**JustKapital Limited**
**(Formerly known as JustKapital Litigation Partners Limited)**
**Appendix 4E**

## 1. Company details

| | |
|---|---|
| Name of entity: | JustKapital Limited |
| ABN: | 72 088 749 008 |
| Reporting period: | For the year ended 30 June 2017 |
| Previous period: | For the year ended 30 June 2016 |

## 2. Results for announcement to the market

| | | | | $'000 |
|---|---|---|---|---|
| Net revenue from ordinary activities | up | 293.6% | to | 19,143 |
| Loss from ordinary activities after tax attributable to the owners of JustKapital Limited | up | 91.3% | to | (2,569) |
| Total comprehensive loss for the year attributable to the owners of JustKapital Limited | up | 91.3% | to | (2,569) |

*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 $2,569,000 (30 June 2016: $1,343,000).

Refer to Chairman's letter and 'Review of operations' within the Directors' report of the Annual Report accompanying this Appendix 4E for further commentary.

## 3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---|---|
| Net assets per ordinary security | 11.72 | 11.98 |
| Net tangible assets per ordinary security | 0.04 | 5.98 |

## 4. Control gained over entities

| **Name of entity over which control was gained** | **Date control was gained** |
|---|---|
| JustKapital Portfolio Pty Limited | 11 July 2016 |
| JustKapital Insolvency Services Pty Limited | 31 May 2017 |
| JustKapital STL Pty Limited | 29 June 2017 |

## 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.

## 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 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 the joint operation at 30 June 2017 was $1,616,000 (30 June 2016: $656,000). Longford and the Group are also co-funding six cases in Australia on a 50:50 basis.

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## 9. Foreign entities

Not applicable.

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## 10. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued.

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## 11. Attachments

*Details of attachments (if any):*

The Annual Report of JustKapital Limited for the year ended 30 June 2017 is attached.

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## 12. Signed

Signed Philip Kapp ____________________________ Date: 28 August 2017

Philip Kapp
Chairman and Managing Director
Sydney

JUSTKAPITAL

# ANNUAL REPORT

2017

# Contents

| | |
|---|---|
| Directors | Philip Kapp - Executive Chairman and Managing Director<br>Tim Storey - Non-Executive Director<br>Mike Hill - Non-Executive Director |
| Company secretary | Diane Jones |
| Registered office | Level 16<br>56 Pitt Street<br>Sydney NSW 2000<br>Tel: +61 2 9696 0220<br>Fax: +61 2 9252 3430 |
| Share register | Link Market Services Limited<br>Level 12, QV1 Building<br>250 St Georges Terrace Perth WA 6000<br>Tel: 1300 554 474<br>Fax: +61 2 9287 0303 |
| Auditor | Stantons International<br>Level 2<br>22 Pitt Street<br>Sydney NSW 2000 |
| Solicitors | Corrs Chambers Westgarth<br>Level 17<br>8-12 Chiefly Square<br>Sydney NSW 2000 |
| Stock exchange listing | JustKapital Limited shares are listed on the Australian Securities Exchange (ASX code: JKL) |
| Website | www.justkapital.com.au |
| Corporate Governance Statement | The corporate governance statement which is approved at the same time as the Annual Report can be found at:<br>http://www.justkapital.com.au/investor-centre/governance/<br><br>The directors support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. |

> JustKapital Finance has delivered outstanding growth in FY2017. The Group is now well placed to deliver value for its shareholders.

Dear Shareholders

This is now the second full financial year of the JustKapital business, and the first full year of results for JustKapital Finance. Although we are reporting a loss for FY2017, it has still been a year of consolidation and achievement.

Key highlights from JustKapital Finance include:

- 66% revenue growth in FY2017 over annualised[1] revenue in FY2016;
- Net gross margin (after provisions and fair value adjustment) of 39%;
- Gross receivables of $32M, a 57% increase over 30 June 2016;
- Establishment of short term loan product which is now incorporated into JustKapital Finance;
- Short term funding loans have increased to $2.3M;
- EBITDA of $6M; and
- NPBT of $4M.

We continue to build on these strong foundations and expect to deliver at least 20% revenue growth in FY2018 and generate net gross margins (after provisions and fair value adjustment) above 30%. This strong growth is underpinned by the long-standing relationships with our growing, national legal firm client base and the strong associations JustKapital Finance has forged with the likes of the Australian Lawyers Alliance and more recently Doyles Guide to the Australian Legal Profession. These associations have continued to strengthen the brand presence of JustKapital Finance in the industry.

We have announced the litigation funding business will be moved into a litigation funding trust, where the Group will hold units in the trust alongside other investors and will manage the trust on behalf of investors. The Board took this decision following feedback from shareholders and it is expected that both businesses will continue to generate value for shareholders following this restructure. The Board has commissioned an independent expert valuation of the litigation funding business which is expected to be finalised in September 2017. We will then announce more details of the restructure as there are a number of shareholders who have expressed an interest in investing in the trust.

The Group continues to assess “add-on” businesses to JustKapital Finance to further enhance its position as the leading provider of financial solutions for lawyers.

The outlook for FY2018 is looking extremely promising as JustKapital Finance further cements itself as the leading provider of financing solutions for the SME legal fraternity.

Yours sincerely

Philip Kapp.

Mr Philip Kapp
Executive Chairman and Managing Director
JustKapital Limited
28 August 2017

[1] Please note that FY2016 results are annualised as the Group did not own this business prior to 22 January 2016. All prior information was supplied by the previous owner and cannot be relied upon.

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 year ended 30 June 2017.

## Directors

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

Philip Kapp, Tim Storey and Michael ("Mike") Hill

## Nature of operations and principal activities

The Group has developed into a diversified provider of financing solutions for law firms. During the financial year the principal continuing activities of the Group consisted of:

- Litigation funding;
- Disbursement and short-term funding; and
- Insurance broking for after the event insurance.

<u>Litigation funding</u>

The litigation funding division provides investigation and management services, as well as providing finance to claimants to progress their claim. 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 judgement 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.

<u>Disbursement and short-term funding</u>

During the financial year the disbursement funding division and short-term funding division have been merged and are now referred to as "JustKapital Finance".

The disbursement funding division finances the legal disbursements required by lawyers to progress their clients' claims which the client generally cannot fund themselves. The deferred payment structure addresses the immediate and growing market requirement whereby the client or firm cannot, nor may not be willing to, fund disbursements directly. The Group does not fund the legal fees related to the case. The Group pays the disbursements directly, charges a standardised mark-up and immediately invoices the law firm once the fees 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. 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.

The short-term funding division provides short-term working capital finance to law firms for a duration of less than 12 months. There is substantial market demand for this funding structure, which is otherwise unavailable. The short-term facility will only be offered on condition that the firm uses JustKapital exclusively for their disbursement funding requirements. The short-term funding division was established in July 2016 and has been tested successfully since its inception.

Insurance broking division
This division provides insurance broking services for adverse costs order insurance, earning broker fees and commissions for policies placed. This division was established in September 2016.

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

## Review of operations
The loss for the Group after providing for income tax amounted to $2,569,000 (30 June 2016: $1,343,000). Included in this loss are costs associated with the due diligence of several businesses that were assessed during the year, including the assessment of the litigation funding portfolio purchased in July 2016. The Group is still assessing a number of the potential acquisitions to continue to expand its product offerings.

## 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. The classification of the convertible bonds as a liability is a result of interpretation of the applicable Accounting Standards relating to the anti-dilution clause in the event the Company issues new shares at a value lower than the original issue. Refer to note 18 to the financial statements for further information regarding the bond's anti- dilution clause, conversion features, maturity date and interest rate.

*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, Mike 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.

*Joint venture with Litigation Funding Solutions ('LFS')*
On 2 March 2017, the Group entered into an exclusive joint venture with LFS to provide litigation finance for recovery claims under $5,000,000 by insolvency practitioners, including administrators, liquidators and trustees in bankruptcy. The claims will be managed by LFS and will provide funding to the insolvency industry, enabling insolvency practitioners and their lawyers to aggressively pursue recoveries.

LFS has targeted that in its first year of operation the joint venture will finance recoveries with a total claim value in excess of $100,000,000.

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

## Matters subsequent to the end of the financial year
The Group intends to transfer its investment portfolio into a Litigation Funding Trust. The Group will own units in the Trust and will earn management fees from the Trust. The Group’s litigation portfolio is presently being valued by an independent expert.

No other matter or circumstance has arisen since 30 June 2017 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.

## Likely developments and expected results of operations
The Group intends to transfer its investment portfolio into a Litigation Funding Trust. The Group will own units in the Trust and will earn management fees from the Trust.

The Group expects to continue to expand the disbursement funding business from its current base in New South Wales to other states in Australia and overseas.

## Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## Information on directors

| | |
|---|---|
| Name: | **Philip Kapp** |
| Title: | Executive Chairman and Managing Director |
| Experience and expertise: | Philip has over 25 years' legal experience and is widely regarded as one of Australia's leading lawyers, practicing in the area of private equity, mergers and acquisitions and capital markets. He was previously a Senior Partner with Clayton Utz (Group Head Private Equity), Minter Ellison (Chairman), Corrs Chambers Westgarth (Senior Partner/Head of Private Equity) and Andersen Legal. Philip founded and was managing partner of Andersen Legal. He also sat on the Board of Arthur Andersen. |
| Other current directorships: | None |
| Former directorships (last 3 years): | rhipe Limited (ASX: RHP) (resigned on 2 September 2014); LiveTiles Limited (ASX:LVT) (resigned on 25 August 2015); AHAlife Holdings Limited (ASX: AHL) (resigned on 24 July 2014); Energy Developments Limited (Delisted from ASX) (resigned on 22 October 2015). |
| Special responsibilities: | Executive Chairman and Managing Director |
| Interests in shares: | 7,322,067 ordinary shares |
| Interests in options: | 2,264,263 options over ordinary shares |
| Interests in convertible bonds: | 500 convertible bonds |
| Interests in performance rights: | 1,817,345 rights over ordinary shares |

| | |
|---|---|
| Name: | **Tim Storey** |
| Title: | Non-Executive Director (from 1 November 2016), formerly Executive Director. |
| Experience and expertise: | Tim holds a number of directorships in various private and public companies. He is a barrister and solicitor and was a partner at one of New Zealand's premier law firms through to 2006 and has practised in both Australia and New Zealand, focusing on corporate, commercial and property transactions. He is a member of the Institute of Directors (NZ) and the Financial Services Institute of Australasia. |
| Other current directorships: | Chairman of Stride Property Group (NZX: SPG) and Director of Investore Property Limited (NZX: IPL). |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chairman of the Remuneration Committee and member of the Audit and Risk Committee |
| Interests in shares: | 2,416,667 ordinary shares |
| Interests in options: | 1,465,705 options over ordinary shares |
| Interests in performance rights: | 333,180 rights over ordinary shares |

| | |
|---|---|
| Name: | **Mike Hill** |
| Title: | Non-Executive Director (from 1 November 2016), formerly Executive Director. |
| Experience and expertise: | Mike has more than 20 years' experience working on corporate and private equity transactions in Australia and the United Kingdom. He is a former partner of Ernst & Young in their Mergers and Acquisition team and in 2003 joined Ironbridge Capital, a leading Sydney based private equity firm with US$1.2 billion of funds under management. Mike has worked as a senior member of the investment team at Ironbridge Capital for more than 10 years covering deal assessment, investment management and exit planning across a number of its portfolio companies. Mike has experience across numerous industries where he has served on company boards involved in the technology, retail, healthcare, media, waste services, tourism, hospitality and manufacturing sectors. |
| Other current directorships: | Chairman of rhipe Limited (ASX: RHP); Chairman of AHAlife Limited (ASX: AHL); Chairman of HJB Corporation Limited (ASX:HJB); Chairman of NMG Corporation Limited (ASX:NMG) and Non- Executive Director of LiveTiles Limited (ASX:LVT). |
| Former directorships (last 3 years): | Non-Executive Director of Prime Media Group Limited (ASX:PRT) (resigned 30 September 2016 |
| Special responsibilities: | Chairman of the Audit and Risk Committee and member of the Remuneration Committee |
| Interests in shares: | 1,921,592 ordinary shares |
| Interests in options: | 1,465,705 options over ordinary shares |
| Interests in performance rights: | 333,180 rights over ordinary shares |

"Other current directorships" quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

"Former directorships (last 3 years)" quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

## Company secretary

Diane Jones was appointed Company Secretary on 1 July 2016. Diane is also the Group's Chief Operating Officer and Chief Financial Officer. Prior to joining the Group on 15 March 2016, Diane worked for nearly 10 years with IMF Bentham Limited as its Chief Financial Officer, Chief Operating Officer and Company Secretary. Diane has degrees in Economics and Accounting and a Master of Business Administration. She has been a member of Chartered Accountants Australia and New Zealand for over 25 years.

The previous joint company secretary was Andrew Whitten who resigned from the position on 1 November 2016.

## Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2017, and the number of meetings attended by each director were:

| | Attended | Held |
|---|---|---|
| Philip Kapp | 5 | 5 |
| Tim Storey | 5 | 5 |
| Mike Hill | 5 | 5 |

The Audit and Risk Committee and Remuneration Committee meetings were combined with Board meetings as detailed above.

## Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

### *Principles used to determine the nature and amount of remuneration*

*Remuneration Committee*

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for the Board of Directors ('the Board') and its executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of the emoluments of the directors and executive team on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring the best stakeholder benefit from the Board and executive team.

*Remuneration policy*

The remuneration policy of the Group has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality talent to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's current policy for determining the nature and amount of remuneration for KMP of the Group is detailed below:

- the remuneration policy is developed by the Remuneration Committee and approved by the Board;
- KMP receive a fixed remuneration component (which is based on factors such as length of service and experience);
- KMP may receive a variable remuneration component via performance incentives. Performance incentives currently comprise the JKL Incentive Plan and associated Non-Recourse Loan Agreements and/or bonuses;
- performance incentives are generally only paid once predetermined key performance indicators ('KPIs') have been met;
- incentives paid in the form of options or rights are intended to align the interests of the Group and the directors and other KMP with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means; and
- the Remuneration Committee reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance is measured against criteria agreed annually with each executive and is based predominantly on KPIs, profitability and shareholders' value. All bonuses and incentives are largely linked to predetermined criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, rights and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest caliber of executives and reward them for performance results leading to long-term growth in shareholder wealth.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

*Non-executive directors' remuneration*
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors may be entitled and encouraged to participate in the Incentive Plan arrangements to align their interests with shareholders' interests.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 30 November 2011, where the shareholders approved a maximum annual aggregate remuneration of $300,000.

*Executive remuneration*
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and/or
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

*Fixed remuneration*
Fixed compensation, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Remuneration Committee. The process consists of a review of Group and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

*Variable remuneration*
The objective of the variable compensation incentive is to reward executives in a manner that aligns this element of their compensation with the objectives and internal KPIs of the Group. The total potential incentive available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

*Group performance and link to remuneration*
Remuneration for certain individuals is directly linked to the performance of the Group. A portion of incentive payments are dependent on defined targets being met. The remaining portion of the incentive payments are at the discretion of the Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return ('TSR') for the last three years, from 2015 when the Company became JustKapital and re- listed on the Australian Securities Exchange.

*JKL Incentive Plan*
At the 2016 Annual General Meeting held on 30 November 2016, shareholders approved for the Company to adopt the JKL Incentive Plan ('Incentive Plan') and associated Non-Recourse Loan Agreements for directors, officers, employees and consultants ('Participants'). The Incentive Plan, effective from 1 July 2016, replaced the previous Incentive Option Plan and Executive Incentive Plans ('EIP').

The objectives of the Incentive Plan are to:

- supplement Participant remuneration;
- ensure that the Group's remuneration policy is competitive in retaining and motivating the Participants;
- provide a mechanism for achieving the Group's overarching remuneration objective of aligning the interests of Participants and shareholders; and
- reward Participants based on the Group's overall performance including achieving successful judgements or settlements of individual cases, growth of the disbursements funding business (JustKapital Finance) and other businesses and high performance.

The Incentive Plan comprises of: (i) a Short-term Incentive Plan ('STIP') component; and (ii) a Long-term Incentive Plan ('LTIP') component.

*(i) STIP component*

The STIP is a discretionary annual bonus payment available to Participants who are executives of the Company ('Executive Participants') and is based on a percentage (up to 40%) of the Executive Participants total fixed remuneration ('TFR'), payable in cash or ordinary shares of the Company at the discretion of the Remuneration Committee.

The purpose of the STIP component is to provide an annual 'at-risk' incentive to Executive Participants that is linked to the achievement of specific financial and non-financial objectives. Executive Participants are eligible to participate in the STIP and at the beginning of each financial year; which is also when financial and non-financial performance objectives are set for each Executive Participant. At the end of the financial year, the financial objectives are reassessed for the following financial year, and may include stretch targets where the Board thinks this is consistent with enhancing TSR.

*(ii) LTIP component*

The LTIP is a discretionary bonus available to directors and executives and complements the STIP. The LTIP encourages equity ownership and give Participants the opportunity to be rewarded for shareholder value creation.

The LTIP comprises any one, or combination of:

(i) options;
(ii) rights to shares (or, in certain circumstances, to a cash payment in lieu of shares); and/or
(iii) plan loan under the Loan Agreement (for the purpose of funding the issue price of the shares offered under the Incentive Plan).

The LTIP has two parts: (1) Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') hurdle relating to JustKapital Finance; and (2) Internal Rate of Return ('IRR') hurdle relating to the litigation finance business.

(1) EBITDA hurdle:

- the LTIP opportunity is expressed as a percentage (up to 70%) of Participant's TFR;
- awards vest over a two-year period subject to performance against the Group's EBITDA target (excluding the litigation funding business); and
- the EBITDA target is set by the Board annually at the beginning of the financial year.

For the financial year ended 30 June 2017, the EBITDA target was set at $5,600,000. For the financial year ending 30 June 2018, the EBITDA target has been set at $6,250,000 (under current accounting policies).

(2) IRR hurdle:

The Group's litigation funding business is measured based on IRR generated to the Group from completed individual cases. The pool available is based upon the following table:

| Case Internal Rate of Return | Contribution to LTIP pool as a % of net profit from case |
|---|---|
| 25% | 15.0% |
| 30% | 18.5% |
| 35% | 20.0% |

Each Participant's allocation of the LTIP pool is determined by the Board, based on recommendation received from the Remuneration Committee.

The Board is confident that the variable remuneration framework on which the Incentive Plan is based will support the execution of the Group's business plan and build shareholder wealth, as well as attract, motivate and retain key talent.

*Use of remuneration consultants*
During the financial year ended 30 June 2017, the Board engaged Egan Associates, remuneration and governance consultants, to review its existing remuneration policies and provide recommendations on how to improve its incentive programs. This has resulted in the Incentive Plan, as detailed above, being implemented. Egan Associates was paid $16,170 for these services.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from Participants of the Incentive Plan. These protocols include requiring that the consultant not communicate with affected Participants without a member of the Remuneration Committee being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected Participants. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

*Voting and comments made at the Company's 2016 Annual General Meeting ('AGM')*
At the 2016 AGM held on 30 November 2016, 84% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

### *Details of remuneration*

*Amounts of remuneration*
Details of the remuneration of KMP of the Group are set out in the following tables.

The KMP of the Group consisted of the following of JustKapital Limited:
- Philip Kapp - Executive Chairman and Managing Director
- Tim Storey - Non-Executive Director (from 1 November 2016); Former Executive Director (until 31 October 2016)
- Mike Hill - Non-Executive Director (from 1 November 2016); Former Executive Director (until 31 October 2016)
- Hugh Warner - Former Executive Director (resigned on 15 January 2016)
- Diane Jones - Chief Operating Officer and Chief Financial Officer (appointed on 15 March 2016) and Company Secretary (appointed on 1 July 2016)
- Anthony Hersch - General Manager – JustKapital Finance (appointed on 18 April 2016)
- Jonny Allatt - Former Chief Operating Officer (resigned on 25 September 2015)

| | Short term benefits | | | Post-employment benefits | Long term benefits | Share-based Payments | |
|---|---|---|---|---|---|---|---|
| **2017** | Salary and fees $ | EIP and bonuses $ | Non Monetary $ | Super-annuation $ | Long service leave $ | Equity-settled $ | Total $ |
| *Executive Director:* | | | | | | | |
| Philip Kapp* | 716,000 | 300,000 | - | - | - | 261,124 | 1,277,124 |
| *Non-Executive Directors:* | | | | | | | |
| Tim Storey* ** | 140,000 | - | - | - | - | 47,873 | 187,873 |
| Mike Hill * ** | 130,457 | - | - | 9,543 | - | 47,873 | 187,873 |
| *Other KMP:* | | | | | | | |
| Diane Jones | 476,218 | 300,000 | - | 19,616 | - | 206,723 | 1,002,557 |
| Anthony Hersch | 230,384 | 150,000 | - | 19,616 | - | 108,802 | 508,802 |
| | 1,693,059 | 750,000 | - | 48,775 | - | 672,395 | 3,164,229 |

* Remuneration includes amounts paid to Kapp Consulting Pty Limited for providing the services of Philip Kapp, Prolex Limited for director's fees for Tim Storey, and Bombora Group Pty Limited for director's fees for Mike Hill.

** On 1 November 2016, Mike Hill and Tim Storey moved from Executive Directors to Non-Executive Directors. Remuneration disclosed relates to amounts paid for the entire year.

| 2016 | Short-term benefits Salary and fees $ | Short-term benefits EIP and bonuses $ | Post-employment benefits Super-Annuation $ | Share-based Payments Equity-settled $ | Total $ |
|---|---|---|---|---|---|
| *Executive Directors:* | | | | | |
| Philip Kapp* | 465,486 | 500,000 | 13,014 | - | 978,500 |
| Tim Storey* | 150,000 | - | - | - | 150,000 |
| Mike Hill | 136,986 | - | 13,014 | - | 150,000 |
| Hugh Warner** | 142,694 | - | 13,556 | 28,639 | 184,889 |
| *Other KMP:* | | | | | |
| Diane Jones*** | 139,647 | 100,000 | 5,917 | - | 245,564 |
| Anthony Hersch*** | 46,138 | 50,000 | 3,862 | - | 100,000 |
| Jonny Allatt** | 73,671 | - | 6,999 | - | 80,670 |
| | 1,154,622 | 650,000 | 56,362 | 28,639 | 1,889,623 |

* Remuneration includes amounts paid to Kappfam Investments Pty Ltd and Kapp Consulting Pty Ltd for providing the services of Philip Kapp and amounts paid to Prolex Limited for director fees and bonuses for Tim Storey.

** Remuneration from 1 July 2015 until date of resignation as KMP. The share-based payment made to Hugh Warner related to the issue of options during the 2015 financial year which was brought to account as a result his resignation.

*** Remuneration from date of appointment as KMP.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name | Fixed remuneration 2017 | Fixed remuneration 2016 | Performance related - STIP 2017 | Performance related - STIP 2016 | Performance related - LTIP 2017 | Performance related - LTIP 2016 |
|---|---|---|---|---|---|---|
| *Non-Executive Directors:* | | | | | | |
| Tim Storey | 75% | 100% | - | - | 25% | - |
| Mike Hill | 75% | 100% | - | - | 25% | - |
| *Executive Directors:* | | | | | | |
| Philip Kapp | 56% | 49% | 24% | 51% | 20% | - |
| Hugh Warner | - | 85% | - | - | - | 15% |
| *Other KMP:* | | | | | | |
| Diane Jones | 49% | 59% | 30% | 41% | 21% | - |
| Anthony Hersch | 49% | 50% | 30% | 50% | 21% | - |
| Jonny Allatt | - | 100% | - | - | - | - |

***Service agreements***

Remuneration and other terms of employment for KMPs are formalised in service agreements. Details of these agreements are as follows:

| | |
|---|---|
| Name: | Philip Kapp |
| Title: | Executive Chairman and Managing Director |
| Agreement commenced: | 1 April 2015 |
| Term of agreement: | Ongoing |
| Details: | Philip is paid a gross salary of $775,000 per annum inclusive of superannuation. Notice period is 24 months by the Company or 12 months by the employee. |

| | |
|---|---|
| Name: | Tim Storey |
| Title: | Non-Executive Director |
| Agreement commenced: | 1 April 2015 |
| Term of agreement: | Ongoing |
| Details: | Tim is paid a gross salary of $90,000 ($150,000 until 31 October 2016) per annum. Notice period is 12 months by the Company or 6 months by the employee. |

| | |
|---|---|
| Name: | Mike Hill |
| Title: | Non-Executive Director |
| Agreement commenced: | 1 April 2015 |
| Term of agreement: | Ongoing |
| Details: | Mike is paid a gross salary of $90,000 ($150,000 until 31 October 2016) per annum inclusive of superannuation. Notice period is 12 months by the Company or 6 months by the employee. |

| | |
|---|---|
| Name: | Diane Jones |
| Title: | Chief Operating Officer, Chief Financial Officer and Company Secretary |
| Agreement commenced: | 15 March 2016 |
| Term of agreement: | Ongoing |
| Details: | Diane is paid a gross salary of $525,000 per annum inclusive of superannuation. Notice period is 6 months by the Company or 3 months by the employee. |

| | |
|---|---|
| Name: | Anthony Hersch |
| Title: | General Manager – JustKapital Finance |
| Agreement commenced: | 18 April 2016 |
| Term of agreement: | Ongoing |
| Details: | Anthony is paid a gross salary of $350,000 per annum inclusive of superannuation. Notice period is 3 months. |

All KMPs are entitled to participate in the STIP and LTIP. KMPs have no entitlement to termination payments in the event of removal for misconduct.

### *Share-based compensation*

*Issue of shares*
There were no shares issued to directors and other KMP as part of their compensation during the year ended 30 June 2017. Philip Kapp was paid a bonus of $500,000 for the year ending 30 June 2016, which was paid during the current financial year, and was paid partly in shares and partly in cash. A total of 1,500,000 shares were issued under this arrangement with a fair value of $0.20 per share.

*Options*
There were no options over ordinary shares issued to directors and other KMP as part of their compensation that remained outstanding as at 30 June 2017. However, directors have outstanding options as noted on page 14.

*Performance rights*
Performance rights were issued to directors and KMP under the LTIP during the year ended 30 June 2017 following approval at the Annual General Meeting held on 30 November 2016. The EBITDA target for these rights for the year ended 30 June 2017 was set at $5,600,000 (excluding the litigation funding business). If the hurdle is met, which it was, the performance rights granted will vest equally over a two-year period. 50% of these performance rights will vest within 7 days of the issuance of the 2017 Annual Report and 50% will vest at 30 June 2018. If the hurdle is not met the performance rights will lapse. The performance rights granted during the year ended 30 June 2017 are as follows:

| Name | Grant date | Number of rights granted | Fair value per right at grant date |
|---|---|---|---|
| Philip Kapp | 30 November 2016 | 1,817,345 | $0.21 |
| Tim Storey | 30 November 2016 | 333,180 | $0.21 |
| Mike Hill | 30 November 2016 | 333,180 | $0.21 |
| Diane Jones | 30 November 2016 | 1,438,732 | $0.21 |
| Anthony Hersch | 30 November 2016 | 757,227 | $0.21 |

There were no performance rights over ordinary shares granted to or vested by directors and other KMPs as part of compensation during the year ended 30 June 2016. Performance rights granted carry no dividend or voting rights.

### *Additional information*

The earnings of the Group for the three years to 30 June 2017 are summarised below:

| | 2017 $'000 | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| Net revenue | 19,143 | 4,864 | - |
| EBITDA (excluding the litigation funding business) | 6,030 | 840 | - |
| Profit after income tax | (2,569) | (1,343) | (5,990) |

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Share price at financial year end ($) | 0.20 | 0.23 | 0.19 |
| Basic loss per share (cents per share) | (2.12) | (1.23) | (13.20) |
| Diluted loss per share (cents per share) | (2.12) | (1.23) | (13.20) |

### *Additional disclosures relating to KMP*

*Shareholding*

The number of shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ Other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| Philip Kapp | 5,672,067 | - | 1,650,000 | - | 7,322,067 |
| Tim Storey | 2,416,667 | - | - | - | 2,416,667 |
| Mike Hill | 1,921,592 | - | - | - | 1,921,592 |
| Diane Jones | - | - | - | - | - |
| Anthony Hersch | - | - | - | - | - |
| | 10,010,326 | - | 1,650,000 | - | 11,660,326 |

*Options granted as remuneration*

The number of options over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ Other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Options over ordinary shares* | | | | | |
| Philip Kapp | 2,264,263 | - | - | - | 2,264,263 |
| Tim Storey | 1,465,705 | - | - | - | 1,465,705 |
| Mike Hill | 1,465,705 | - | - | - | 1,465,705 |
| Diane Jones | - | - | - | - | - |
| Anthony Hersch | - | - | - | - | - |
| | 5,195,673 | - | - | - | 5,195,673 |

| | Vested and exercisable | Unvested and unexercisable | Balance at the end of the year |
|---|---|---|---|
| *Options over ordinary shares* | | | |
| Philip Kapp | - | 2,264,263 | 2,264,263 |
| Tim Storey | - | 1,465,705 | 1,465,705 |
| Mike Hill | - | 1,465,705 | 1,465,705 |
| Diane Jones | - | - | - |
| Anthony Hersch | - | - | - |
| | - | 5,195,673 | 5,195,673 |

*Performance rights holding*
The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Vested | Expired/ Other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Performance rights over ordinary shares* | | | | | |
| Philip Kapp | - | 1,817,345 | - | - | 1,817,345 |
| Tim Storey | - | 333,180 | - | - | 333,180 |
| Mike Hill | - | 333,180 | - | - | 333,180 |
| Diane Jones | - | 1,438,732 | - | - | 1,438,732 |
| Anthony Hersch | - | 757,227 | - | - | 757,227 |
| | - | 4,679,664 | - | - | 4,679,664 |

There were no performance rights over ordinary shares that vested or were exercisable as at 30 June 2017.

*Other transactions with KMP and their related parties*
Anglo Pacific Ventures Pty Ltd, a company associated with former director, Hugh Warner, charged the Company for office rental on normal commercial terms and conditions. Anglo Pacific Ventures Pty Ltd was paid $Nil (2016: $51,732) during the financial year.

*Convertible Bonds*
The number of convertible bonds in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/ Other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Convertible bonds* | | | | | |
| Philip Kapp | - | - | 500 | - | 500 |
| Tim Storey | - | - | - | - | - |
| Mike Hill | - | - | - | - | - |
| Diane Jones | - | - | 500 | - | 500 |
| Anthony Hersch | - | - | - | - | - |
| | - | - | 1,000 | - | 1,000 |

***This concludes the remuneration report, which has been audited.***

## Shares under option
Unissued ordinary shares of JustKapital Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 10/03/2015* | 10/03/2018 | $0.250 | 1,200,000 |
| 10/03/2015** | 10/03/2018 | $0.250 | 1,195,673 |
| 10/03/2015** | 10/03/2018 | $0.250 | 4,000,000 |
| 27/03/2015** | 27/03/2018 | $0.250 | 398,558 |
| 27/03/2015** | 27/03/2018 | $0.250 | 1,500,000 |
| 22/01/2016** | 22/01/2019 | $0.250 | 1,500,000 |
| | | | 9,794,231 |

* Management incentive options
** Vendor options and vendor performance options

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

## Shares under performance rights
Unissued ordinary shares of JustKapital Limited under performance rights at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number of rights |
|---|---|---|---|
| Approved at AGM | 30 June 2018 | $0.00 | 4,679,664 |

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

## Shares issued on the exercise of options
There were no ordinary shares of JustKapital Limited issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

## Shares issued on the exercise of performance rights
There were no ordinary shares of JustKapital Limited issued on the exercise of performance rights during the year ended 30 June 2017 and up to the date of this report.

## Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

## Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

## Non-audit services
There were no non-audit services provided during the financial year by the auditor.

### Officers of the Company who are former partners of Stantons International
There are no officers of the Company who are former partners of Stantons International.

### 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.

### Auditor
Stantons International continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Philip Kapp

Philip Kapp
Chairman and Managing Director

28 August 2017
Sydney

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

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28 August 2017

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

Dear Directors

**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 audit of the financial statements of JustKapital Limited for the year ended 30 June 2017, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

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

Martin Michalik

**Martin Michalik**
Director

## JustKapital Limited
## (Formerly known as JustKapital Litigation Partners Limited)
## Statement of profit or loss and other comprehensive income
## For the year ended 30 June 2017

| | | Consolidated | |
|---|---|---|---|
| | | 2017 | 2016 |
| **Revenue** | Note | $'000 | $'000 |
| Revenue | | 22,352 | 6,002 |
| Discounts and other write-downs | | (2,620) | (975) |
| Financing component unwind | | (589) | (163) |
| Net revenue | | 19,143 | 4,864 |
| Disbursement funding costs and other costs of goods sold | | (12,460) | (2,907) |
| Gross margin | | 6,683 | 1,957 |
| Other income | 5 | 1,309 | 158 |
| **Expenses** | | | |
| Employee benefits expense | 6 | (3,672) | (2,150) |
| Administration and other expenses | 6 | (2,969) | (2,059) |
| Due diligence expenses | 6 | (843) | (1,269) |
| Finance costs | 6 | (3,733) | (1,031) |
| **Loss before income tax benefit** | | (3,225) | (4,394) |
| Income tax benefit | 7 | 656 | 3,051 |
| **Loss after income tax benefit for the year attributable to the owners of JustKapital Limited** | | (2,569) | (1,343) |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive loss for the year attributable to the owners of JustKapital Limited** | | (2,569) | (1,343) |
| | | Cents | Cents |
| Basic loss per share | 33 | (2.12) | (1.23) |
| Diluted loss per share | 33 | (2.12) | (1.23) |

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

## JustKapital Limited
## (Formerly known as JustKapital Litigation Partners Limited)
## Statement of financial position
## As at 30 June 2017

| Assets | Note | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 7,627 | 5,568 |
| Trade and other receivables | 9 | 23,022 | 11,489 |
| Prepayments | | 209 | 100 |
| Total current assets | | 30,858 | 17,157 |
| **Non-current assets** | | | |
| Trade receivables | 10 | 7,999 | 3,720 |
| Investment held in joint operation | 11 | 1,616 | 656 |
| Property, plant and equipment | 12 | 215 | 124 |
| Goodwill | 13 | 5,943 | 5,943 |
| Other intangibles | 14 | 8,753 | 999 |
| Deferred tax | 7 | 3,707 | 3,051 |
| Total non-current assets | | 28,233 | 14,493 |
| **Total assets** | | 59,091 | 31,650 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 3,454 | 1,421 |
| Borrowings | 16 | 9,400 | 10,399 |
| Employee benefits | | 602 | 582 |
| Deferred consideration | 17 | 500 | 3,000 |
| Total current liabilities | | 13,956 | 15,402 |
| **Non-current liabilities** | | | |
| Borrowings | 18 | 30,384 | 2,400 |
| Total non-current liabilities | | 30,384 | 2,400 |
| **Total liabilities** | | 44,340 | 17,802 |
| **Net assets** | | 14,751 | 13,848 |
| **Equity** | | | |
| Issued capital | 19 | 21,523 | 18,723 |
| Reserve | 20 | 1,973 | 1,301 |
| Accumulated losses | | (8,745) | (6,176) |
| **Total equity** | | 14,751 | 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 year ended 30 June 2017

| Consolidated | Issued capital $'000 | Reserve $'000 | Accumulated Losses $'000 | Total equity $'000 |
|---|---|---|---|---|
| Balance at 1 July 2015 | 15,723 | 1,155 | (4,833) | 12,045 |
| Loss after income tax benefit for the year | - | - | (1,343) | (1,343) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive loss for the year | - | - | (1,343) | (1,343) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Issue of shares | 3,000 | - | - | 3,000 |
| Share-based payments | - | 146 | - | 146 |
| Balance at 30 June 2016 | 18,723 | 1,301 | (6,176) | 13,848 |

| Consolidated | Issued capital $'000 | Reserve $'000 | Accumulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|
| Balance at 1 July 2016 | 18,723 | 1,301 | (6,176) | 13,848 |
| Loss after income tax benefit for the year | - | - | (2,569) | (2,569) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive loss for the year | - | - | (2,569) | (2,569) |
| *Transaction with owners in their capacity as owners:* | | | | |
| Share-based payments (note 34) | - | 672 | - | 672 |
| Issue of shares | 2,800 | - | - | 2,800 |
| Balance at 30 June 2017 | 21,523 | 1,973 | (8,745) | 14,751 |

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

## Statement of cash flows
## For the year ended 30 June 2017

| | Note | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 9,444 | 3,955 |
| Payments to suppliers and employees | | (22,626) | (5,965) |
| | | (13,182) | (2,010) |
| Interest received | | 37 | 158 |
| Interest and other finance costs paid | | (3,446) | (1,022) |
| Net cash (used in) operating activities | 31 | (16,591) | (2,874) |
| **Cash flows from investing activities** | | | |
| Payments for joint venture capital invested | | (1,333) | (201) |
| Payments for property, plant and equipment | | (197) | (142) |
| Payments for intangibles | | (4,605) | (124) |
| Payments for acquisition of Macquarie Medico Legal | | (2,200) | (12,785) |
| Net cash (used in) investing activities | | (8,335) | (13,252) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of convertible notes | | 5,000 | - |
| Proceeds from borrowings – disbursement funding division | 18 | 17,660 | 10,399 |
| Repayments of borrowings | | (7,675) | - |
| Proceeds from borrowings – corporate | | 12,000 | - |
| Net cash from financing activities | | 26,985 | 10,399 |
| Net increase/(decrease) in cash and cash equivalents | | 2,059 | (5,727) |
| Cash and cash equivalents at the beginning of the financial year | | 5,568 | 11,295 |
| Cash and cash equivalents at the end of the financial year | 8 | 7,627 | 5,568 |

*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 ('Company' or 'parent entity') and the entities it controlled ('the Group') at the end of, or during, the 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 28 August 2017.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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.

Except for AASB 9 'Financial Instruments', any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with AASB and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*
The financial statements have been prepared under the historical cost convention, modified where appropriate, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities including derivative financial instruments.

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### Going concern

As at 30 June 2017 the Group had net current assets of $16,902,000. The Directors' have evaluated the Group's principle operations and expected events and conditions and concluded that the Group should be able to continue as a going concern. The Group does not hold significant cash reserves. However, the Directors' assessment of the significant judgments made by management, including expected case completions from the litigation funding portfolio, as part of the Group's financial planning processes, has formed part of this assessment.

The Directors have commenced the process for refinancing the short-term loan due on 31 March 2018 and are confident that it will be able to be refinanced if the expected case completions do not occur. As such, no adjustment is required to the carrying value of the assets or liabilities of the Group to reflect the situation if the Group were not a going concern.

## Note 2. Significant accounting policies (continued)

### Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

### Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of JustKapital Limited as at 30 June 2017 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### Foreign currency translation
The financial statements are presented in Australian dollars, which is JustKapital Limited's functional and presentation currency.

*Foreign currency transactions*
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### Revenue recognition

*Revenue*
Revenue is measured at the fair value of the gross consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of Group’s activities. The amount of revenue is not considered to be reliably measurable until all material contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group’s revenue recognition policy for the disbursement funding business takes into consideration the inherent finance component embedded in that revenue. As at 30 June 2017 the inputs used to reflect the finance component were a discount rate of 8.23% and average receivables days of 476 days (2016: 15% and 469 days).

## Note 2. Significant accounting policies (continued)

### Revenue recognition (continued)
The Group's revenue recognition policy for the short term loan product is to recognise the interest component attaching to the loan as it is earnt under the short term loan contract.

The Group's revenue recognition policy for the Insurance broking division recognises revenue upon the acceptance of the insurance policy by the customer. For revenue recognition of litigation contracts, refer to 'intangible assets' accounting policy below.

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

## Note 2. Significant accounting policies (continued)

### Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

### Joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the relevant Accounting Standard applicable to the particular assets, liabilities, revenues and expenses.

### Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

| | |
|---|---|
| Plant and equipment | 3-7 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

## Note 2. Significant accounting policies (continued)

### Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*Website*
Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 3 years.

*Litigation contracts in progress*
Litigation contracts in progress represent future economic benefits controlled by the Group. As Litigation contracts in progress may be exchanged or sold, the Group is able to control the expected future economic benefit flowing from the Litigation contracts in progress. Accordingly, Litigation contracts in progress meet the definition of intangible assets. The carrying value of Litigation contracts in progress includes the capitalisation of external costs of funding the litigation, such as solicitors' fees, counsels' fees and experts' fees, the capitalisation of certain directly attributable internal costs of managing the litigation, such as certain wages and other out of pocket expenses. Litigation contracts in progress are not amortised as the assets are not available-for-use until a successful judgement or settlement, at which point the assets are realised, and revenue is recognised.

The following specific asset recognition rules have been applied to Litigation contracts in progress:

Actions still outstanding: When litigation is outstanding and pending a determination, Litigation contracts in progress are carried at cost. Subsequent expenditure is capitalised when it meets all of the following criteria:

- Demonstration of ability of the Group to complete the litigation so that the asset will be available-for-use and the benefits embodied in the asset will be realised;
- Demonstration that the asset will generate future economic benefits;
- Demonstration that the Group intends to complete the litigation;
- Demonstration of the availability of adequate technical, financial and other resources to complete the litigation; and
- Ability to measure reliably the expenditure attributable to the asset during the Litigation contract in progress.

## Note 2. Significant accounting policies (continued)

### Intangible assets (continued)

Successful judgments: Where the litigation has been determined in favour of the Group or a positive settlement has been agreed, this constitutes a derecognition of the intangible asset and accordingly a gain or loss is recognised in profit or loss. Any future costs relating to the defence of an appeal by the defendant are expensed as incurred.

Unsuccessful judgments: Where the litigation is unsuccessful at trial, this is a trigger for impairment of the intangible asset and the asset is written down to its recoverable amount. If the claimant, having been unsuccessful at trial appeals against the judgment, then future costs incurred by the Group on appeal are expensed as incurred.

### Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Convertible bonds are redeemable at the discretion of the Group are classified as a liability in the statement of financial position due to the operability of the convertible bond’s anti-dilution clauses. As the convertible bonds include a conversion feature the convertible bonds are considered to represent a liability with an equity conversion option derivative. The conversion feature has been fair valued separately and on initial recognition and deducted from the value of the convertible bonds. The derivative is subsequently measured at fair valued at each reporting date and any movement in fair value is accounted for in profit or loss. The convertible bonds liability is recorded at amortised cost and is accreted to the face value of the convertible bonds over the term of the convertible bond.

### Finance costs
All other finance costs are expensed in the period in which they are incurred.

### Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

## Note 2. Significant accounting policies (continued)

### Employee benefits

*Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Defined contribution superannuation expense*
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

*Share-based payments*
Equity-settled share-based compensation benefits are provided to employees and directors.

Equity-settled transactions are awards of shares, or options over shares, or performance rights that convert into shares, that are provided to employees and directors in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

## Note 2. Significant accounting policies (continued)

### Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

*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 - 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.

Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - 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.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:
(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

## Note 2. Significant accounting policies (continued)

### Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### Earnings per share

*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to the owners of JustKapital Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## Note 2. Significant accounting policies (continued)

### Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### 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.

### Comparatives
Comparatives have been realigned where necessary, to agree with current year presentation. There was no change in the profit or net assets.

### New Accounting Standards and Interpretations not yet mandatory or early adopted
Except for AASB 9 'Financial Instruments', Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group is considering adopting this standard from 1 July 2017 and its adoption will have a material effect on the Group results. Management are currently quantifying the impact of its adoption on the Group.

## Note 2. Significant accounting policies (continued)

*AASB 16 Leases*
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (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 will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019, there will be an impact, but management are yet to quantify the impact of its adoption on the Group.

*Other amending accounting standards*
Other amending accounting standards issued are not considered to have a significant impact on the financial statements of the company as their amendments provide either clarification of existing accounting treatment or editorial amendments.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Share-based payment transactions*
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Performance rights are marked to market at the time of their issuance to determine the value of the rights.

*Provision for impairment of receivables*
The Group assesses the trade receivables of the disbursement funding for impairment regularly. The credit provisions raised (specific and collective) represent management’s best estimate of the losses incurred on the receivables portfolio at reporting date based on their experienced judgement.

The collective provision is estimated on the basis of historical loss experience for assets with similar credit characteristics. The historical loss experience is adjusted based on the current observable data and events. The use of such judgements and reasonable estimates is considered appropriate.

## Note 3. Critical accounting judgements, estimates and assumptions (continued)

*Goodwill*
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash- generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows (refer to note 13).

*Impairment of non-financial assets other than goodwill*
The Group assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. This includes an assessment of each individual Litigation contract in progress as to whether it is likely to be successful, the cost and timing of future expected cash flows to completion and the ability of the defendant(s) to pay upon successful completion. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions (refer to note 14).

*Provision for adverse costs*
In the event that litigation funded by the Group is unsuccessful, the Group raises a provision which is based upon the Group's best estimate of the amount of the adverse costs it will have to remit following consultation with external advisors.

*Income tax*
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

*Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## Note 4. Operating segments

*Identification of reportable operating segments*
The Group is organised into two operating segments: (i) disbursement funding and short-term funding (collectively referred to as 'JustKapital Finance') and (ii) litigation funding, insurance and head office. 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' includes insurance broking.

*Segment assets*
Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

*Segment liabilities*
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

## Note 4. Operating segments (continued)

| Consolidated - 2017 | JustKapital Finance $'000 | Litigation Funding $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net revenue | 19,143 | - | - | 19,143 |
| Other revenue | 1,242 | 67 | - | 1,309 |
| **Total revenue** | 20,385 | 67 | - | 20,452 |
| | | | | |
| **Segment result** | 6,036 | (4,606) | - | 1,430 |
| Depreciation and amortisation | (51) | (28) | - | (79) |
| Finance costs | (2,057) | (1,676) | - | (3,733) |
| Due diligence costs | - | (843) | - | (843) |
| **Profit/(loss) before income tax benefit** | 3,928 | (7,153) | - | (3,225) |
| Income tax benefit | | | | 656 |
| **Loss after income tax benefit** | | | | (2,569) |
| | | | | |
| **Assets** | | | | |
| Segment assets | 34,839 | 24,252 | - | 59,091 |
| **Total assets** | | | | 59,091 |
| | | | | |
| **Liabilities** | | | | |
| Segment liabilities | 25,419 | 18,921 | - | 44,340 |
| **Total liabilities** | | | | 44,340 |

| Consolidated - 2016 | JustKapital Finance $'000 | Litigation Funding & Head Office $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Net revenue | 4,864 | - | - | 4,864 |
| Other revenue | - | - | 158 | 158 |
| **Total revenue** | 4,864 | - | 158 | 5,022 |
| | | | | |
| **Segment result** | 430 | (3,783) | - | (3,353) |
| Depreciation | (2) | (8) | - | (10) |
| Finance costs | (1,024) | (7) | - | (1,031) |
| **Loss before income tax benefit** | (596) | (3,798) | - | (4,394) |
| Income tax benefit | | | | 3,051 |
| **Loss after income tax benefit** | | | | (1,343) |
| | | | | |
| **Assets** | | | | |
| Segment assets | 25,478 | 6,172 | - | 31,650 |
| **Total assets** | | | | 31,650 |
| | | | | |
| **Liabilities** | | | | |
| Segment liabilities | 16,647 | 1,155 | - | 17,802 |
| **Total liabilities** | | | | 17,802 |

*Geographical information*

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 5. Other income

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Interest income | 451 | 158 |
| Commissions received | 57 | - |
| Other | 801 | - |
| Other income | 1,309 | 158 |

## Note 6. Expenses

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Loss before income tax includes the following specific expenses: | | |
| *Employee benefits expense* | | |
| Defined contribution superannuation expense | 111 | 49 |
| Share based payment expense | 672 | 29 |
| Employee benefits expense excluding superannuation | 2,889 | 2,072 |
| | 3,672 | 2,150 |
| *Administrative and other expenses* | | |
| Depreciation | 75 | 10 |
| Amortisation | 4 | - |
| ASIC, ASX and share registry fees | 77 | 63 |
| Insurance | 54 | 49 |
| Legal and professional fees | 764 | 1,270 |
| Rent and office costs | 397 | 247 |
| Travel and accommodation | 368 | 151 |
| Other | 1,230 | 269 |
| | 2,969 | 2,059 |
| *Due diligence expenses* | | |
| Legal and professional fees | 843 | 1,269 |
| *Finance costs and expenses* | | |
| Interest expense and line fees | 3,030 | 781 |
| Finance establishment costs | 703 | 250 |
| | 3,733 | 1,031 |

## Note 7. Income tax

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| *Numerical reconciliation of income tax benefit and tax at the statutory rate* | | |
| Loss before income tax benefit | (3,225) | (4,394) |
| | | |
| Tax at the statutory tax rate of 30% | (968) | (1,318) |
| | | |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Expenses not deductible | 1 | 547 |
| Share-based payments | 202 | - |
| Previously unrecognised deferred tax assets now brought to account | | (2,280) |
| Under provision in prior years | 109 | - |
| Income tax benefit | (656) | (3,051) |

*Deferred tax asset*
Deferred tax asset comprises temporary differences attributable to:

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Tax losses | 5,042 | 2,476 |
| Property, plant and equipment | (1) | - |
| Provision for impairment of receivables and fair value adjustments | 401 | 180 |
| Other temporary differences | 700 | 396 |
| Set off deferred tax liability | (2,435) | (1) |
| Deferred tax asset | 3,707 | 3,051 |

*Deferred tax liability*
Deferred tax liability comprises temporary differences attributable to:

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Prepayments | 1 | 1 |
| Work in progress | 1,574 | - |
| Other temporary differences | 860 | - |
| Set off deferred tax asset | (2,435) | (1) |
| Deferred tax liability | - | - |

## Note 8. Current assets - cash and cash equivalents

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Cash at bank and on hand | 7,422 | 5,462 |
| Short term cash deposits | 205 | 106 |
| | 7,627 | 5,568 |

Short term cash deposits are used as bank guarantee security. Refer to note 26.

## Note 9. Current assets - trade and other receivables

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Trade receivables | 26,907 | 15,854 |
| Financing component | (1,533) | (1,617) |
| Less: Provision for impairment of receivables | (2,673) | (2,800) |
| | 22,701 | 11,437 |
| Other receivables | 321 | 52 |
| | 23,022 | 11,489 |

Trade receivables relate to the disbursement funding business and are non-interest bearing. Trade receivables are due and payable upon the conclusion of the underlying case where the disbursements have been funded, which is typically between 12 months and 24 months from the date of funding. As trade receivables are generally collected within 476 (2016: 469) days, a portion have been classified as non-current.

Notwithstanding the above, no trade and other receivables are past due.

Other receivables include amounts due to the Group from its joint operation partner for its share of investments made in co-funded cases totalling $305,000 (2016: nil).

Movements in the provision for impairment of current and non-current trade receivables are as follows:

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Opening balance | 3,598 | - |
| Additional provisions recognised | - | 416 |
| Additions through business combinations | - | 3,182 |
| Unused amounts reversed | (112) | - |
| Closing balance | 3,486 | 3,598 |

## Note 10. Non-current assets - trade receivables

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| Trade receivables | 8,812 | 4,518 |
| Less: Provision for impairment of receivables | (813) | (798) |
| | 7,999 | 3,720 |

## Note 11. Non-current assets - investment held in joint operation

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Investment held in joint operation | 1,616 | 656 |

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 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 Group is also co-funding six Australian cases with Longford Capital. The Group's co-funded portion of the Australian cases are included in other intangible assets (see note 14).

## Note 12. Non-current assets - property, plant and equipment

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Leasehold improvements - at cost | 58 | - |
| Less: Accumulated depreciation | (8) | - |
| Closing balance | 50 | - |
| | | |
| Plant and equipment - at cost | 266 | 158 |
| Less: Accumulated depreciation | (101) | (34) |
| Closing balance | 165 | 124 |
| | | |
| | 215 | 124 |

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Leasehold improvements $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2015 | - | 4 | 4 |
| Additions | - | 130 | 130 |
| Depreciation expense | - | (10) | (10) |
| Balance at 30 June 2016 | - | 124 | 124 |
| Additions | 58 | 108 | 166 |
| Depreciation expense | (8) | (67) | (75) |
| Balance at 30 June 2017 | 50 | 165 | 215 |

## Note 13. Non-current assets – goodwill

| | Consolidated | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Goodwill | 5,943 | 5,943 |

Goodwill arose from the acquisition of the Macquarie Medico Legal business in 2016 and is allocated to the disbursement and short-term funding business division ('JustKapital Finance'). The Group performed its annual impairment test at each reporting date. The Group considers the relationship between its market value, among other factors when assessing impairment. The recoverable amount of JustKapital Finance has been determined based upon a value-in-use calculation using cash flow projections from financial budgets approved by management covering a five year period. The pre-tax discount rate applied to the cash flow projections was 16% (2016: 15%) and cash flows beyond the five-year period are extrapolated using a 1% growth rate (2016: 1%). It was concluded that the recoverable amount did not exceed its value-in-use.

*Key assumptions used in value-in-use calculations and sensitivity to changes in assumptions*
The calculation of value-in-use for JustKapital Finance is most sensitive to the following assumptions:
- Discount rates; and
- Growth rate estimates.

*Discount rates*
Discount rates represent the current market assessment of the risks specific to the DSF, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital ('WACC'). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. A rise in the pre-tax discount rate to 23% (2016: 17%) would result in goodwill being impaired.

*Growth rate estimates*
Rates are based on management's estimates. Management recognises that the possibility of new entrants can have a significant impact on growth rate assumptions, however, given this is a relatively new industry, the effect of new entrants is not expected to have an adverse impact on the forecasts. A reduction to negative 2% (2016: 5%) in the long-term growth rate would result in goodwill being impaired.

## Note 14. Non-current assets - other intangibles

| | Consolidated | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Website - at cost | 18 | - |
| Less: Accumulated amortisation | (4) | - |
| Closing balance | 14 | - |
| | | |
| Litigation contracts in progress - capitalised external costs | 7,934 | 688 |
| Litigation contracts in progress - capitalised internal costs | 805 | 311 |
| Closing balance | 8,739 | 999 |
| | | |
| | 8,753 | 999 |

## Note 14. Non-current assets - other intangibles (continued)

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Website $'000 | Litigation Contracts in Progress $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2015 | - | 754 | 754 |
| Additions | - | 747 | 747 |
| Disposals | | (502) | (502) |
| Write-down of Litigation Contracts in Progress | - | - | - |
| Balance at 30 June 2016 | - | 999 | 999 |
| Additions | 18 | 7,805 | 7,823 |
| Disposals | - | - | - |
| Amortisation expense | (4) | - | (4) |
| Write-down of Litigation Contracts in Progress | - | (65) | (65) |
| Balance at 30 June 2017 | 14 | 8,739 | 8,753 |

The recoverable amount of each Litigation contract in progress is determined based upon a value-in-use calculation using cash flow projections based upon financial budgets approved by management.

*Key assumptions used in value in use calculations and sensitivity to changes in assumptions*

The following describes each key assumption on which management has based its cash flow projections when determining the value-in-use of Litigation contracts in progress:

(i) The estimated cost to complete the Litigation contracts in progress is budgeted, based upon estimates provided by the external legal advisor in charge of the litigation;
(ii) The value of the Group of the Litigation contracts in progress, once completed, is estimated based upon the expected settlement or judgement amount of the litigation and the fees due to the Group under the litigation funding contract; and
(iii) The discount rate applied to the cash flow projections is based on the Group's WACC; and other factors relevant to the particular Litigation contract in progress. The discount rate applied was 25%. (2016: 15% and 18%).

No impairment has been identified as a result of impairment testing performed. No significant change in the key assumptions would result in an impairment charge.

## Note 15. Current liabilities - trade and other payables

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Trade and other payables | 2,429 | 298 |
| Accruals | 851 | 976 |
| Goods and services tax payable | 174 | 68 |
| Superannuation | - | 79 |
| | 3,454 | 1,421 |

Refer to note 22 for further information on financial instruments.

## Note 16. Current liabilities - borrowings

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Assetsecure Pty Limited loan | - | 10,399 |
| Lucerne Finance Pty Limited short-term loan | 7,000 | - |
| Vendor loan | 2,400 | - |
| | 9,400 | 10,399 |

*Assetsecure Pty Limited loan*
The loan facility is $25,000,000 (2016: $20,000,000) and expires on 1 June 2020. This loan has been classified as non-current in the current financial year however, it is repayable on demand if covenants are breached and not rectified. Interest, line fees and management fees payable total 12.0% (2016: 13.5%) per annum.

The facility is subject to a number of covenants. A breach of a covenant may require the Group to repay the loan earlier. No covenants have been breached as at 30 June 2017.

The loan is secured by a fixed and floating charge over the assets of JustKapital Financing Pty Limited. The parent entity and other entities within the Group have guaranteed the facility.

*Lucerne Finance Pty Limited short-term loan*
The short-term loan of $7,000,000 (2016: $nil) is repayable on 31 March 2018. Interest, line fees and management fees payable total 16.75% per annum. The loan is unsecured. The facility is subject to a number of covenants. A breach of a covenant may require the Group to repay the loan earlier. No covenants have been breached as at 30 June 2017.

*Vendor loan*
The loan is repayable on 22 January 2018. Interest is payable at 7.5% (2016: 7.5%) per annum. The loan is unsecured.

*Financing arrangements*
Unrestricted access was available at the reporting date to the following lines of credit:

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Total facilities (current and non-current) | | |
| Assetsecure Pty Limited loan | 25,000 | 20,000 |
| Lucerne Finance Pty Limited short-term loan | 7,000 | - |
| Lucerne Composite Master Fund loan | 5,000 | - |
| | 37,000 | 20,000 |
| Used at the reporting date | | |
| Assetsecure Pty Limited loan | 20,384 | 10,399 |
| Lucerne Finance Pty Limited short-term loan | 7,000 | - |
| Lucerne Composite Master Fund loan | 5,000 | - |
| | 32,384 | 10,399 |
| Unused at the reporting date | | |
| Assetsecure Pty Limited loan* | 4,616 | 9,601 |
| Lucerne Finance Pty Limited short-term loan | - | - |
| Lucerne Composite Master Fund loan | - | - |
| | 4,616 | 9,601 |

* The facility can be drawn-down based upon various calculations relating to the underlying disbursement receivables. As at 30 June 2017 no further amounts could be drawn-down as a result of these calculations.

## Note 17. Current liabilities – deferred consideration

| | Consolidated | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Deferred consideration | 500 | 3,000 |

*Deferred consideration*
$500,000 (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. The deferred consideration of $3,000,000 for the acquisition of the Macquarie Medico Legal business was payable in two tranches, $2,000,000 as at 30 June 2016, and $1,000,000 as at 30 June 2017. The first tranche was paid on 28 July 2016. The second tranche of the deferred consideration was reduced following the settlement of a warranty claim against the seller and a final payment of $200,000 was made on 29 June 2017.

## Note 18. Non-current liabilities - borrowings

| | Consolidated | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| Assetsecure Pty Limited loan | 20,384 | - |
| Lucerne Composite Master Fund loan | 5,000 | - |
| Vendor loan | - | 2,400 |
| Convertible Bonds payable | 5,000 | - |
| | 30,384 | 2,400 |

Refer to note 22 for further information on financial instruments.

*Assetsecure Pty Limited loan*
Refer to note 16 for further information.

*Lucerne Composite Master Fund loan*
The loan facility of $5,000,000 (2016: $nil) is repayable on 8 November 2018. Interest, line fees and management fees payable total 16.75% per annum. The loan is unsecured. The facility is subject to a number of covenants. A breach of a covenant may require the Group to repay the loan earlier. No covenants have been breached as at 30 June 2017.

*Vendor loan*
The loan is repayable on 22 January 2018. Interest is payable at 7.5% (2016: 7.5%) per annum. See note 16 above.

*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.

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 18. Non-current liabilities – borrowings (continued)

The convertible bonds are categorised as a liability in the statement of financial position due to the terms of the anti-dilution clauses. Due to the conversion feature the convertible bonds are considered to include a derivative liability. As such the convertible bonds are considered to represent a liability with an equity conversion option derivative with the entire instrument being accounted for at fair value through profit or loss.

## Note 19. Equity – issued capital

| | Consolidated | | | |
|---|---|---|---|---|
| | 2017 Shares | 2016 Shares | 2017 $'000 | 2016 $'000 |
| Ordinary shares - fully paid | 125,813,124 | 115,563,124 | 21,523 | 18,723 |

*Movements in ordinary share capital*

| | Date | Shares | Issue Price | $'000 |
|---|---|---|---|---|
| Balance | 1 July 2015 | 104,229,791 | | 15,723 |
| Issue of shares as consideration on acquisition of Macquarie Medico Legal business | 22 January 2016 | 11,333,333 | $0.26 | 3,000 |
| Balance | 30 June 2016 | 115,563,124 | | 18,723 |
| Issue of shares [1] | 28 October 2016 | 166,667 | $0.30 | 50 |
| Issue of shares*[1] | 28 October 2016 | 1,250,000 | $0.20 | 250 |
| Issue of shares*[1] | 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 | 30 June 2017 | 125,813,124 | | 21,523 |

* Shares granted prior to 15 July 2016.
[1] Share issue approved at the Annual General Meeting held on 30 November 2016.

*Ordinary shares*
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are 18,666,666 (2016: 18,333,334) ordinary shares escrowed at 30 June 2017.

*Options*
Options do not entitle the holder to participate in dividends or to vote at a meeting of the Company.

*Performance rights*
Performance rights do not entitle the holder to participate in dividends or to vote at a meeting of the Company.

*Convertible bonds*
Convertible bonds do not entitle the holder to participate in dividends or to vote at a meeting of the Company.

*Share buy-back*
There is no current on-market share buy-back.

## Note 19. Equity – issued capital (continued)

*Capital risk management*
Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

## Note 20. Equity – reserve

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Share-based payments reserve | 1,973 | 1,301 |

*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.

*Movements in reserve*
Movements in reserve during the current and previous financial year are set out below:

| Consolidated | Share-based payments $'000 |
|---|---|
| Balance at 1 July 2015 | 1,155 |
| Share-based payments | 146 |
| Balance at 30 June 2016 | 1,301 |
| Share-based payments | 672 |
| Balance at 30 June 2017 | 1,973 |

## Note 21. Equity - dividends

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

## Note 22. Financial instruments

### *Financial risk management objectives*

The Group's principal financial instruments comprise cash and short-term deposits, receivables and payables and its finance facility.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting its future financial security.

The main risks arising from the Group's financial instruments are market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and currencies and assessments of market forecasts for interest rates and foreign currencies. Aging analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

### *Market risk*

*Foreign currency risk*

Foreign currency risk arises from investments and borrowings that are denominated in a currency other than the functional currencies of the Group. The Group has invested in Litigation contracts in progress in the United States and therefore foreign currency risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency. The Group's overseas investments are not hedged as those currency positions are considered to be long-term in nature.

The Group's exposure to foreign currency risk at the end of the reporting period, which was expressed in Australian dollars in the financial statements, was as follows:

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| **USD exposure** | $'000 | $'000 |
| Investment held in joint operation (USD$1,243,000, 2016: USD$482,000) | 1,616 | 656 |

Assuming all other variables remain constant, a 10% strengthening/weakening of the Australian dollar at 30 June 2017 against the US dollar would have resulted in an decreased/increased investment of $124,000 (2016: $48,000).

*Price risk*

The Group is not exposed to any significant price risk.

*Interest rate risk*

The Group's main interest rate risk arises from borrowings and cash and cash equivalents. The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on financial liabilities, is as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| **Consolidated** | Interest rate | Balance $'000 | Interest rate | Balance $'000 |
| Assetsecure Pty Limited loan | 12.00% | 20,384 | 13.50% | 10,399 |
| Lucerne Composite Master Fund loan | 16.75% | 12,000 | - | - |
| Vendor loan | 7.50% | 2,400 | 7.50% | 2,400 |
| Convertible bonds payable | 11.50% | 5,000 | - | - |
| Cash and cash equivalents | 0.20% | (7,627) | 0.29% | (5,568) |
| Net exposure to cash flow interest rate risk | | 32,157 | | 7,231 |

## Note 22. Financial instruments (continued)

Interest rate risk (continued)

The Group has net interest bearing liabilities and therefore income and operating cash flows are subject to changes in the market rates. The Group regularly analyses its interest rate exposure. Within this analysis consideration is given to expected interest rate movements and the Group's future cash requirements, potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates. A movement in interest rates of +/- 100 basis points will result in less than a +/- $353,000 (2016: $125,000) impact on the Group's results and operating cash flows.

### *Credit risk*
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and trade receivables.

Cash and cash equivalents comprise of cash on hand and demand deposits. The Group limits its credit risk by holding cash balances and demand deposits with reputable counterparties with acceptable credit ratings.

Trade receivables for the disbursement funding division are with registered solicitors as the counterparty. The Group has over 160 active law firm clients and limits its credit risk by ensuring that there is a credit limit applied to any law firm and that settlement funds are deposited into the law firm's trust accounts (which are periodically audited by the Law Society).

Trade receivables relating to the litigation funding division are as a result of a funded case concluding. The Group assesses the defendants in the matters funded by the Group prior to entering into any agreement to provide funding and continues this assessment during the course of funding. The Group's continual monitoring of the defendants' financial capacity mitigates this risk.

### *Liquidity risk*
The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet the Group's expected financial commitments in a timely and cost effective manner.

Management continually reviews the Group's liquidity position, including the preparation of cash flow forecasts, to determine the forecast liquidity position and to maintain appropriate liquidity levels.

The material liquidity risk for the Group is the ability to raise equity or debt financing in the future. This risk is mitigated somewhat by the finance facility the Group obtained from Assetsecure Pty Limited which has headroom available as at 30 June 2017 of $4,616,000 (subject to certain calculations, see Note 16) (2016: $9,601,000).

*Remaining contractual maturities*
The following are the remaining contractual maturities as at the reporting date. The amounts are gross and undiscounted and do not include contractual interest payments and exclude the impact of netting agreements.

| Consolidated - 2017 | Weighted average interest rate | 1 year or less $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Remaining contractual maturities $'000 |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | - | - | - | - | - | - |
| Trade and other payables | - | 2,429 | - | - | - | 2,429 |
| Deferred consideration | - | 500 | - | - | - | 500 |
| | | | | | | |
| *Interest-bearing - variable* | | | | | | |
| Assetsecure Pty Limited loan | 12.00% | - | - | 20,384 | - | 20,384 |
| Lucerne Composite Master Fund loan | 16.75% | 7,000 | 5,000 | - | - | 12,000 |
| Vendor loan | 7.50% | 2,400 | - | - | - | 2,400 |
| Convertible bonds payable | 11.50% | - | 5,000 | - | - | 5,000 |
| Total non-derivatives | | 12,329 | 10,000 | 20,384 | - | 42,713 |

## Note 22. Financial instruments (continued)

### *Liquidity risk (continued)*

| Consolidated - 2016 | Weighted average interest rate | 1year or less $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 | Remaining contractual maturities $'000 |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | - | - | - | - | - | - |
| Trade and other payables | - | 298 | - | - | - | 298 |
| Deferred consideration | - | 3,000 | - | - | - | 3,000 |
| *Interest-bearing - variable* | | | | | | |
| Assetsecure Pty Limited loan | 13.5% | 10,399 | - | - | - | 10,399 |
| Vendor loan | 7.50% | 180 | 2,400 | - | - | 2,580 |
| Total non-derivatives | | 13,877 | 2,400 | - | - | 16,277 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## Note 23. Fair value measurement

Due to the inherent finance component embedded in the trade receivables, a fair value provision has been determined so that the trade receivables carrying amounts approximates its fair value. It is estimated by discounting future cash flows using rates currently available for debt of similar terms, credit risk and estimated remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the trade receivables is also sensitive to possible future growth rates. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are: a discount rate of 8.23% (2016: 15%) and average receivable days of 476 (2016: 469) days. Management regularly assesses a range of reasonable possible alternatives for those unobservable inputs and determines their impact on the total fair value (refer to note 3).

The carrying amounts of 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.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*
Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

## Note 24. Key management personnel disclosures

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Short-term employee benefits | 2,443,059 | 1,804,622 |
| Post-employment benefits | 48,775 | 56,362 |
| Share-based payments | 672,395 | 28,639 |
| | 3,164,229 | 1,889,623 |

The above figures include amounts paid to companies related to directors for the service and/or director fees payable to directors.

## Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Stantons International, the auditor of the Company:

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Audit or review of the financial statements | 86,000 | 72,000 |

## Note 26. Contingent liabilities

*Bank guarantees*
The Group has given bank guarantees as at 30 June 2017 of $155,000 (2016: $105,402) to various landlords. The guarantees are secured by an offset arrangement with the short-term cash deposits.

*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% (2016: 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% (2016: 70%) of the amount spent by the plaintiff and that there is only one defendant per case.

At 30 June 2017 the total amount spent by the Group where undertakings to pay adverse costs have been provided was $7,529,333 (2016: $616,215). The potential adverse costs orders using the above methodology would amount to $5,270,533 (2016: $431,350). 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.

## Note 26. Contingent liabilities (continued)

*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. This period has now expired and no earn-out to the sellers was generated;
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 27. Commitments

| | Consolidated | |
|---|---|---|
| | 2017 $'000 | 2016 $'000 |
| *Lease commitments - operating* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 378 | 363 |
| One to five years | 374 | 752 |
| | 752 | 1,115 |

Operating lease commitments includes contracted amounts for offices under non-cancellable operating leases expiring within one year with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

## Note 28. Related party transactions

*Parent entity*
JustKapital Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 30.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

*Transactions with related parties*
The following transactions occurred with related parties:

| | Consolidated | |
|---|---|---|
| | 2017 $ | 2016 $ |
| *Payment for other expenses* | | |
| Payment for rent to Anglo Pacific Ventures Pty Ltd (company associated with former director, Hugh Warner) | - | 51,732 |
| | - | 51,732 |

## Note 28. Related party transactions (continued)

*Receivable from and payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Current payables | | |
| Related party payable | 454,900 | 757,809 |
| | 454,900 | 757,809 |

*Loans to/from related parties*
There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

| | Parent | |
|---|---|---|
| | 2017 | 2016 |
| | $'000 | $'000 |
| *Statement of profit or loss and other comprehensive income* | | |
| Loss after income tax | (5,108) | (552) |
| Total comprehensive loss | (5,108) | (552) |
| | | |
| *Statement of financial position* | | |
| Total current assets | 5,731 | 1,461 |
| Total assets | 31,830 | 15,811 |
| | | |
| Total current liabilities | 8,826 | 1,173 |
| Total liabilities | 18,828 | 1,173 |
| | | |
| Equity | | |
| Issued capital | 21,523 | 18,723 |
| Share-based payments reserve | 1,973 | 1,301 |
| Accumulated losses | (10,494) | (5,386) |
| Total equity | 13,002 | 14,638 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
Except as described in note 26 and note 16, the parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 and 30 June 2016.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016 other than those disclosed in note 26.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

## Note 29. Parent entity information (continued)

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2.

| Name | Principal place of business / Country of incorporation | Ownership interest 2017 % | Ownership interest 2016 % |
|---|---|---|---|
| JustKapital Financing Pty Limited | Australia | 100% | 100% |
| JustKapital Litigation Pty Limited | Australia | 100% | 100% |
| JustKapital Litigation Partners (NZ) Limited* | New Zealand | 100% | 100% |
| JustKapital Litigation Insurance Pty Ltd | Australia | 100% | 100% |
| JustKapital Pty Limited* | Australia | 100% | 100% |
| JustKapital Co-Funding No 1 Pty Limited | Australia | 100% | 100% |
| LongKapital Pty Ltd* | Australia | 100% | 100% |
| MML Services Pty Ltd* | Australia | 100% | 100% |
| JustKapital Portfolio Pty Limited | Australia | 100% | - |
| JustKapital STL Pty Limited | Australia | 100% | - |
| JustKapital Insolvency Services Pty Limited | Australia | 100% | - |

* Dormant companies.

## Note 31. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated 2017 $'000 | Consolidated 2016 $'000 |
|---|---|---|
| Loss after income tax benefit for the year | (2,569) | (1,343) |
| Adjustments for: | | |
| Depreciation and amortisation | 79 | 10 |
| Share-based payments | 672 | 29 |
| Employee leave provision | 15 | 30 |
| Interest | (414) | - |
| Commissions payable | 150 | - |
| | | |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (15,812) | 874 |
| Increase in deferred tax assets | (656) | (3,051) |
| Increase in prepayments | (109) | - |
| Increase in trade and other payables | 2,033 | 495 |
| Increase/(decrease) in provisions | 20 | 82 |
| Net cash used in operating activities | (16,591) | (2,874) |

## Note 32. Non-cash investing and financing activities

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Acquisition of liquidation funding portfolio by deferred consideration | 500 | - |
| Acquisition of liquidation funding portfolio by issuance of shares | 2,200 | - |
| Acquisition of Macquarie Medico Legal business by issuance of shares | - | 3,000 |
| | 2,700 | 3,000 |

## Note 33. Earnings per share

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Loss after income tax attributable to the owners of JustKapital Limited | (2,569) | (1,343) |
| Acquisition of liquidation funding portfolio by issuance of shares | | |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 121,140,294 | 109,500,000 |
| Weighted average number of ordinary shares used in diluted earnings per share | 121,140,294 | 109,500,000 |
| | Cents | Cents |
| Basic loss per share | (2.12) | (1.23) |
| Diluted loss per share | (2.12) | (1.23) |

9,794,231 options (2016: 13,474,231); 4,679,664 performance rights (2016: nil) and 50,000 convertible bonds (2016: nil) have been excluded from the diluted earnings calculations as they are not anti-dilutive for the financial year.

## Note 34. Share-based payments

*Share options*
At the 2016 Annual General Meeting held on 30 November 2016, shareholders approved for the Company to adopt the JKL Incentive Plan ('Incentive Plan') and associated Non-Recourse Loan Agreements for directors, officers, employees and consultants ('Participants'). The Incentive Plan, effective from 1 July 2016, replaced the previous Incentive Option Plan and Executive Incentive Plans ('EIP').

The objectives of the Incentive Plan are to:
- supplement Participant remuneration;
- ensure that the Group's remuneration policy is competitive in retaining and motivating the Participants;
- provide a mechanism for achieving the Group's overarching remuneration objective of aligning the interests of Participants and shareholders; and
- reward Participants based on the Group's overall performance including achieving successful judgements or settlements of individual cases, growth of the disbursements funding business (JustKapital Finance) and other businesses and high performance.

## Note 34. Share-based payments (continued)

Set out below are summaries of options granted under the plans:

### 2017

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 23/10/2013 | 31/12/2016 | $0.250 | 1,550,000 | - | - | (1,550,000) | - |
| 06/11/2013 | 31/12/2016 | $0.250 | 1,550,000 | - | - | (1,550,000) | - |
| 28/11/2013 | 31/12/2016 | $0.250 | 500,000 | - | - | (500,000) | - |
| 15/04/2014 | 31/12/2016 | $0.250 | 80,000 | - | - | (80,000) | - |
| 10/03/2015 | 10/03/2018 | $0.250 | 1,200,000 | - | - | - | 1,200,000 |
| 10/03/2015 | 10/03/2018 | $0.250 | 1,195,673 | - | - | - | 1,195,673 |
| 10/03/2015 | 10/03/2018 | $0.250 | 4,000,000 | - | - | - | 4,000,000 |
| 27/03/2015 | 27/03/2018 | $0.250 | 398,558 | - | - | - | 398,558 |
| 27/03/2015 | 27/03/2018 | $0.250 | 1,500,000 | - | - | - | 1,500,000 |
| 22/01/2016 | 22/01/2019 | $0.250 | 1,500,000 | - | - | - | 1,500,000 |
| | | | 13,474,231 | - | - | (3,680,000) | 9,794,231 |
| Weighted average exercise price | | | $0.250 | - | - | $0.250 | $0.250 |

### 2016

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 18/08/2010 | 17/08/2015 | $1.500 | 300,000 | - | - | (300,000) | - |
| 18/01/2013 | 31/12/2015 | $0.500 | 200,000 | - | - | (200,000) | - |
| 23/10/2013 | 31/12/2016 | $0.250 | 1,550,000 | - | - | - | 1,550,000 |
| 06/11/2013 | 31/12/2016 | $0.250 | 1,550,000 | - | - | - | 1,550,000 |
| 28/11/2013 | 31/12/2016 | $0.250 | 500,000 | - | - | - | 500,000 |
| 15/04/2014 | 31/12/2016 | $0.250 | 80,000 | - | - | - | 80,000 |
| 10/03/2015 | 10/03/2018 | $0.250 | 1,200,000 | - | - | - | 1,200,000 |
| 10/03/2015 | 10/03/2018 | $0.250 | 1,195,673 | - | - | - | 1,195,673 |
| 10/03/2015 | 10/03/2018 | $0.250 | 4,000,000 | - | - | - | 4,000,000 |
| 27/03/2015 | 27/03/2018 | $0.250 | 398,558 | - | - | - | 398,558 |
| 27/03/2015 | 27/03/2018 | $0.250 | 1,500,000 | - | - | - | 1,500,000 |
| 01/05/2015 | 01/05/2020 | $0.300 | 111,111 | - | - | (111,111) | - |
| 01/05/2015 | 01/05/2020 | $0.300 | 111,111 | - | - | (111,111) | - |
| 01/05/2015 | 01/05/2020 | $0.300 | 111,111 | - | - | (111,111) | - |
| 22/01/2016 | 22/01/2019 | $0.250 | - | 1,500,000 | - | - | 1,500,000 |
| | | | 12,807,564 | 1,500,000 | | (833,333) | 13,474,231 |
| Weighted average exercise price | | | $0.280 | $0.250 | - | $0.780 | $0.250 |

The weighted average share price during the financial year was $0.233 (2016: $0.217).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.84 years (2016: 1.47 years).

The weighted average fair value of options granted during the year ended 30 June 2016 was $0.08.

## Note 34. Share-based payments (continued)

*Performance rights*
Set out below are summaries of performance rights granted under the plan:

### 2017

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 30/11/2016 | 30/6/2018 | $0.000 | - | 4,679,664 | - | - | 4,679,664 |
| | | | - | 4,679,664 | - | - | 4,679,664 |

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 12 months (2016: not applicable). The performance rights were valued based on a share price of $0.21. The fair value of the share rights based on these inputs is $0.21.

Also at the 2016 Annual General Meeting held on 30 November 2016, shareholders gave approval for the Company to issue the following shares:

- 1,250,000 to Oaktower partnership at $0.20 cents per share;
- 1,500,000 to Philip Kapp at $0.20 cents per share;
- 166,667 to James Walker at $0.30 cents per share; and
- 7,333,333 to Litman Holdings Pty Limited at $0.30 cents per share

## Note 35. Events after the reporting period

The Group intends to transfer its investment portfolio into a Litigation Funding Trust. The Group will own units in the Trust and will earn management fees from the Trust. The Group's litigation portfolio is presently being valued by an expert.

No other matter or circumstance has arisen since 30 June 2017 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.

**30 June 2017**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Philip Kapp.

Philip Kapp
Chairman and Managing Director

28 August 2017
Sydney

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**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF**
**JUSTKAPITAL LIMITED**
**(FORMERLY JUSTKAPITAL LITIGATION PARTNERS LIMITED)**

## Report on the Audit of the Financial Report

### *Opinion*

We have audited the financial report of JustKapital Limited (formerly JustKapital Litigation Partners Limited), the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matters | How the matter was addressed in the audit |
|---|---|

### *Going Concern*

In considering the going concern basis of accounting, management considered whether there are any material uncertainties on the Group's ability to continue as a going concern. In making this assessment management need to consider the period of at least 12 months from the date our audit opinion is signed.

The assessment is largely based on the assumptions made by the directors in their cash flow forecast. These forecasts include the directors' assumptions regarding the timing of future cash flows, operating results, capital raising activities and any potential sale of assets.

This is a key audit matter due to the nature of the business, its dependence on the level of currently available funds and its ability to raise additional funds, as well as the Group's history of operating losses and negative cashflows.

Inter alia, our audit procedures included the following:

i. Obtaining and reviewing management's cash flow forecasts to assess whether current cash levels and proposed capital management initiatives can sustain operations for a period of at least 12 months from the proposed date of signing the financial statements;

ii. Reviewing the assumptions used by management in the going concern forecasts for reasonableness and challenging these where necessary;

iii. Corroborating, where possible, management's assumptions in relation to its cash flow forecasts, including enquiry, verifications of and discussions pertaining to these assumptions; and

iv. Assessing the adequacy of the Group's related disclosures within the financial report.

### *Impairment of Goodwill and Other Intangibles*

The Group carries Goodwill totalling $5,943,000 (refer to Note 13) and Other Intangibles of $8,753,000, as per the application of the Group's accounting policy for Intangible assets, set out in Note 2.

The carrying value of Goodwill and Other Intangibles are a key audit matter due to:

- The significance of the total balance of both Goodwill and Other Intangibles combined (approximately 25% of total assets);
- For the Cash Generating Unit (CGU's) which contain goodwill, the determination of recoverable amount, being the higher of fair value less costs to sell and value-in-use, requires judgement on the part of management in both identifying and then valuing the relevant CGU's;
- Litigation contracts, and their impact upon the future cash flows meeting the Group's expectations and being assessed for impairment by the Group using updated cashflow forecasts; and
- The assessment of impairment of the Group's Goodwill and Other Intangibles balances incorporated significant judgement in respect of factors such as discount rates and growth rates.

Goodwill is also considered to be a key audit matter as the Group's value in use model for impairment included appropriate consideration of these factors on their significant estimates and judgements and the selection of key external and internal inputs.

Inter alia, our audit procedures included the following:

i. The assessment of management's determination of the Group's CGUs based on our understanding of the nature of the Group's Business and economic environment in which the segments operate. We also analysed the internal reporting of the Group to assess how earnings streams are monitored and reported;

ii. The evaluation of management's process regarding valuation of the Group's goodwill assets to determine any potential asset impairment. We tested management's models, such as the preparation and review of forecasts;

iii. The audit of the Group's assumptions and estimates used to determine the recoverable value of its assets, including those relating to forecasted revenue, costs, growth in the receivables book and discount rates used;

iv. Checking the cash flow models and corroboration of underlying data; and

v. Performing sensitivity analysis in the main areas. These included the appropriateness of the discount rate used and growth assumptions for the CGUs with a higher risk of impairment.

***Revenue recognition***

There is an inherent risk around the accuracy of revenue recorded given the nature of the Group's activities.

The application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates.

Revenue recognition is a key audit matter as the application of revenue recognition involves the evaluation of the appropriateness of management's judgements and estimates.

Inter alia, our audit procedures included the following:

i. Performing tests for accuracy, completeness and cut-off of customer invoicing on a sample basis and testing of a sample of the credits and discounts applied to customers;

ii. Testing the reconciliation from the business support systems (billing systems) to the general ledger. These tests included, inter alia, validation of material journals processed between the business systems and general ledger;

iii. Testing cash receipts for a sample of customers back to invoices; and

iv. Considering the accuracy of, and discussed with management the assumptions used, in revenue recognition (inter alia discount rates used, review of credit notes issued etc), the Group's revenue recognition policy for the disbursement funding business taking into consideration of the inherent financing component embedded in that revenue.

***Recoverability of trade receivables –Current $23,022,000 and Non-Current $7,999,000***

Due to the nature of the Group's operations, the Group has significant trade and other receivables with wide ranging characteristics which can remain outstanding for periods up to five years. Consequently, there is an inherent exposure to credit risk for these customers.

The key elements of judgement associated with assessing the recoverability of trade receivables include assessing the credit risk of receivables, which have longer than average payments terms, and determining credit risk.

This area is a key audit matter due to the significance of the total balance (approximately 52% of total assets) as well as the inherent subjectivity that is involved in the Group making judgements in relation to credit risk exposures to determine the recoverability of trade receivables.

Inter alia, our audit procedures included the following:

i. Testing key controls, approval processes, performing debtor circularisations of a sample of trade receivables;

ii. Challenging management's view of credit risk and noting the historical patterns for outstanding trade receivables. Reviewing other evidence including customer correspondence, and holding discussions with management to challenge knowledge and understanding of future conditions that may impact expected customer receipts and credit risk;

iii. Reviewing management's assumptions in splitting of current and non-current trade receivables; and

iv. Assessing the adequacy of the Group's disclosures in respect of credit risk.

## *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 8 to 15 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of JustKapital Limited for the year ended 30 June 2017 complies with section 300A of the Corporations Act 2001.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**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
28 August 2017

## JustKapital Limited
## (Formerly known as JustKapital Litigation Partners Limited)
## Shareholder information
## 30 June 2017

The shareholder information set out below was applicable as at 22 August 2017

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares | Number of holders of options over ordinary shares |
|---|---|---|
| 1 to 1,000 | 2,095 | - |
| 1,001 to 5,000 | 151 | - |
| 5,001 to 10,000 | 100 | - |
| 10,001 to 100,000 | 253 | - |
| 100,001 and over | 123 | 9 |
| | 2,722 | 9 |
| Holding less than a marketable parcel | 2,168 | - |

### Equity security holders

*Twenty largest quoted equity security holders*
The names of the twenty largest security holders of quoted equity securities are listed below:

| | Number of holders of ordinary shares | Number of holders of options over ordinary shares |
|---|---|---|
| Citicorp Nominees Pty Limited | 11,202,559 | 10.46 |
| Mr John Herbert Bannister | 6,682,502 | 6.24 |
| HSBC Custody Nominees (Australia) Limited | 6,621,765 | 6.18 |
| Wattle Laboratories Pty Limited (advanced Dulture Systems A/C) | 4,800,000 | 4.48 |
| National Nominees Limited | 4,687,699 | 4.38 |
| Twin Investors Pty Limited | 4,166,667 | 3.89 |
| BNP Paribas Noms Pty Ltd (IB AU Noms) | 2,955,852 | 2.76 |
| Onmell Pty Ltd (ONM BPSF A/C) | 2,550,000 | 2.38 |
| Mr Alistair David Strong | 2,500,000 | 2.33 |
| Garrett Smythe Limited | 2,166,568 | 2.02 |
| BNP Paribas Noms Pty Ltd (DRP) | 2,076,881 | 1.94 |
| Jarumito Pty Limited (The Jarumito Family A/C) | 1,791,667 | 1.67 |
| Prolex Holdings Limited (Phl A/C) | 1,666,667 | 1.56 |
| Midland Securities Limited | 1,463,000 | 1.37 |
| Mr Ivan Tanner & Mrs Felicity Tanner (The Supernatural Superfund A/C) | 1,410,196 | 1.32 |
| Cornerstone Investments Pty Ltd (Cornerstone Super A/C) | 1,406,814 | 1.31 |
| Chaha Pty Limited (Bannister Hedley Family Account) | 1,250,154 | 1.17 |
| Oaktower Partnership Pty Limited | 1,250,000 | 1.17 |
| Barbright Australia Pty Ltd (Interquartz Super Fund A/C) | 1,190,000 | 1.11 |
| Drill Investments Pty Ltd | 1,100,000 | 1.03 |
| | 62,938,991 | 58.77 |

*Unquoted equity securities (options)*

| | Number On issue | Number of holders |
|---|---|---|
| Options – exercisable at $0.25 cent before 10 March 2018 | 6,395,673 | 4 |
| Options – exercisable at $0.25 cent before 27 March 2018 | 1,898,558 | 3 |
| Options – exercisable at $0.25 cent before 22 January 2019 | 1,500,000 | 2 |
| | 9,794,231 | 9 |

## Substantial holders

Substantial holders in the Company are set out below:

| | Number held | % of total shares issued |
|---|---|---|
| JustKapital Limited (escrowed shares) | 18,666,666 | 14.8% |
| Lucerne Services and associates | 7,593,622 | 6.0% |
| Philip Kapp and associated parties | 7,276,067 | 5.8% |
| Contango Asset Management Limited | 6,821,918 | 5.4% |
| John Bannister and associated parties (excludes escrowed shares)* | 5,737,476 | 4.6% |

* If escrowed shares are included John Bannister and associated parties hold 17,070,809 shares representing 13.57% of total shares issued.

## Voting rights

The voting rights attached to ordinary shares are set out below

*Ordinary shares*
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

## Securities subject to voluntary escrow

| | Number of holders |
|---|---|
| Escrowed related party vendor shares related to the purchase of the Macquarie Medico Legal business | 11,333,333 |
| Escrowed related party vendor shares related to the purchase of the litigation funding portfolio | 7,333,333 |
| | 18,666,666 |

JUSTKAPITAL