

1. Company details

Name of entity:	JustKapital Limited
ABN:	72 088 749 008
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	85.0% to	2,869
Loss from ordinary activities after tax attributable to the owners of JustKapital Limited	up	45.0% to	(3,799)
Loss for the half-year attributable to the owners of JustKapital Limited	up	45.0% to	(3,799)
		31 Dec 2017	31 Dec 2016
		Cents	(Restated)
			Cents
Basic loss per share		(2.89)	(2.25)
Diluted loss per share		(2.89)	(2.25)

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 \$3,799,000 (31 December 2016: \$2,620,000). The loss in the period included expenses totalling \$1,897,000 incurred in relation to due diligence expenses concerning the proposed transaction to purchase National Health Finance LLC ('NHF'). As announced to the ASX on 4 December 2017 the transaction with NHF will not be pursued in its current structure. In addition expenses totalling \$310,000 were incurred in the period in relation to costs associated with selling the litigation funding assets.

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

3. Net tangible assets

	Reporting period	Previous period
	Cents	(Restated)
		Cents
Net tangible assets per ordinary security	<u>1.37</u>	<u>1.22</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

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 operations' investment in cases. The total investment by the Group in the joint operation at 31 December 2017 was \$1,640,000 (30 June 2017: \$1,616,000). Longford Capital and the Group are also co-funding six cases in Australia on a 50:50 basis. The total investment by the Group in all co-funded cases in Australia as at 31 Dec 2017 was \$6,021,000 (30 June 2017: \$4,622,000). The joint venture assets were held for sale as at 31 December 2017.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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


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

11. Attachments

Details of attachments (if any):

The Interim Financial Report of JustKapital Limited for the half-year ended 31 December 2017 is attached.

12. Signed

Signed  _____

Tim Storey
Chairman
Sydney

Date: 28 February 2018



**Interim Financial
Report**
31 December 2017

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Directors	Tim Storey - Non-Executive Chairman Anthony Murphy - Non-Executive Director Diane Jones - Chief Executive Officer and Executive Director
Company secretary	Diane Jones
Registered office	Level 16 56 Pitt Street Sydney NSW 2000 Tel: +61 2 9696 0220 Fax: +61 2 9252 3430
Share register	Link Market Services Limited Level 12, QV1 Building 250 St Georges Terrace Perth WA 6000 Tel: 1300 554 474 Fax: +61 2 9287 0303
Auditor	Stantons International Level 2 22 Pitt Street Sydney NSW 2000
Solicitors	Corrs Chambers Westgarth Level 17 8-12 Chiefly Square Sydney NSW 2000
Stock exchange listing	JustKapital Limited shares are listed on the Australian Securities Exchange (ASX code: JKL)
Website	www.justkapital.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of JustKapital Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

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

Tim Storey	Current non-executive director, appointed non-executive chairman on 31 October 2017
Anthony Murphy	Appointed on 31 October 2017
Diane Jones	Appointed on 27 November 2017
Philip Kapp	Resigned on 31 October 2017
Michael Hill	Resigned on 27 November 2017

Nature of operations and principal activities

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

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

Disbursement and short-term funding

The disbursement funding division and short-term funding division have been merged and are referred to as 'JustKapital Finance'.

JustKapital Finance provides finance to law firms to fund the legal disbursements required by lawyers to progress the claims of their clients which the client generally cannot fund themselves. The deferred payment structure offered by JustKapital Finance 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 disbursements are paid. The Group's invoice becomes payable upon completion of the underlying case, which on average is in about 18 months' time. 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.

JustKapital Finance also 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 to the law firm. The short-term facility is only provided to law firms who use JustKapital exclusively for their disbursement funding requirements (where the client of the law firm cannot pay their disbursements). The short-term funding division was established in July 2016 and has been tested successfully since its inception.

Insurance broking

This business line provides insurance broking services to place policies for Adverse Costs Order Insurance and Security for Costs Deeds, earning broker fees and commissions. This business line was established in September 2016. The key business driver of this business line is the negotiation with Insurers and the placement of Adverse Costs Order Insurance policies and Security for Costs Deeds for applicants. Since its inception, this business line has received 41 enquiries and has placed 7 policies.

Litigation funding

During the financial half-year the Board resolved to exit the litigation funding division. Further details are provided in significant changes in the state of affairs.

The litigation funding division provided 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.

Review of operations

The loss for the Group after providing for income tax amounted to \$3,799,000 (31 December 2016: \$2,620,000). The loss in the period included expenses totalling \$1,897,000 incurred in relation to due diligence expenses concerning the proposed transaction to purchase National Health Finance LLC ('NHF'). As announced to the ASX on 4 December 2017 the transaction with NHF will not be pursued in its current structure. In addition expenses totalling \$310,000 were incurred in the period in relation to costs associated with selling the litigation funding assets.

Significant changes in the state of affairs

During the financial half-year the Board resolved to exit the litigation funding division to enable the Group to focus on its core financing business operated by JustKapital Finance (comprising disbursement funding and the provision of short term loans to law firms).

The Group entered into a contract with interests associated with its former Chairman, Mr Philip Kapp, to transfer its litigation funding portfolio into a Trust on 8 December 2017. The trustee of the Trust is to be Litigation Finance Pty Ltd (Trustee), a company that is wholly owned by Mr Philip Kapp who was until 31 October 2017 an executive director of JustKapital. The manager of the Trust is also a wholly owned company of Mr Kapp.

The contract is subject to several conditions precedent, including an independent expert's report concluding that the transaction is in the best interests of JustKapital non-associated shareholders and shareholder approval at an extraordinary general meeting. As at the date of this report these conditions precedent had not been met.

If the conditions are satisfied, the Group will own units in the Trust and as each case completed, the Trust will distribute the invested capital relating to the completed case and 80% of the profits relating to the completed case to unitholders including JustKapital. More details concerning the transaction will be provided to shareholders with the Notice of Meeting.

Three cases funded by the Group were not included in the proposed transaction with the Trust. One of these remaining cases has conditionally settled (see matters subsequent to the end of the financial half-year). The remaining two cases will be sold by the Group.

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

Matters subsequent to the end of the financial half-year

On 2 January 2018 the Group announced the conditional confidential settlement of a case it had funded. If the Court approves the confidential settlement, the Company expects to record income of approximately \$3,000,000 and approximately \$1,300,000 in profit.

No other matter or circumstance has arisen since 31 December 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.

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors



Tim Storey
Chairman

28 February 2018
Sydney

28 February 2018

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

Dear Sirs

RE: JUSTKAPITAL LIMITED

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

As Audit Director for the review of the financial statements of JustKapital Limited for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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



Martin Michalik
Director

JustKapital Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017



		Consolidated	
	Note	31 Dec 2017	31 Dec 2016
		\$'000	(Restated)
			\$'000
Revenue			
Net income from disbursement funding		2,561	1,413
Non-supplier related cost of sales		(136)	(18)
		<u>2,425</u>	<u>1,395</u>
Gross margin			
Other income		308	138
Expenses			
Employee benefits expense		(1,422)	(1,091)
Administration and other expenses		(1,100)	(1,160)
Business purchase/selling expenses		(2,207)	(475)
Finance costs		(2,531)	(1,225)
		<u>(4,527)</u>	<u>(2,418)</u>
Loss before income tax benefit/(expense)			
Income tax benefit/(expense)		728	(202)
		<u>(3,799)</u>	<u>(2,620)</u>
Loss after income tax (expense)/benefit for the half-year attributable to the owners of JustKapital Limited			
		<u>(3,799)</u>	<u>(2,620)</u>
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the owners of JustKapital Limited		<u><u>(3,799)</u></u>	<u><u>(2,620)</u></u>
		Cents	Cents
			(Restated)
Basic loss per share	22	(2.89)	(2.25)
Diluted loss per share	22	(2.89)	(2.25)

Refer to note 4 for detailed information on Restatement of comparatives.

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

	Note	31 Dec 2017 \$'000	Consolidated 30 Jun 2017 (Restated) \$'000	31 Dec 2016 (Restated) \$'000
Assets				
Current assets				
Cash and cash equivalents	6	1,909	7,627	1,871
Loan and other receivables	7	9,071	8,119	7,576
Prepayments		69	209	95
		11,049	15,955	9,542
Assets classified as held for sale	8	15,302	-	-
Total current assets		26,351	15,955	9,542
Non-current assets				
Loan and other receivables	9	16,178	16,389	10,474
Investments held in joint operations	10	-	1,616	2,864
Property, plant and equipment	11	188	215	240
Goodwill		5,943	5,943	5,943
Other intangibles	12	1,042	8,753	5,093
Deferred tax		6,389	5,661	4,441
Total non-current assets		29,740	38,577	29,055
Total assets		56,091	54,532	38,597
Liabilities				
Current liabilities				
Trade and other payables	13	1,730	3,454	1,820
Borrowings	14	5,000	9,400	15,208
Employee benefits		99	602	95
Deferred consideration		-	500	1,500
		6,829	13,956	18,623
Liabilities directly associated with assets classified as held for sale		3,059	-	-
Total current liabilities		9,888	13,956	18,623
Non-current liabilities				
Borrowings	15	37,194	30,384	7,400
Total non-current liabilities		37,194	30,384	7,400
Total liabilities		47,082	44,340	26,023
Net assets		9,009	10,192	12,574
Equity				
Issued capital	16	23,934	21,523	21,523
Reserves	17	2,178	1,973	1,301
Accumulated losses		(17,103)	(13,304)	(10,250)
Total equity		9,009	10,192	12,574

Refer to note 4 for detailed information on Restatement of comparatives.

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016 - restated	18,723	1,301	(6,176)	13,848
Adjustment for change in accounting policy (note 4)	-	-	(1,454)	(1,454)
Balance at 1 July 2016 - restated	18,723	1,301	(7,630)	12,394
Loss after income tax expense for the half-year	-	-	(2,620)	(2,620)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(2,620)	(2,620)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	2,800	-	-	2,800
Balance at 31 December 2016 - restated	<u>21,523</u>	<u>1,301</u>	<u>(10,250)</u>	<u>12,574</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	21,523	1,973	(8,745)	14,751
Adjustment for change in accounting policy (note 4)	-	-	(4,559)	(4,559)
Balance at 1 July 2017 - restated	21,523	1,973	(13,304)	10,192
Loss after income tax benefit for the half-year	-	-	(3,799)	(3,799)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(3,799)	(3,799)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 16)	2,411	-	-	2,411
Share-based payments (note 17)	-	205	-	205
Balance at 31 December 2017	<u>23,934</u>	<u>2,178</u>	<u>(17,103)</u>	<u>9,009</u>

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

		Consolidated	
	Note	31 Dec 2017	31 Dec 2016
		\$'000	(Restated) \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,661	5,140
Payments to suppliers and employees		(11,721)	(13,175)
		(5,060)	(8,035)
Interest received		250	33
Interest and other finance costs paid		(2,518)	(252)
Net cash outflow from operating activities		(7,328)	(8,254)
Cash flows from investing activities			
Payments for new joint venture capital invested		-	(2,208)
Payments for property, plant and equipment		(25)	(149)
Payments for other intangibles		-	(18)
Payments for litigation funding and employee costs		(3,186)	(877)
Payments of deferred consideration on previous business		-	(2,000)
Net cash outflow from investing activities		(3,211)	(5,252)
Cash flows from financing activities			
Proceeds from issue of shares	16	2,642	-
Proceeds from borrowings - disbursement funding division		7,375	6,260
Proceeds from borrowings - corporate		-	3,000
Proceeds from issue of convertible notes		-	5,000
Share issue transaction costs	16	(231)	-
Repayment of borrowings		(4,965)	(4,451)
Net cash inflow from financing activities		4,821	9,809
Net decrease in cash and cash equivalents		(5,718)	(3,697)
Cash and cash equivalents at the beginning of the financial half-year		7,627	5,568
Cash and cash equivalents at the end of the financial half-year		1,909	1,871

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

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

Level 16
56 Pitt Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2018.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going concern

As at 31 December 2017 the Group had net current assets of \$16,463,000. 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 the expected cash from the first case completion from the litigation funding portfolio and realisations from the sale of the litigation funding portfolio, as part of the Group's financial planning processes, has formed part of this assessment. 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.

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' and AASB 15 'Revenue from Contracts with Customers', any new or amended Australian Accounting Standards and Interpretations that are issued, but not yet effective, have not been early adopted.

Note 2. Significant accounting policies (continued)

Initial adoption of AASB 15 'Revenue from Contracts with Customers'

AASB 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. The standard moves away from the previous focus on identifying whether the seller has transferred to the buyer the significant risks and rewards of ownership. The core principle of the new standard is to focus on control of the good or service and 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 Group has elected to early adopt AASB 15 'Revenue from Contracts with Customers' which would otherwise be mandatorily effective for annual reporting periods beginning on or after 1 January 2018. The initial application date for the Group is 1 July 2017.

The Group has elected to apply the standard on a full retrospective basis as permitted by AASB 15 whereby the Group applied AASB 15 as if it had been applied since the inception of all its contracts with customers that are presented in the financial statements. The cumulative effect of retrospective application is recognised as an adjustment to the opening accumulated losses or other relevant components of equity for the earliest comparative period presented. Therefore, the comparative results included in the financial statements for the period ended 31 December 2017 have been restated with an adjustment to equity as at 1 July 2016.

From time to time, the Group enters into contracts with law firms to pay, on the law firms' behalf, legal disbursements in relation to their clients' legal matters, such as medical report produced by doctors.

Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard defines a customer as 'a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration'. Management has undertaken an exercise to assess the Group's contractual arrangements within its disbursement funding business as part of its implementation of AASB 15. The primary factor considered in making this assessment is most notably whether the Group is contractually engaged to provide or deliver a good or service to the law firm.

As a result of this assessment, the Group has determined that it does not take primary responsibility and does not have any obligation for the supply or accuracy of the underlying expert reports funded by the Group. The Group solely enters into a contract with the law firm to provide financing for legal disbursements in relation to their clients' legal matters. Considering the nature of the disbursement funding arrangements whereby it does not involve the provision of any good or service to the law firm, the Group has concluded that the arrangement does not meet the definition of a contract with a customer under AASB 15. As the arrangement gives rise to a contractual right to receive cash from the law firm, the Group has concluded that the financing arrangement meets the definition of a financial instrument. Income arising from changes in the fair value of financial instruments is within the scope of AASB 9 'Financial Instruments'. In applying AASB 9, given the final financial outcome of the provision of the financing arrangement is variable, that is the final amount to be received by the Group is conditional upon the decisions of either the relevant Court or the Insurer to the counterparty for whom the financial arrangement has been sought, the financial arrangement has been treated on a fair value through profit or loss basis.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Loan receivables at fair value through profit or loss

Initial recognition and measurement

The Group's financial assets at fair value through profit or loss is solely relating to the loan receivables arising from its disbursement funding business. The Group's loan receivables from its disbursement funding business are classified, at initial recognition, as financial assets at fair value through profit or loss. The determination is made at initial recognition based on the Group's business model for managing its financial instruments and the non-contractual cash flow characteristics of its instruments.

Note 2. Significant accounting policies (continued)

The Group's financial asset at fair value through profit or loss is recognised initially at fair value. The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). In the case of a legal disbursement funding arrangement, the fair value of the loan receivable at initial recognition may differ from the transaction price.

The fair value of the financial asset represents the invoice amount (where the final amount to be received by the Group is subject to change and conditional upon the outcome of decisions made by the relevant Court or the Insurer), adjusted for such factors as time value of money, discounts and write offs, and credit risk. The transaction price of the financial asset is the amount of cash paid to fund the legal disbursement costs.

No active market exists for these loans. The difference between the fair value and the transaction price (also known as day 1 margin) is deferred and the Group recognises the deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset.

Subsequent measurement

Loan receivables are carried in the statement of financial position at fair value, with changes in fair value presented in the statement of profit or loss as net gains or losses on loan receivables at fair value. The net gains or losses are calculated based on actuarial assumptions including information on changes to actual and expected write offs, discounts and collections of loan receivables, as well as interest margin, taking into account the time value of money, credit risk, and the amortisation of day 1 margins.

The deferred day 1 margin is recognised in the profit or loss on a systematic basis over the term of the arrangement using actuarial methodologies. It is based on the profile of cash collections and the subsequent weighted average calculation of these collections applied to the recognition of the day 1 margin.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when the contractual rights to receive cash flows from the loan receivables have expired.

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.

Fair value measurement and carrying value measurement of loan receivables

When the fair values of loan receivables recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using actuarial valuation techniques that take into account discount rates, credit risk and analysis of discounts and write offs. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values and the deferred day 1 margin. Changes in assumptions relating to these factors could affect the reported fair value and carrying value of loan receivables.

The key assumptions used to determine the fair value of the loan receivables are provided in note 19.

Note 4. Restatement of comparatives

As a result of the change in accounting policy as described in note 2, the impact, by line item, on the consolidated statement of financial position as at 31 December 2016 and 30 June 2017 and the consolidated statement of profit or loss for the period ended 31 December 2016 is set below.

Statement of profit or loss and other comprehensive income for comparative periods

	31 Dec 2016 Reported \$'000	Consolidated Adjustment \$'000	31 Dec 2016 Restated \$'000
Extract			
Revenue			
Revenue	8,227	(8,227)	-
Discounts and other write-downs	(576)	576	-
Financing component unwind	(34)	34	-
Net income from disbursement funding	-	1,413	1,413
Net revenue	7,617	(6,204)	1,413
Disbursement funding costs and other costs of goods sold	(4,152)	4,152	-
Non-supplier related cost of sales	-	(18)	(18)
	(4,152)	4,134	(18)
Gross margin	3,465	(2,070)	1,395
Loss before income tax expense	(348)	(2,070)	(2,418)
Income tax expense	(29)	(173)	(202)
Loss after income tax (expense)/benefit for the half-year attributable to the owners of JustKapital Limited	(377)	(2,243)	(2,620)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year attributable to the owners of JustKapital Limited	(377)	(2,243)	(2,620)
	Cents Reported	Cents Adjustment	Cents Restated
Basic loss per share	(0.32)	(1.93)	(2.25)
Diluted loss per share	(0.32)	(1.93)	(2.25)

Note 4. Restatement of comparatives (continued)

Statement of financial position at the beginning of the earliest comparative period

	31 Dec 2016 Reported \$'000	Consolidated Adjustment \$'000	31 Dec 2016 Restated \$'000
Extract			
Assets			
Current assets			
Loan and other receivables	18,010	(10,434)	7,576
Total current assets	19,976	(10,434)	9,542
Non-current assets			
Loan and other receivables	5,156	5,318	10,474
Deferred tax	3,022	1,419	4,441
Total non-current assets	22,318	6,737	29,055
Total assets	42,294	(3,697)	38,597
Net assets	16,271	(3,697)	12,574
Equity			
Accumulated losses	(6,553)	(3,697)	(10,250)
Total equity	16,271	(3,697)	12,574

Statement of financial position at the end of the earliest comparative period

	30 Jun 2017 Reported \$'000	Consolidated Adjustment \$'000	30 Jun 2017 Restated \$'000
Extract			
Assets			
Current assets			
Loan and other receivables	23,022	(14,903)	8,119
Total current assets	30,858	(14,903)	15,955
Non-current assets			
Loan and other receivables	7,999	8,390	16,389
Deferred tax	3,707	1,954	5,661
Total non-current assets	28,233	10,344	38,577
Total assets	59,091	(4,559)	54,532
Net assets	14,751	(4,559)	10,192
Equity			
Accumulated losses	(8,745)	(4,559)	(13,304)
Total equity	14,751	(4,559)	10,192

Note 5. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments: (i) JustKapital Finance comprising disbursement funding and short-term funding 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.

Operating segment information

	JustKapital Finance \$'000	Litigation funding, insurance and head office \$'000	Total \$'000
Consolidated - 31 Dec 2017			
Revenue			
Net income from disbursement funding	2,425	-	2,425
Other revenue	303	5	308
Total revenue	<u>2,728</u>	<u>5</u>	<u>2,733</u>
Segment result	1,953	(1,692)	261
Depreciation and amortisation	(33)	(17)	(50)
Due diligence costs	-	(2,207)	(2,207)
Finance costs	(1,534)	(997)	(2,531)
Profit/(loss) before income tax benefit	<u>386</u>	<u>(4,913)</u>	<u>(4,527)</u>
Income tax benefit			728
Loss after income tax benefit			<u>(3,799)</u>
Assets			
Segment assets	32,500	23,591	56,091
Total assets			<u>56,091</u>
Liabilities			
Segment liabilities	34,792	12,290	47,082
Total liabilities			<u>47,082</u>

Note 5. Operating segments (continued)

	JustKapital Finance \$'000	Litigation funding, insurance and head office \$'000	Total \$'000
Consolidated - 31 Dec 2016 (Restated)			
Revenue			
Net income from disbursement funding	1,395	-	1,395
Other revenue	135	3	138
Total revenue	1,530	3	1,533
Segment result	459	(1,618)	(1,159)
Depreciation and amortisation	(22)	(12)	(34)
Finance costs	(894)	(331)	(1,225)
Loss before income tax expense	(457)	(1,961)	(2,418)
Income tax expense			(202)
Loss after income tax expense			(2,620)
Consolidated - 30 Jun 2017 (Restated)			
Assets			
Segment assets	30,280	24,252	54,532
Total assets			54,532
Liabilities			
Segment liabilities	25,419	18,921	44,340
Total liabilities			44,340

Short term lending for the comparative period is included in JustKapital Finance (previously disclosed separately as 'Other').

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. Accordingly, all liabilities are allocated based on the operations of the segment.

Geographical information

Geographically, all divisions operate in Australia. The litigation funding business also operates in the United States.

Note 6. Current assets - cash and cash equivalents

	Consolidated 31 Dec 2017 \$'000	30 Jun 2017 (Restated) \$'000
Cash at bank and on hand	1,702	7,422
Short term cash deposits	207	205
	<u>1,909</u>	<u>7,627</u>

Short term cash deposits are used as bank guarantee security. Refer to note 20.

Note 7. Current assets - loan and other receivables

	Consolidated 31 Dec 2017 \$'000	30 Jun 2017 (Restated) \$'000
Loan receivables disbursement funding (gross)	12,060	10,703
Fair value movement	(2,576)	(2,387)
Unrecognised day 1 margin	<u>(1,790)</u>	<u>(2,887)</u>
	7,694	5,429
Other trade receivables	-	33
Short term loans	<u>1,373</u>	<u>2,336</u>
	1,373	2,369
Other receivables	<u>4</u>	<u>321</u>
	<u>9,071</u>	<u>8,119</u>

Other receivables as at 30 June 2017 include amounts due to the Group from its joint venture partner for its share of investments made in co-funded cases totalling \$305,000.

Note 8. Current assets - assets classified as held for sale

	Consolidated 31 Dec 2017 \$'000	30 Jun 2017 (Restated) \$'000
Investment in joint operation	1,640	-
Litigation contracts in progress - capitalised external costs (note 12)	10,471	-
Litigation contracts in progress - capitalised internal costs (note 12)	926	-
Other receivables	<u>2,265</u>	<u>-</u>
	<u>15,302</u>	<u>-</u>

Note 8. Current assets - assets classified as held for sale (continued)

During the financial half-year the Board resolved to exit the litigation funding division to enable the Group to focus on its core financing business operated by JustKapital Finance (comprising disbursement funding and the provision of short term loans to law firms).

The Group entered into a contract with interests associated with its former Chairman, Mr Philip Kapp, to transfer its litigation funding portfolio into a Trust on 8 December 2017. The trustee of the Trust is to be Litigation Finance Pty Ltd (Trustee), a company that is wholly owned by Mr Philip Kapp who was until 31 October 2017 an executive director of JustKapital. The manager of the Trust is also a wholly owned company of Mr Kapp.

The contract is subject to several conditions precedent, including an independent expert's report concluding that the transaction is in the best interests of JustKapital non-associated shareholders and shareholder approval at an extraordinary general meeting. As at the date of this report these conditions precedent had not been met.

If the conditions are satisfied, the Group will own units in the Trust and as each case completes, the Trust will distribute the invested capital relating to the completed case and 80% of the profits relating to the completed case to unitholders including JustKapital. More details concerning the transaction will be provided to shareholders with the Notice of Meeting. If the conditions are not satisfied the Group will look to sell the portfolio to other parties.

Three cases funded by the Group were not included in the proposed transaction with the Trust. One of these remaining cases has conditionally settled (see matters subsequent to the end of the financial half-year). The remaining two cases will be sold by the Group.

Note 9. Non-current assets - loan and other receivables

	Consolidated	
	31 Dec 2017	30 Jun 2017 (Restated)
	\$'000	\$'000
Loan receivable disbursement funding (gross)	23,997	21,296
Fair value movement	(5,127)	(4,749)
Unrecognised Day 1 margin	(2,692)	(1,508)
	<u>16,178</u>	<u>15,039</u>
Other trade receivables	-	1,350
	<u>16,178</u>	<u>16,389</u>

Note 10. Non-current assets - investments held in joint operations

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	(Restated)
		\$'000
Investment in joint operation	-	1,616

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's joint operation has been re-classified as assets held for sale. Refer to note 8.

Note 11. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	(Restated)
		\$'000
Leasehold improvements - at cost	58	58
Less: Accumulated depreciation	(14)	(8)
	<u>44</u>	<u>50</u>
Plant and equipment - at cost	286	266
Less: Accumulated depreciation	(142)	(101)
	<u>144</u>	<u>165</u>
	<u>188</u>	<u>215</u>

Reconciliations

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

Consolidated	Leasehold improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2017 - Restated	50	165	215
Additions	-	20	20
Depreciation expense	(6)	(41)	(47)
Balance at 31 December 2017	<u>44</u>	<u>144</u>	<u>188</u>

Note 12. Non-current assets - other intangibles

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	(Restated)
	\$'000	\$'000
Website - at cost	18	18
Less: Accumulated amortisation	(7)	(4)
	<u>11</u>	<u>14</u>
Litigation contracts in progress - capitalised external costs	922	7,934
Litigation contracts in progress - capitalised internal costs	109	805
	<u>1,031</u>	<u>8,739</u>
	<u>1,042</u>	<u>8,753</u>

Reconciliations

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

Consolidated	Website	Litigation	Total
	\$'000	contracts in	\$'000
	\$'000	progress	\$'000
	\$'000	\$'000	\$'000
Balance at 1 July 2017	14	8,739	8,753
Additions	-	3,709	3,709
Classified as held for sale (note 8)	-	(11,397)	(11,397)
Disposals	-	(20)	(20)
Amortisation expense	(3)	-	(3)
Balance at 31 December 2017	<u>11</u>	<u>1,031</u>	<u>1,042</u>

On 2 January 2018, the Group announced the conditional confidential settlement of a case it had funded. This conditional settlement is subject to Court approval. This case is the only asset included in the period as all other non-current assets - other intangibles have been reclassified as assets held for sale. Refer to note 8.

Note 13. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	(Restated)
	\$'000	\$'000
Trade and other payables	1,027	2,429
Accruals	676	851
Goods and services tax payable	1	174
Superannuation	26	-
	<u>1,730</u>	<u>3,454</u>

Note 14. Current liabilities - borrowings

	Consolidated 31 Dec 2017 \$'000	30 Jun 2017 (Restated) \$'000
Lucerne Finance Pty Limited short-term loan	-	7,000
Vendor loan	-	2,400
Convertible bonds payable	5,000	-
	<u>5,000</u>	<u>9,400</u>

Lucerne Finance Pty Limited short-term loan
Refer to note 15 for further information.

Vendor loan
Refer to note 15 for further information.

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 undertook a capital raising on 8 November 2017 at \$0.14 per share. As a result of that capital raising the conversion price of the convertible bonds is now \$0.112 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.

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 15. Non-current liabilities - borrowings

	Consolidated 31 Dec 2017 \$'000	30 Jun 2017 (Restated) \$'000
Assetsecure Pty Limited loan	23,194	20,384
Lucerne Composite Master Fund Loan	-	5,000
Lucerne Group combined loan	12,000	-
Vendor loan	2,000	-
Convertible bonds payable	-	5,000
	<u>37,194</u>	<u>30,384</u>

Note 15. Non-current liabilities - borrowings (continued)

Assetsecure Pty Limited loan

The loan facility is \$35,000,000 (30 June 2017: \$25,000,000) and expires on 30 September 2020. This loan is classified as non-current in the current financial half-year. However, it is repayable on demand if loan covenants are breached and not rectified. Interest, line fees and management fees payable total 8.95% per annum (30 June 2017: 12.0% per annum).

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

The 'Lucerne Finance Pty Limited short-term loan' facility of \$7,000,000 and 'Lucerne Composite Master Fund Loan' facility of \$5,000,000, as at 30 June 2017, were amalgamated during the current financial half-year. The amalgamated facility, 'Lucerne Group combined loan', as at 31 December 2017 of \$12,000,000 is repayable on 1 April 2019. Interest, line fees and management fees payable total 16.75% per annum (30 June 2017: 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 31 December 2017 aside from the requirement to maintain net tangible assets above \$10,000,000. This breach was a result of the change in accounting standards referred to in note 2. This has been communicated to Lucerne, who have indicated their acceptance of this breach.

Vendor loan

The vendor loan facility is repayable on 22 January 2019. Interest is payable at 7.5% (30 June 2017: 7.5%) per annum. The loan is unsecured. The vendor may convert the outstanding loan amount into ordinary shares of the Company at a conversion price of \$0.14 cents per share.

Convertible bonds payables

Refer to note 14 for further information.

Financing arrangements

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

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	(Restated) \$'000
Total facilities		
Assetsecure Pty Limited loan*	35,000	25,000
Lucerne Finance Pty Limited short-term loan	-	7,000
Lucerne Composite Master Fund loan	-	5,000
Lucerne Group combined loan	12,000	-
	<u>47,000</u>	<u>37,000</u>
Used at the reporting date		
Assetsecure Pty Limited loan*	23,194	20,384
Lucerne Finance Pty Limited short-term loan	-	7,000
Lucerne Composite Master Fund loan	-	5,000
Lucerne Group combined loan	12,000	-
	<u>35,194</u>	<u>32,384</u>
Unused at the reporting date		
Assetsecure Pty Limited loan*	11,806	4,616
Lucerne Finance Pty Limited short-term loan	-	-
Lucerne Composite Master Fund loan	-	-
Lucerne Group combined loan	-	-
	<u>11,806</u>	<u>4,616</u>

* The facility can be drawn-down based upon various calculations relating to the underlying disbursement receivables. As at 31 December 2017 no further amounts could be drawn-down as a result of these calculations.

Note 15. Non-current liabilities - borrowings (continued)

An additional working capital facility of \$3,000,000 is available to the Company for a period of 2 years at an interest rate of 9.95% per annum (including line fee).

Note 16. Equity - issued capital

	31 Dec 2017	Consolidated 30 Jun 2017 (Restated)	31 Dec 2017	30 Jun 2017 (Restated)
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	147,933,598	125,813,124	23,934	21,523

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2017	125,813,124		21,523
Issue of shares	8 November 2017	18,871,969	\$0.14	2,642
Share issue costs		-	\$0.00	(231)
Issue of shares - performance rights	21 December 2017	3,248,505	\$0.00	-
Balance	31 December 2017	147,933,598		23,934

Note 17. Equity - reserves

	Consolidated 31 Dec 2017	30 Jun 2017 (Restated)
	\$'000	\$'000
Share-based payments reserve	2,178	1,973

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 reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Share-based payments \$'000
Balance at 1 July 2017	1,973
Share-based payments	205
Balance at 31 December 2017	2,178

Note 18. Equity - dividends

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

Note 19. Fair value measurement

Fair value measurement hierarchy for assets

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are significant observable for the asset or liability, either directly or indirectly

Level 3: Significant unobservable inputs for the asset or liability

Consolidated - 31 Dec 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets measured at fair value:</i>				
Loan receivables	-	-	28,354	28,354
Total assets	-	-	28,354	28,354

Consolidated - 30 Jun 2017 (Restated)	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets measured at fair value:</i>				
Loan receivables	-	-	24,863	24,863
Total assets	-	-	24,863	24,863

The above Loan receivables are shown excluding the adjustment for the unrecognised Day 1 Margin. There were no transfers between Level 1 and Level 2 during 2017.

Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements of loan receivables categorised within Level 3 of the fair value hierarchy, performed by an actuarial firm as at 31 December 2017 and 30 June 2017 are as shown below.

The actuarial valuation involves:

- Analysis of historical collections data;
- Setting assumptions based on the experience of historical collections data (including repayment patterns, proportion of write-offs and discounts);
- Application of assumptions to the open receivables in order to project the future repayments over the expected life of the contracts;
- Discounting the projected repayments for the open receivables using an appropriate discount rate to the valuation date;
- Calculation of the fair value of the invoices taking into account the discounted repayments which have allowed for discounts and write-offs and credit risk; and
- Calculation of the day 1 margin and its systematic recognition within profit and loss over the expected term of the arrangement is based on the profile of cash collections and the subsequent weighted average calculation of these collections applied to the recognition of the day 1 margin.

Loan receivables fair value measurement – valuation process

Valuations are performed on a half-yearly basis by an approved external actuarial firm. For the purpose of the valuation, Management provides the external actuarial firm with the inputs and data required to be applied in the valuations. Management performs a reconciliation of the fair value based on the valuation results and as part of the reconciliation process, discussions are conducted with the external actuarial firm if there are any unusual movements noted.

Note 19. Fair value measurement (continued)

Reconciliation of fair value measurement of the loan receivables and deferred day 1 margin

Consolidated	Fair value \$'000	Deferred day 1 margin \$'000	Total \$'000
Balance at 1 July 2017 - Restated	24,863	(4,396)	20,467
Cash disbursements in relation to new loans	6,299	-	6,299
New day 1 margin	-	(2,001)	(2,001)
Cash collections	(5,653)	-	(5,653)
Gains or losses recognised in profit or loss	2,845	-	2,845
Amortisation of day 1 margin	-	1,915	1,915
Balance at 31 December 2017	28,354	(4,482)	23,872

There were no transfers into or out of Level 3 of the fair value hierarchy during 2017.

The Loan receivables disbursement funding (gross) balance was \$36,057,000 as at 31 December 2017 (30 June 2017: \$31,999,000).

Note 20. Contingent liabilities

Bank guarantees

The Group has given bank guarantees as at 31 December 2017 of \$155,000 (30 June 2017: \$155,000) 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% (30 June 2017: 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% (30 June 2017: 70%) of the amount spent by the plaintiff and that there is only one defendant per case.

At 31 December 2017 the total amount spent by the Group where undertakings to pay adverse costs have been provided was \$9,811,000 (30 June 2017: \$7,529,000). The potential adverse costs orders using the above methodology would amount to \$6,868,000 (30 June 2017: \$5,270,000). The Group does not currently expect that any of the matters will be unsuccessful. The Group has obtained adverse costs order insurance for these matters which should respond if any matter is unsuccessful and an adverse costs order is payable.

Earn out - Macquarie Medico Legal business

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

- Year 1: 40% of the profits before tax of the acquired business in excess of \$4,000,000. 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. This period has now expired and no earn-out to the sellers was generated; and
- Year 3: 40% of the profits before tax of the acquired business in excess of \$6,250,000.

Note 20. Contingent liabilities (continued)

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 21. Non-cash investing and financing activities

	Consolidated 31 Dec 2017	31 Dec 2016 (Restated)
	\$'000	\$'000
Acquisition of liquidation funding portfolio by deferred consideration	-	500
Acquisition of liquidation funding portfolio by issuance of shares	-	2,200
	-	2,700

Note 22. Earnings per share

	Consolidated 31 Dec 2017	31 Dec 2016 (Restated)
	\$'000	\$'000
Loss after income tax attributable to the owners of JustKapital Limited	(3,799)	(2,620)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	131,545,840	116,543,649
Weighted average number of ordinary shares used in calculating diluted earnings per share	131,545,840	116,543,649
	Cents	Cents (Restated)
Basic loss per share	(2.89)	(2.25)
Diluted loss per share	(2.89)	(2.25)

9,794,231 (31 December 2016: 13,474,231) options and the 50,000 (31 December 2016: 50,000) convertible bond holders have been excluded from the diluted earnings calculation as they are anti-dilutive for the financial half-year.

Note 23. Events after the reporting period

On 2 January 2018 the Group announced the conditional confidential settlement of a case it had funded. If the Court approves the confidential settlement, the Company expects to record income of approximately \$3,000,000 and approximately \$1,300,000 in profit.

No other matter or circumstance has arisen since 31 December 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Tim Storey
Chairman

28 February 2018
Sydney

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of JustKapital Limited, which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for JustKapital Limited (the consolidated entity). The consolidated entity comprises both JustKapital Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of JustKapital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of JustKapital Limited on 28 February 2018.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of JustKapital Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
28 February 2018

