5,396
Intangible assets	13	46,385	45,720
TOTAL NON-CURRENT ASSETS		186,775	180,802
TOTAL ASSETS		347,539	341,050
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		12,132	13,321
Unbilled disbursements creditors		19,669	21,004
Short term borrowings	14	6,097	2,134
Other current financial liabilities		5,685	10,605
Provisions		6,270	6,297
TOTAL CURRENT LIABILITIES		49,853	53,361
NON-CURRENT LIABILITIES			
Long term borrowings	14	46,107	30,730
Other non-current financial liabilities		-	4,474
Deferred tax liabilities		59,499	59,990
Provisions		2,714	2,729
TOTAL NON-CURRENT LIABILITIES		108,320	97,923
TOTAL LIABILITIES		158,173	151,284
NET ASSETS		189,366	189,766
EQUITY			
Issued capital	15	53,150	53,150
Retained earnings		136,204	136,616
Reserves		12	-
TOTAL EQUITY		189,366	189,766

The accompanying notes form part of these financial statements.

SHINE CORPORATE LTD
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital \$000s	Retained Earnings \$000s	Reserves \$000s	Total \$000s
<i>For the six months ended 31 December</i>					
Consolidated Group					
Balance at 1 July 2015		51,835	124,805	-	176,640
Comprehensive income					
Profit for the period		-	1,331	-	1,331
Other comprehensive income		-	-	4	4
Total comprehensive income for the period		-	1,331	4	1,335
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the period		1,774	-	-	1,774
Transaction costs		(9)	-	-	(9)
Dividends recognised for the period	9	-	(3,011)	-	(3,011)
Total transactions with owners and other transfers		1,765	(3,011)	-	(1,246)
Balance at 31 December 2015		53,600	123,125	4	176,729
Balance at 1 July 2016		53,150	136,616	-	189,766
Comprehensive income					
Profit for the period		-	3,917	-	3,917
Other comprehensive income		-	-	12	12
Total comprehensive income for the period		-	3,917	12	3,929
Transactions with owners, in their capacity as owners, and other transfers					
Dividends recognised for the period	9	-	(4,329)	-	(4,329)
Total transactions with owners and other transfers		-	(4,329)	-	(4,329)
Balance at 31 December 2016		53,150	136,204	12	189,366

The accompanying notes form part of these financial statements.

SHINE CORPORATE LTD
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>For the six months ended</i>	Note	Consolidated Group	
		31 December 2016	31 December 2015
		\$000s	\$000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		84,293	70,087
Payments to suppliers and employees		(79,081)	(66,495)
Interest received		183	122
Finance costs		(1,211)	(1,130)
Income tax received		123	579
Net cash provided by operating activities		<u>4,307</u>	<u>3,163</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(798)	(372)
Payments for acquisition of businesses and purchase of files, including earnouts and deferred consideration	4	(14,788)	(17,975)
Costs associated with acquisition of businesses		(126)	(361)
Loans to related parties - repayments		46	22
Purchase of other intangible assets		(2,229)	(1,415)
Net cash used in investing activities		<u>(17,895)</u>	<u>(20,101)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Costs of raising equity		-	(9)
Net proceeds from borrowings		16,778	18,727
Dividends paid	9	(4,329)	(3,011)
Financed asset lease drawdowns net of repayments		943	431
Net cash provided by financing activities		<u>13,392</u>	<u>16,138</u>
Net decrease in cash held		(196)	(800)
Cash and cash equivalents at beginning of financial year		12,115	9,393
Effect of exchange rates on cash holdings in foreign currencies		-	1
Cash and cash equivalents at end of financial year	11	<u>11,919</u>	<u>8,594</u>

The accompanying notes form part of these financial statements.

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 1 CORPORATE INFORMATION

Shine Corporate Ltd (the Company or the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The consolidated financial statements of Shine Corporate Ltd and its subsidiaries (collectively, the Group) for the six months ended 31 December 2016 were authorised for issue on 28 February 2017 in accordance with a resolution of the Directors of the company.

NOTE 2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of Preparation

The interim consolidated financial statements for the six months ended 31 December 2016 have been prepared in accordance with AASB134 *Interim Financial Reporting*.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2016.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

Changes in Accounting policies, Accounting standards and interpretations

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016. The Group has not early adopted any new standards or interpretations.

NOTE 3 SEASONALITY OF OPERATIONS

The Group does not incur any high seasonality as considered by AASB 134 *Interim Financial Reporting*, meaning reported results are not seasonally impacted. However, the Group has historically recorded a significantly higher rate of settlements and consequently cashflows, in the second half of each financial year.

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 4 BUSINESS COMBINATIONS AND ASSET ACQUISITIONS

BUSINESS COMBINATION: Acquisition of Risk Worldwide New Zealand Limited

Effective from 1 September 2016, the Group acquired 100% of the voting shares of Risk Worldwide New Zealand Limited ("RWWNZ"). Prior to this date, the Group owned 33.3% of the business. The results from 1 September 2016 to 31 December 2016 and the balance sheet at 31 December 2016 of the acquired entity have been included in full in these consolidated financial statements.

The Group has acquired RWWNZ to widen its service offering within its Emerging Practices Area. The business purchase has been accounted for using the acquisition method as described in *AASB3 Business Combinations*. Provisional accounting has been adopted as at 31 December 2016.

The consolidated fair values of the identifiable assets and liabilities of RWWNZ as at the date of acquisition were:

	NZD \$000s	AUD \$000s
Consideration		
Share consideration (i)	-	-
	Fair value recognised on acquisition	
	NZD \$000s	AUD \$000s
Assets		
Cash at bank	1,466	1,414
Work in progress (WIP)	5,202	5,017
Unbilled disbursements	3,209	3,095
Plant & equipment	70	68
Trade receivables	333	321
Other receivables	105	101
Total assets acquired	10,385	10,016
Liabilities		
Trade payables	(1,858)	(1,792)
Provision for employee liabilities	(7)	(7)
Loan to Risk Worldwide LLC	(700)	(675)
Loan to Keys Claims LLC	(1,100)	(1,061)
Existing ownership interest including intercompany loan	(6,712)	(6,473)
Deferred tax liability	(267)	(257)
Total liabilities acquired	(10,644)	(10,265)
Total identifiable net assets at fair value	(259)	(249)
Goodwill arising on acquisition	259	249
Analysis of cash flows on acquisition		
Net cash acquired with the subsidiary	1,466	1,414
Net cash inflow	1,466	1,414

(i) Two shares for \$2 which round down to nil.

The goodwill recognised is primarily attributed to the control premium paid upon acquisition of the remainder of the business. The goodwill is non deductible for income tax purposes.

Following acquisition of this subsidiary, the provision of \$1,809,000 against the intercompany loan was reversed. The reversal of this provision has been recognised in the share of net profit/(loss) of associates and joint venture entities in the Statement of Comprehensive Income.

The fair value of trade receivables is deemed to be their gross value less the provision for doubtful debts. The fair value of work in progress (WIP) was estimated based on a detailed review of open case files at the acquisition date.

Nil transaction costs have been expensed in relation to this acquisition.

From the date of acquisition, RWWNZ has contributed \$214,000 of revenue and a loss of \$491,000 before tax to the continuing operations of the Group. If the acquisition had taken place from 1 July 2016, the revenue would have been \$1,014,000, with consolidated Group revenue increasing from \$73,955,000 to \$74,755,000 and the profit from continuing operations before tax would have been \$72,000, with consolidated Group profit before tax increasing from \$3,195,000 to \$3,758,000.

RWWNZ has agreed to pay a consultancy fee to Keys Claims LLC amounting to 7.5% of pre-tax profits to 30 June 2021 and 5% of all pre-tax profits to 30 June 2026. No liability has been attributed to the above fees as they are not expected to be probable and no reasonable movement in the future is expected to have any material impact (based on Level 3 Fair Value hierarchy inputs).

ASSET ACQUISITION: Acquisition of Claims Consolidated Pty Ltd

Effective 1 December 2016, the Group acquired 100% of the voting shares of Claims Consolidated Pty Ltd for \$6,438,000. This has been treated as an asset acquisition under AASB116 "Property, Plant & Equipment", as the entity was acquired for the case file matters.

An intangible Non-contractual Client Relationship asset of \$3,262,000 was recognised in line with the Group's existing policy on "Intangibles other than Goodwill". The asset is representative of the premium paid to access profits expected to be obtained. This intangible asset is being amortised over the life of the individual matters with an expected maximum amortisation period of three years.

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 5 OPERATING SEGMENTS

General Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director (chief operating decision maker) in assessing performance and in determining the allocation of resources.

The Group operates in two reporting segments being Personal Injury and Emerging Practice Areas.

The Group does not have any customers which represent greater than 10% of total revenue.

Types of products and services by segment:

(i) *Personal Injury*

Personal injury remains the core business in damages based plaintiff litigation. Services offered include medical negligence, public liability, catastrophic injuries, workers' compensation, and motor vehicle accidents. Subsidiaries within this segment include Shine Lawyers, SB Law, Sciacca's Lawyers and Bradley Bayly. In addition, the files acquired within Claims Consolidated Pty Ltd are part of the personal injury business.

(ii) *Emerging Practice Areas*

The Group has diversified to include emerging practice areas such as disability insurance and superannuation claims, professional negligence, social justice, class actions, first party insurance recovery claims, landowners' rights, family law, aviation, product liability and asbestos compensation. Subsidiaries within this area include Emanate Legal Services, Best Wilson Buckley Family Law, Shine NZ Services and Risk Worldwide New Zealand.

Basis of accounting for purposes of reporting by operating segments

(a) **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Managing Director, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

(b) **Unallocated items**

Any revenues, costs, assets and liabilities that are managed on an overall group basis are not allocated to an individual segment.

(c) **Adjustments and eliminations**

Finance income and costs are not allocated to individual segments as the underlying assets are managed on a group basis.

Current and deferred taxes are not allocated to individual segments as they are also managed on a group basis.

(d) **Geographic information**

All operations are conducted within Australia with the exception of Shine NZ Services Pty Ltd and Risk Worldwide New Zealand Limited which are located in New Zealand.

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

(i) **Segment performance**

	Personal Injury \$000s	Emerging Practice Areas \$000s	Unallocated items \$000s	Total \$000s
31 December 2016				
REVENUE				
External sales	54,492	18,896	-	73,388
Other revenue	-	-	567	567
Total segment revenue	54,492	18,896	567	73,955
RESULTS				
Segment profit/(loss) before tax	6,267	(288)	(2,784)	3,195
31 December 2015				
REVENUE				
External sales	44,813	18,922	165	63,900
Other revenue	-	-	138	138
Total segment revenue	44,813	18,922	303	64,038
RESULTS				
Segment profit/(loss) before tax	(1,110)	3,145	(2,461)	(426)

(ii) **Segment assets**

	Personal Injury \$000s	Emerging Practice Areas \$000s	Unallocated items \$000s	Total \$000s
31 December 2016	235,273	105,117	7,149	347,539
30 June 2016	241,619	97,334	2,097	341,050

(iii) **Segment liabilities**

31 December 2016	80,634	26,732	50,807	158,173
30 June 2016	87,722	26,252	37,310	151,284

Geographic information

	31 December 2016 \$000s	31 December 2015 \$000s
Revenue from external customers		
Australia	72,776	63,709
New Zealand	612	191
Total	73,388	63,900

The revenue above is based on the locations of the customers

Non-current operating assets

Australia	182,921	180,770
New Zealand	3,854	32
Total	186,775	180,802

Non-current operating assets consist primarily of property, plant and equipment, work in progress and intangible assets.

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 6 REVENUE AND OTHER INCOME

	Note	Consolidated Group	
		31 December 2016	31 December 2015
		\$000s	\$000s
Sales revenue			
— Provision of services/professional fees		71,979	76,182
— Less: additional provision		-	(14,432)
		<u>71,979</u>	<u>61,750</u>
 — Sundry disbursements recovered		 1,409	 2,150
		<u>73,388</u>	<u>63,900</u>
Other revenue			
— Interest revenue		95	122
— Other revenue		472	16
		<u>567</u>	<u>138</u>
Total revenue		<u>73,955</u>	<u>64,038</u>

NOTE 7 OTHER EXPENSES

	Note	Consolidated Group	
		31 December 2016	31 December 2015
		\$000s	\$000s
Other expenses			
Premises expenses		5,107	5,165
Marketing expenses		4,894	3,345
HR expenses		2,328	1,839
IT and computer expenses		3,005	2,824
Printing, postage and stationery		1,380	1,119
Professional fees		2,556	1,725
Unrecovered matter related expenses		3,448	4,655
Motor vehicle and travel expenses		1,069	957
Bad & doubtful debts expenses		376	977
Sundry expenses		658	1,336
		<u>24,821</u>	<u>23,942</u>

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 8 INCOME TAX EXPENSE

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings.

	Consolidated Group	
	31 December 2016	31 December 2015
	\$000s	\$000s
(a) The components of tax expense/(income) comprise:		
Current tax	(10,078)	(5,556)
Deferred tax	9,356	3,525
Under provision in respect of prior years	-	274
Income tax benefit	(722)	(1,757)
(b) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax benefit as follows:		
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2015: 30%)		
Consolidated group	959	(127)
Tax effect of:		
— non-allowable items	21	19
— Allocable Cost Amount assessable income	-	171
— Acquired WIP and disbursements	-	(2,094)
— Impairment charge	1,500	-
— recognised temporary differences - tax losses	(3,107)	274
— Earnout adjustments	(95)	-
Income tax benefit attributable to entity	(722)	(1,757)
The applicable weighted average effective tax rates are as follows:	(22.6%)	412.4%

Following a tax ruling by the ATO in June 2015, the Group had tax deductions arising from the process of its restructure prior to the Group's 2013 public listing together with the subsequent formation of a tax consolidated group and operating losses. The total taxable losses available are \$48,498,000 (30 June 2016: \$25,000,000) resulting in potential deferred tax asset of \$14,549,000 (30 June 2016: \$7,500,000). This has been recognised in full and is offset against deferred tax liabilities (30 June 2016: \$4,471,000).

NOTE 9 DIVIDENDS PAID AND PROPOSED

	Consolidated Group	
	31 December 2016	31 December 2015
	\$000s	\$000s
(a) Distributions paid		
Final unfranked ordinary dividend of 2.50 cents (2015: 1.75 cents) per share	4,329	3,011
	4,329	3,011

(b) Distributions proposed and not recognised as a liability

The Board of Directors has declared an interim unfranked ordinary dividend of 0.6 cents per share on 27 February 2017 (2015: nil).

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 10 EARNINGS PER SHARE

The following information reflects the income and share data used in the basic and diluted (loss)/earnings per share computations.

	Consolidated Group	
	31 December 2016	31 December 2015
	\$000s	\$000s
(a) Net profit attributable to ordinary equity holders of the parent	3,917	1,331
Earnings used to calculate basic EPS	3,917	1,331
	No.	No.
(b) Weighted average number of ordinary shares during the period used in calculating basic EPS	173,161,812	172,438,951
(c) Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the sum of the weighted average number of ordinary shares outstanding during the half year and the weighted average number of shares that would be issued in part consideration for the acquisition of a business combination.		

NOTE 11 CASH AND CASH EQUIVALENTS

	Consolidated Group	
	31 December 2016	30 June 2016
	\$000s	\$000s
Cash at bank and on hand	11,919	12,120

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	11,919	12,120
Bank overdrafts	-	(5)
	11,919	12,115

A floating charge over cash and cash equivalents has been provided for certain debt.

NOTE 12 WORK IN PROGRESS

	Consolidated Group	
	31 December 2016	30 June 2016
	\$000s	\$000s
CURRENT		
At net realisable value:		
Work in progress	141,255	133,009
Work in progress provision	(36,510)	(31,722)
	104,745	101,287
Unbilled disbursements	33,754	31,823
Unbilled disbursements provision	(3,522)	(3,110)
	30,232	28,713
	134,977	130,000
NON-CURRENT		
At net realisable value:		
Work in progress	128,121	122,410
Work in progress provision	(20,327)	(20,710)
	107,794	101,700
Unbilled disbursements	29,052	25,979
Unbilled disbursements provision	(2,362)	(1,760)
	26,690	24,219
	134,484	125,919

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 13 INTANGIBLE ASSETS

	Consolidated Group	
	31 December 2016	30 June 2016
	\$000s	\$000s
Goodwill		
Cost	42,662	42,412
Accumulated impairment losses	(5,000)	-
Net carrying amount	37,662	42,412
Non-contractual Client Relationships		
Cost	3,262	-
Accumulated amortisation	-	-
Net carrying amount	3,262	-
Computer software		
Cost	522	522
Accumulated amortisation and impairment losses	(494)	(474)
Net carrying amount	28	48
Transformation project costs		
Cost	6,949	4,719
Accumulated amortisation and impairment losses	(2,095)	(2,095)
Net carrying amount	4,854	2,624
Erin Brockovich agreement		
Cost	669	669
Accumulated amortisation and impairment losses	(283)	(226)
Net carrying amount	386	443
Website development		
Cost	18	18
Accumulated amortisation and impairment losses	(5)	(5)
Net carrying amount	13	13
Trademarks, patents and intellectual property		
Cost	180	180
Accumulated amortisation and impairment losses	-	-
Net carrying amount	180	180
Total intangibles	46,385	45,720

Goodwill Impairment

During the period, the Group assessed all Cash Generating Units (CGUs), particularly the carrying value of its Energy and Resources practice (also known as the Land Access CGU, which forms part of the Group's Emerging Practice Areas) in light of previously advised challenging conditions. The Energy and Resources practice has significantly under performed in the financial year to date. Specifically, there has been a delay in the funding of a number of resources-led infrastructure projects and in the future, the Group expects the Energy & Resources practice area's contribution to fall below the Group's previous expectations.

The Group used the cash-generating unit's value-in-use to determine the recoverable amount. The projected cash flows were updated to reflect the reduced Energy and Resources activity and a post-tax discount rate of 10.6% (30 Jun 2016: 10.6%) was applied. Cash flows beyond the next five-year period have been extrapolated using a 3.0% growth rate (30 Jun 2016: 3.0%). This cash generating unit's recoverable amount would deteriorate by \$2,190,000 if the discounted rate was increased by 1% or by \$1,530,000 if the terminal rate was decreased by 1%.

As a result, an impairment of goodwill of \$5,000,000 was recognised in the period against goodwill previously carried at \$17,920,000. The impairment charge is recorded as a line item "Impairment of Goodwill" in the Consolidated Statement of Comprehensive Income.

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the family law cash generating unit, management believes that no reasonably possible change in the key assumptions would cause the carrying value to materially exceed their recoverable amount.

With regard to the assessment of value in use of the cash generating units that form the personal injury practice area and the Shine EPA practice area, a reasonably possible change in a number of the key assumptions would cause the carrying value of the units to exceed their recoverable amount. The analysis is set out below:

	Shine Personal Injury	Shine EPA
Pre-tax Discount rate used	12.3%	12.9%
Headroom ie. value-in-use exceeding carrying value	\$16,160,000	\$4,110,000
Each of the following changes independently would result in headroom decreasing to nil:		
Reduction in revenue growth rate	0.4%	0.3%
Reduction in terminal value growth rate	0.8%	0.7%
Increase in pre-tax discount rate (Weighted Average Cost of Capital)	0.6%	0.5%

Key revenue and cost assumptions are consistent with those for the year ended 30 June 2016.

Transformation Project Costs

This intangible asset comprises the development of an enterprise resource platform, of which \$2,095,000 has previously been amortised due to a change in design. No further amortisation will be undertaken until the asset is placed into use.

Non-contractual Client Relationships

Refer Note 4 for further details of this intangible asset.

NOTE 14 BORROWINGS

	Consolidated Group	
	31 December 2016	30 June 2016
	\$000s	\$000s
CURRENT		
Secured liabilities		
Bank loans	5,259	1,213
Lease liability	145	90
Hire purchase liability	693	831
Total current borrowings	6,097	2,134
NON-CURRENT		
Secured liabilities		
Bank loans	42,105	27,756
Lease liability	3,367	2,058
Hire purchase liability	635	916
Total non-current borrowings	46,107	30,730
Total borrowings	52,204	32,864
	Consolidated Group	
	31 December 2016	30 June 2016
	\$000s	\$000s
(a) Total current and non-current secured liabilities:		
Bank loan	47,364	28,969
Lease liability	3,512	2,148
Hire purchase liability	1,328	1,747
	52,204	32,864

(b) **Debt covenants**

The bank loans are secured by a fixed and floating charge over the assets of the Group. Covenants imposed by the bank require total bank debt not to exceed 60% of work in progress (net of provisions), and for the ratio of borrowings to EBITDA not to exceed 2.25. As at 31 December 2016 the Group is in compliance with all of its bank covenants.

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 15 ISSUED CAPITAL

	Consolidated Group	
	31 December 2016	30 June 2016
	\$000s	\$000s
173.2 million (30 June 2016: 173.2 million) fully paid ordinary shares	53,150	53,150
	<u>53,150</u>	<u>53,150</u>

	Consolidated Group	
	31 December 2016	30 June 2016
	No.	No.
(a) Ordinary Shares		
At the beginning of the reporting period	173,161,812	172,400,081
Shares issued during the period		
- 17 August 2015 for business acquisitions	-	401,606
- 21 October 2015 for business acquisitions	-	360,125
At the end of the reporting period	<u>173,161,812</u>	<u>173,161,812</u>

During the half year ended 31 December 2016, no share capital was issued (31 December 2015: share capital was increased by \$1.76m, with the issue of 0.76m ordinary shares for part consideration in business acquisitions).

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 16 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Estimates of the potential financial effect of contingent liabilities that may become payable:

Contingent consideration - business acquisitions

As part of the purchase agreements with the acquired companies of SB Law, Emanate Legal Services, Sciacca's Lawyers, Sciacca's Family Lawyers and Best Wilson Buckley Family Law, a portion of the consideration was determined to be contingent, based on the performance of the acquired entity. Performance is determined by both cash earnings and number of file openings over an agreed period. The Group has estimated a liability of \$1,685,000 (30 June 2016: \$6,135,000) subject to targets being met. The net present value of this amount at 31 December 2016 is \$1,656,000 (30 June 2016: \$5,753,000). The fair value of these liabilities are included within Other current financial liabilities and Other non-current financial liabilities in the Statement of Financial Position. Refer Note 19 for related fair value measurement disclosures.

Bank guarantees

Bank guarantees are contracts that are measured in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets.

The bank guarantee facility limit as at 31 December 2016 was \$4,000,000 (30 June 2016: \$4,000,000) of which \$595,000 (30 June 2016: \$721,000) was unused at the end of the reporting period.

Contingent liabilities

The Group has entered into an agreement with Wingate to provide disbursement loans to its clients. In the event the client's case is not successful, the Group has provided an indemnity to Wingate Asset Finance for the loan. The total value of all disbursement loans at 31 December 2016 is \$4,482,000 (30 June 2016: \$9,338,000), which represents the Group's maximum potential exposure. These loans are recorded within disbursement creditors in the Statement of Financial Position and an equal and offsetting amount is recorded within unbilled disbursements.

The Group had entered into an agreement with Essic Pty Ltd during FY2016 to sell \$1,084,000 of its deferred debtors within the Best Wilson Buckley Family Law subsidiary. The debtors were sold at an 8.0% discount to their book value and the buyer was provided with an indemnity against any future credit losses as a result of the failure of a client to pay their debt. The Group's maximum exposure under this indemnity is the discounted value of the uncollected debts of \$770,000 (30 June 2016: \$987,000).

The Group has received a small number of individual notifications submitted by former clients against the Group. When each notification is received, the Group makes an assessment of the likelihood that the potential notice will proceed to a legal claim. The Group's estimate of the notifications that may progress to a claim and the excess that may need to be paid to its insurers to cover such potential claims at 31 December 2016 is \$680,000 (30 June 2016: \$410,000).

NOTE 17 EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events since the end of the reporting period except as noted in Note 9.

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 18 RELATED PARTY TRANSACTIONS

Related Parties

(a) The Group's main related parties are as follows:

i. **Key Management Personnel:**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

ii. **Entities subject to significant influence by the Group:**

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control or joint control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

(b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Consolidated Group	
	31 December 2016	31 December 2015
	\$000s	\$000s
i. Other related parties (entities controlled by KMP's Morrison and Roche)		
Purchase of goods, rents and services from related parties	454	462
Sales of goods, rents and services to related parties	399	165
Interest received from related parties	52	26

	Consolidated Group	
	31 December 2016	30 June 2016
	\$000s	\$000s
ii. Loans to other related parties (entities controlled by the KMP's Morrison and Roche)		
Beginning of the period	1,282	655
Loans advanced	61	627
Loan repayment	(107)	-
End of the period	<u>1,236</u>	<u>1,282</u>

This loan provides funding to the Shine NZ affiliated entity. It is unsecured and bears interest at the rate equivalent to Shine Corporate Ltd.'s Australian working capital bank facility loan rate plus 2%.

- iii. During the half year period \$175,000 was paid in consultancy fees to Stephen Roche (31 December 2015: \$110,000).

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 19 FAIR VALUE MEASUREMENTS

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition of:

- obligations for contingent consideration arising from business combinations.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

(b) Valuation techniques

The fair value of the contingent consideration in the business combinations is determined by performance forecasts which are used to estimate future cash flows. These cash flows are discounted back to a present fair value amount using the applicable discount rate.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy.

31 December 2016				
	Level 1	Level 2	Level 3	Total
	\$000s	\$000s	\$000s	\$000s
Recurring fair value measurements				
Liabilities				
Contingent consideration	-	-	1,656	1,656
Total liabilities recognised at fair value	-	-	1,656	1,656

30 June 2016				
	Level 1	Level 2	Level 3	Total
	\$000s	\$000s	\$000s	\$000s
Recurring fair value measurements				
Liabilities				
Contingent consideration	-	-	5,753	5,753
Total liabilities recognised at fair value	-	-	5,753	5,753

(c) Reconciliation of recurring Level 3 fair value measurements

Consolidated Group		
	31 December 2016	30 June 2016
	\$000s	\$000s
Balance at the beginning of the period	5,753	9,202
Additions	-	371
Interest - discount unwind	29	356
Gains recognised in profit or loss (other revenue)	(200)	(990)
Settlements of earnouts	(3,926)	(3,186)
Balance at the end of the period	1,656	5,753

(d) Sensitivity analysis for recurring level 3 fair value movements

The Group has conducted a sensitivity analysis of the unobservable inputs and determined that a reasonable movement in these inputs could materially impact the fair value of the contingent consideration as at the reporting date. The key unobservable input is the expected EBITDA for each subsidiary subject to a contingent consideration payment. The potential decrease in the fair value of the contingent consideration payable from a reasonable change in forecast EBITDA is \$1,985,000, i.e. could give rise to a potential receivable of \$329,000, (30 June 2016: \$1,500,000) whilst the potential increase in the fair value of contingent consideration payable from a reasonable change in forecast EBITDA is \$765,000 (30 June 2016: \$1,300,000).

SHINE CORPORATE LTD
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 20 COMPANY DETAILS

The registered office of the Group is:
Shine Corporate Ltd
Level 13, 160 Ann Street
Brisbane
QLD 4000

**SHINE CORPORATE LTD
DIRECTORS' DECLARATION**

In accordance with a resolution of the Directors of Shine Corporate Ltd, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of Shine Corporate Ltd for the half year ended 31 December 2016 are in accordance with the *Corporations Act 2001* including:
 - (i) 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
 - (ii) complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Simon Morrison
Managing Director

Dated this 28th day of February 2017

Independent review report to the members of Shine Corporate Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Shine Corporate Ltd, which comprises the interim consolidated statement of financial position as at 31 December 2016, the interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end.

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 Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 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 Shine Corporate Ltd and the entities it controlled during the period, 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.

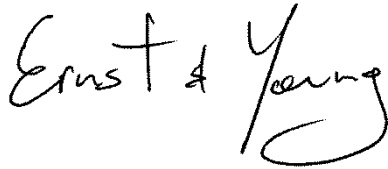
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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 Shine Corporate Ltd 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 Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Ric Roach
Partner
Brisbane
28 February 2017

SHINE CORPORATE LTD
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 28 February 2017:

1. **Directors**
Tony Bellas, Chairman and Non-Executive Director
Carolyn Barker AM, Non-Executive Director
Gregory Moynihan, Non-Executive Director
Simon Morrison, Managing Director
2. **Company secretaries**
Vicki Clarkson
Annette O'Hara
3. **Principal registered office**
Level 13, 160 Ann Street, Brisbane QLD 4000
Phone: 1800 752 429
Fax: +61 7 3229 1999
4. **Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

Code: SHJ
5. **Auditors**
Ernst & Young
111 Eagle Street, Brisbane QLD 4000
Phone: +61 7 3011 3333
Fax: +61 7 3011 3100
6. **Solicitors**
McCullough Robertson
Central Plaza 2, Level 11, 66 Eagle Street, Brisbane QLD 4000
7. **Company website**
www.shinecorporate.com.au
8. **Company numbers**
ACN: 162 817 905
ABN: 93 162 817 905
9. **Bankers**
Commonwealth Bank of Australia
Ground Floor, 143-145 Margaret Street, Toowoomba QLD 4350
10. **Investor relations website**
www.linkmarketservices.com.au
11. **Share registry**
The Registrar
Link Marketing Services
Level 12, 680 George Street, Sydney NSW 2000
Phone: 1300 554 474 (toll free)
+ 61 8280 7111
Fax: +61 2 9897 0303
Fax: +61 2 9897 0309 (for proxy voting)
Postal Address
Locked Bag A14, Sydney South NSW 1235