1 March 2018

ASX Announcement (ASX: JKL)

MARKET ANNOUNCEMENT

JUSTKAPITAL TERMINATES SALE OF LITIGATION PORTFOLIO – INDEPENDENT EXPERT FINDS PROPOSED TRANSACTION NOT FAIR AND NOT REASONABLE

On 8 December 2017, the Board of Directors of JustKapital Limited (**JustKapital** or **Group**) entered into documentation to transfer its litigation portfolio to a new trust structure named the Litigation Finance Trust (**Trust**). The trustee of the Trust is Litigation Finance Pty Ltd (**Trustee**), a company that is owned by interests associated with Mr Philip Kapp who was, until 31 October 2017, an executive director of JustKapital. In addition, Mr Kapp was to provide litigation management services in relation to one of the litigation matters not being transferred under a proposed consultancy agreement (the portfolio transfer and the consulting agreement are referred collectively as the **Proposed Transaction**).

The Proposed Transaction was subject to a number of conditions precedent including an independent expert concluding that the Proposed Transaction is in the best interests of JustKapital's non-associated shareholders and shareholder approval at an extraordinary general meeting.

The Board of Directors of JustKapital engaged PPB Corporate Finance Pty Ltd (**PPB**) as an independent expert to prepare a report in relation to the Proposed Transaction. On 1 March 2018, PPB concluded that the Proposed Transaction was neither fair nor reasonable and not in the best interests of JustKapital shareholders as a whole.

PPB's estimate of the range of fair values for the consideration being paid by the Trust was less than their estimate of the range of fair values of the JustKapital litigation portfolio. Accordingly, PPB considered the Proposed Transaction to be not fair.

PPB also assessed that the non-associated shareholders of JustKapital would not be better off if the Proposed Transaction was approved. This was another of the conditions precedent and therefore, in their view, the Proposed Transaction was not reasonable. Consistent with ASIC guidance on the preparation of reports, the directors of JustKapital have satisfied themselves that the information relied on in the report is accurate and that the report has not omitted material information.

A full copy of the report is annexed to this announcement*.

The Board of Directors of JustKapital has elected to terminate the Proposed Transaction on the basis that the independent expert had failed to conclude that the Proposed Transaction was in the best interests of JustKapital shareholders.

JustKapital will therefore immediately resume management of its litigation portfolio. Notices to all stakeholders will be sent today explaining the future arrangements for the conduct of the portfolio.

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Since the announcement of the Proposed Transaction on 8 December 2017, JustKapital has received numerous inbound enquiries from other third parties interested in purchasing the portfolio. Throughout the period, JustKapital has responded to the enquiries advising the various parties that the Group remained committed to finalising the Proposed Transaction with Mr Kapp.

Now that the Proposed Transaction is terminated, JustKapital will re-engage with the various parties that expressed earlier interest. These interested parties include a number of established Australian litigation funders and global litigation funders. The Board of Directors of JustKapital confirms that it remains committed to exiting JustKapital's litigation portfolio as it believes this is in the best interests of shareholders.

"With a clear mandate, the Company has identified a number of avenues to divest the litigation portfolio with urgency, and subsequently retire corporate debt" said Tim Storey Chairman of JustKapital.

The Group remains focused on its core financing business operated by JustKapital Finance comprising disbursement funding and the provision of short term loans to law firms.

"JustKapital remains committed to an orderly exit from litigation funding to enable it to focus on consolidating its position as a leading specialist financier and pure-play provider of disbursement funding to the legal fraternity," said Diane Jones, Chief Executive Officer.

Authorised by:

Diane Jones
Chief Executive Officer

*Shareholders should note that the Group elected to early adopt AASB 15 on a full retrospective basis as provided in the Interim Financial Report for the half year ending 31 December 2017 (as released to the ASX on 28 February 2018). However, the restated financial information was not available at the time PPB were preparing their report. Therefore, the PPB Report is based upon previously released financial statements. The Board does not believe that the adoption of AASB 15 will have any material effect on the opinion contained in the PPB Report.

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JustKapital Limited

Independent Expert's Report and Financial Services Guide

Proposed Transaction

Report date: 1 March 2018

PART 1: FINANCIAL SERVICES GUIDE

PPB Corporate Finance Pty Ltd

PPB Corporate Finance Pty Ltd (ABN 13 130 176 911) ('PPB') is the licensed corporate finance business of PPB Advisory. PPB is a wholly owned subsidiary of PPB Pty Ltd, trading as PPB Advisory (ABN 67 972 164 718). PPB Advisory provides strategic and financial advisory services to a wide range of clients. PPB's contact details are as set out on our letterhead.

Engagement

PPB has been engaged by the directors ('Directors') of JustKapital Limited ('JustKapital' or the 'Company') to prepare this Independent Expert's Report ('IER' or 'Report'). This IER will accompany the Notice of Meeting and Explanatory Memorandum provided by the Directors to the shareholders of JustKapital to assist them in deciding whether to approve the Proposed Transaction comprising the proposed sale and transfer of JustKapital's litigation funding portfolio ('Portfolio') to a trust, Litigation Finance Trust ('Trust') ('Portfolio Transfer'), to be managed by the previous managing director of JustKapital under a proposed consultancy agreement ('Consulting Agreement') in exchange for units in the Trust.

Financial Services Guide

This Financial Services Guide ('FSG") has been prepared in accordance with the Corporations Act, 2001 (*Cth*). It provides important information to help retail investors make decisions regarding the general financial product advice included in the IER; the services we offer; information about PPB; the dispute resolution process and our remuneration.

PPB holds an Australian Financial Services Licence (No. 344626) ('Licence'). PPB is required to issue to you, as a retail client, a FSG in connection with our IER.

PPB is licensed to provide financial services

The Licence authorises PPB to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts, and warrants) to retail and wholesale clients.

You have not engaged PPB directly but have received this IER because it accompanies the Notice of Meeting and Explanatory Memorandum you have received from the Directors. Our IER includes details of our engagement and identifies the party who has engaged us.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

General financial product advice

Our IER provides general financial product advice only, and does not provide any personal financial product advice, because it has been prepared without considering your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the Proposed Transaction, as described in the Notice of Meeting and Explanatory Memorandum, may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Remuneration

PPB will receive a fee of approximately $95,000 (plus GST and disbursements) based on commercial rates. PPB will not receive any fee contingent upon the outcome of the Proposed Transaction and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

All of our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of PPB or PPB Advisory but any bonuses are not directly connected with individual assignments and, in particular, are not directly related to the engagement for which our IER was provided.

PPB does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that PPB is licensed to provide.

Independence

PPB is not aware of any actual or potential matter or circumstance that would preclude it from preparing this IER on the grounds of independence under regulatory or professional requirements. In particular, PPB has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and the Australian Securities and Investments Commission.

Complaints resolution

PPB is required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, PPB Corporate Finance Pty Ltd, GPO Box 5151, Sydney NSW 2001.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited ('FOS').

FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. PPB is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Email: info@fos.org.au
Web: www.fos.org.au

PART 2: INDEPENDENT EXPERT'S REPORT

1 March 2018

The Directors
JustKapital Limited
Suite 2, Level 16
56 Pitt Street
SYDNEY NSW 2000

Dear Directors

Independent Expert's Report and Financial Services Guide

1. Introduction

PPB Corporate Finance Pty Ltd ('PPB') has been engaged by the directors ('Directors') of JustKapital Limited ('JustKapital' or 'the Company') to prepare an independent expert's report ('IER' or 'Report') for the proposed sale and transfer of its portfolio of litigation funding agreements ('Portfolio'), to Litigation Finance Trust ('Trust') ('Portfolio Transfer') in exchange for units in the Trust. The trustee and manager to the Trust will be owned by the previous managing director of JustKapital.

In addition, the previous managing director of JustKapital will provide litigation management services in relation to one of the litigation matters under a proposed consultancy agreement ('Consulting Agreement').

The Portfolio Transfer and the Consulting Agreement are referred to collectively as the Proposed Transaction. The Proposed Transaction is described below.

Our assumed valuation date is as at 31 October 2017 ('Valuation Date').

2. The Proposed Transaction

In its 31 October 2017 investor presentation, the Company announced that it had signed a conditional term sheet for a restructure of its litigation funding business to reduce operating costs and identify cost efficiencies.

The Proposed Transaction comprises:

- Portfolio Transfer - JustKapital is proposing to transfer the Portfolio, held in its 100% owned subsidiary JustKapital Litigation Pty Ltd ('JKL'), by selling 100% of the shares it holds in JKL to the Trust. JustKapital will be issued all the units in the Trust as consideration ('Consideration').

  It is proposed that Philip Kapp, the former chairman and managing director, will sign an agreement with the Company to manage the Portfolio through his management company, Twin Management Pty Ltd ('Twin Management') and in return for which he will receive fees (a Management Fee, a Performance Fee, and a Trustee Fee (together referred to as the 'Fees'). Refer to resolution 1 of the Notice of Meeting and Explanatory Memorandum for further details.

- Consulting Agreement - the Company intends to enter into a Consultancy Agreement with Kapp Consulting Pty Limited ('Kapp Consulting') and Philip Kapp. Kapp Consulting is wholly owned and controlled by Philip Kapp. Under the terms of the Consultancy Agreement, Kapp Consulting is to provide litigation management services in relation to one of the litigation matters ('Confidential Case') to be retained by the Company. In consideration, Kapp Consulting is to be paid a fee ('Consulting Fee') equal to 35% of the net proceeds of the recovery to be received by JustKapital with respect to the Confidential Case. Refer to resolution 2 of the Notice of Meeting and Explanatory Memorandum for further details.

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PPB Corporate Finance Pty Ltd trading as PPB Advisory ABN 13 130 176 911, AFSL 344626
PPB Corporate Finance Pty Ltd has associated but independent entities and partnerships

If the Proposed Transaction is approved by the shareholders of JustKapital ('Shareholders'), the Consultancy Agreement will proceed after the completion of the Portfolio Transfer. Although the Consultancy Agreement and the Portfolio Transfer are associated, they are not inter-conditional.

Further details of the Proposed Transaction are provided in Section 1 of our attached Report prepared by PPB and the Notice of Meeting and Explanatory Memorandum prepared by the Directors of the Company.

3. Purpose of this Report

One of the conditions precedent to the Proposed Transaction is approval by shareholders that are not associated with Philip Kapp and Kapp Consulting ('Non-Associated Shareholders') of the Portfolio Transfer and the Consultancy Agreement.

In accordance with Chapter 10 of the Australian Securities Exchange ('ASX') Listing Rules, the requirement for an IER has arisen as Philip Kapp is considered to be a person of influence in respect of JustKapital. In addition, a transaction with a related party requires member approval under Ch 2E of the Corporations Act 2001 (*cth*) ('the Corporations Act').

This Report is to be attached to the Notice of Meeting and Explanatory Memorandum that will be provided to Shareholders in advance of the meeting whereby the Directors of JustKapital will be seeking approval for the Portfolio Transfer and the Consultancy Agreement under separate resolutions (resolution 1 and resolution 2).

This Report sets out PPB's opinion on the Proposed Transaction and the Consultancy Agreement and is to be included in the Notice of Meeting and Explanatory Memorandum to be sent to Shareholders. This Report has been prepared for the exclusive purpose of assisting the Shareholders in their consideration of the Portfolio Transfer and the Consultancy Agreement. PPB and PPB Advisory, including any members or employees thereof, are not responsible to any person, other than the Shareholders and JustKapital, in respect of this Report, including for any errors or omission however caused.

This Report should be considered in conjunction with, and not independently of, the information set out in the Notice of Meeting and Explanatory Memorandum.

4. Basis of evaluation

We have prepared this Report having regard to the Australian Securities and Investments Commission ('ASIC') Regulatory Guides ('RG'), especially RG 111 *Contents of experts reports* ('RG 111'), RG 112 *Independence of experts* ('RG 112') and RG 76 *Related party transactions* ('RG 76').

The expression 'fair and reasonable' is not defined in the ASX Listing Rules or the Corporations Act. However, guidance is provided by ASIC in its RGs that establish certain guidelines for the preparation of IERs.

RG 76 requires a valuation from an independent expert under ASX Listing Rule 10.1.

RG 111 provides some guidance as to how the term 'fair and reasonable' should be interpreted in a range of circumstances. With respect to a related party transaction, RG 111 provides:

- An offer is 'fair' if the value of the 'financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity'.
- An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to vote for the proposal.

RG 111 suggests that when analysing related party transactions, an expert should focus on the substance of the related party transaction, rather than the legal mechanism. Where a related party transaction comprises a number of separate components, the expert should consider the overall effect of the related party transaction.

Accordingly, PPB views the key component of the assessment as to whether or not the Proposed Transaction is fair and reasonable is the comparison of the fair value of the Portfolio (before the Proposed Transaction), to the fair value of the Consideration, including the impact of the Consultancy Agreement.

Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Ch 2E of the Corporations Act or ASX Listing Rule 10.1), this should not be applied as a composite test, that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction.

RG 112 requires the expert to be independent.

To assess whether the Proposed Transaction is fair and reasonable to Shareholders, we have adopted the tests of whether the Proposed Transaction is fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in RG 111.

An exception from the Ch 2E requirement to obtain shareholder approval applies where the financial benefit is on terms that would be reasonable in the circumstances where the public company and the related party were dealing at arm's length or are less favourable to the related party than those on which it is reasonable to expect if the public company or entity and the related party were dealing at arm's length. PPB has also been asked to assess whether the Proposed Transaction and the Consultancy Agreement are at arm's length.

According to RG 76, in assessing whether the Proposed Transaction and the Consultancy Agreement are at arm's length, we have:

- identified and quantified the financial benefits to the related party
- considered the nature of the financial benefit, in the circumstances of the Proposed Transaction and the Consultancy Agreement
- performed an analysis to assess whether the financial benefit is given on terms more or less favourable to the related party.

Further details of our approach for the assessment of the Proposed Transaction are set out in Section 2.3 of our detailed Report.

Our IER is provided to Shareholders for the above purposes only and should not be used or relied upon for any other purpose, nor should it be disclosed to or discussed with any other party without our prior written consent (except relevant statutory authorities or your professional advisors, acting in that capacity, provided that they accept that we assume no responsibility or liability whatsoever to them in respect of the contents).

Our Report is subject to the limitations and disclosures set out in Section 11 of the Report.

5. Summary and conclusion

Proposed Transaction

Based on our analysis, in our opinion, the Proposed Transaction is neither fair and nor reasonable to the Non-Associated Shareholders.

We have assessed whether the Proposed Transaction, including the Consultancy Agreement, is fair by comparing the fair value of the Portfolio to the fair value of the Consideration in the event that the Proposed Transaction is approved and implemented.

As our estimate of the range of fair values of the Consideration is less than our estimate of the range of fair values of the Portfolio, we consider the Proposed Transaction to be not fair.

Our approach to determining the fair value of the Portfolio and the Consideration, the forecast cash flows for the Portfolio, and further details regarding the assumptions we have adopted, are outlined in Section 4 and Section 7.

We have assessed that the Non-Associated Shareholders will not be better off if the Proposed Transaction is approved and therefore, in our view, the Proposed Transaction is not reasonable. Our discussion regarding the reasonableness of the Proposed Transaction are outlined in Section 8, below.

Consultancy Agreement

Based on our analysis, in our opinion, the Consultancy Agreement is neither fair and nor reasonable and not in the best interests of Non-Associated Shareholders.

We have assessed whether the Consultancy Agreement, is fair by comparing the estimated costs the Company would incur in managing the Confidential Case with its in-house management and staffing ('Equivalent Company Management Costs') to the Consulting Fee that would be paid in the event that the Consultancy Agreement is approved and implemented.

As the Consulting Fee is greater than the Equivalent Company Management Costs for managing the Confidential Case, we consider the Proposed Transaction to be not fair.

Our approach to deriving the Consulting Fee and the Equivalent Company Management Costs are outlined in Section 8.2 and Section 8.3.

We have assessed that the Non-Associated Shareholders will not be better off if the Consultancy Agreement is approved and therefore, in our view, the Consultancy Agreement is not reasonable. Our discussion regarding the reasonableness of the Consultancy Agreement is outlined in Section 10, below.

Our opinions should be read in conjunction with the remainder of this letter and our detailed Report that is attached.

6. The Proposed Transaction is not fair

We have assessed whether the Proposed Transaction, including the Portfolio Transfer and the Consultancy Agreement, is fair by comparing the fair value of the Portfolio to the fair value of the Consideration.

In Section 9 of our Report, we set out our fairness assessment.

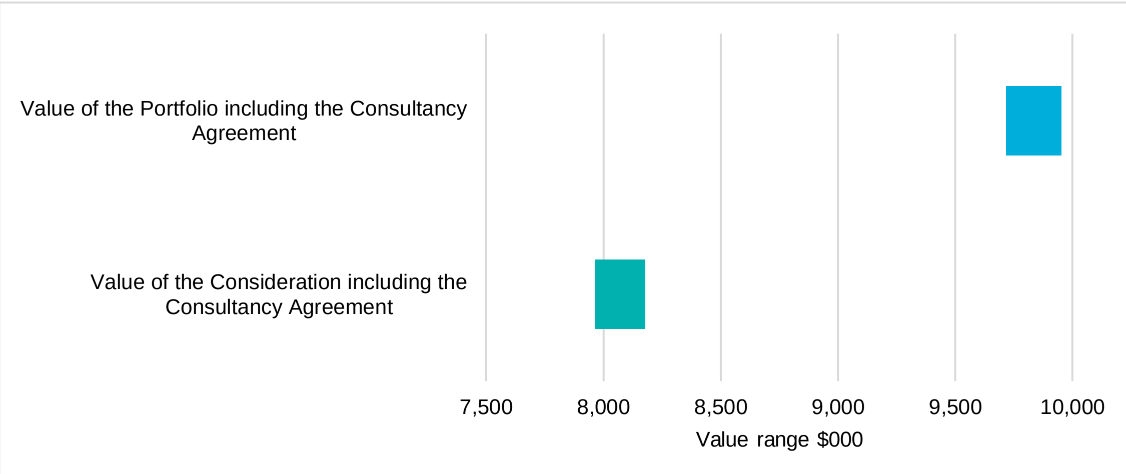
Our fairness assessment indicates that the fair value of the Consideration payable to JustKapital is less than the range of assessed values for the Portfolio to be transferred (refer to Figure 1).

Our assessment involves comparison of the fair value of the Portfolio to the underlying value of the Consideration (to JustKapital for the sale and transfer of the Portfolio to the Trust), where the Consideration is deemed to be units in the Trust, after the Proposed Transaction.

Shareholders will continue to hold their shares in JustKapital by virtue of the Proposed Transaction. However, their interest in the Portfolio will be held through units in the Trust, rather than directly in a wholly owned subsidiary of JustKapital.

A summary of our fairness assessment is set out in Section 9. Our comparison of our assessed fair values of the Portfolio and the Consideration (both including the Consultancy Agreement) is presented in Figure 1 below.

Figure 1: Fairness summary - Proposed Transaction



Source: PPB analysis

We note that our valuation ranges are narrow. This is largely due to the relatively short period of the projected cashflows for the Portfolio (less than 3 years) (refer to Section 7.2).

For the purposes of our fairness opinion, above, we have included the Consultancy Agreement. We have also assumed that 75% of the number of cases in the Portfolio ('Portfolio Cases') will complete (we have excluded two cases, being the one with the lowest forecast return and the one with the and forecast highest return).

In relation to the Proposed Transaction, our assessed fair value range of $7.97 million to $8.18 million for the Consideration is less than our assessed fair value range of $9.72 million to $9.95 million for the Portfolio (*including* the Consulting Agreement). Therefore, we have determined that the Proposed Transaction is not fair to Non-Associated Shareholders, according to RG 111.

In relation to the Portfolio Transfer, our assessed fair value range of $8.77 million to $8.99 million for the Consideration is less than our assessed fair value range of $9.74 million to $9.98 million for the Portfolio (*excluding* the Consulting Agreement). Therefore, we have determined that the Portfolio Transfer is not fair to Non-Associated Shareholders, according to RG 111.

If we assume that all the Portfolio Cases will complete, our opinion remains that the Proposed Transaction and Portfolio Transfer are unfair, as summarised in the table below:

Table 1: Fairness summary - Proposed Transaction (assuming all Portfolio Cases complete)

	The Portfolio (Company Structure)		Consideration (Trust Structure)	
	Low $000	High $000	Low $000	High $000
Discount rate	*14.5%*	*12.5%*	*14.5%*	*12.5%*
Net present value	**13,677**	**14,033**	**12,108**	**12,424**
Cash	250	250	250	250
Value of the Consultancy Agreement	(24)	(24)	(807)	(807)
Value of the Portfolio including the Consultancy Agreement (Proposed Transaction)	**13,903**	**14,259**	**11,550**	**11,866**
Value of the Portfolio excluding Consultancy Agreement (Portfolio Transfer)	*13,927*	*14,283*	*12,358*	*12,674*

Source: PPB analysis

Our assessment involves a comparison of the underlying value of the Consideration (to be received by JustKapital for the sale and transfer of the Portfolio to the Trust), where the Consideration is deemed to be units in Trust immediately after the transfer of the Portfolio.

7. The Consultancy Agreement is not fair

We have assessed whether the Consultancy Agreement is fair by comparing the Equivalent Company Management Costs[1] for managing the Confidential Case to the Consulting Fee under the Consultancy Agreement.

In our opinion, the fair value of the:

- Equivalent Company Management Costs is $24,278. This represents the estimated management costs that JustKapital would incur to manage the Confidential Case
- Consultancy Agreement is $807,182, based on the Consulting Fee. The Consultancy Agreement represents the value of the Consideration being offered by JustKapital to Philip Kapp.

In Section 10 of our Report, we set out our fairness assessment.

[1] estimated costs the Company would incur in managing the Confidential Case[1] with its in-house management and staffing

Our fairness assessment indicates that the Consulting Fee is greater than the Equivalent Company Management Costs for managing the Confidential Case. Therefore, the Consultancy Agreement is not fair.

A summary of our fairness assessment is in Table 2 below.

Table 2: Fairness summary – Consultancy Agreement

	$	% difference
Consulting Fee	**807,182**	
Equivalent Company Management Costs		
- Consultant salary - apportioned	15,338	
- CEO remuneration package - apportioned	8,940	
Total Equivalent Company Management Costs	**24,278**	
Consulting Fee is greater than the Equivalent Company Management Costs, therefore the Consultancy Agreement is not fair	**(782,904)**	**(97.0%)**

Source: PPB analysis

8. The Proposed Transaction is not reasonable

The Proposed Transaction is reasonable if it is fair. However, it can also be reasonable, even if it is not fair, if there are sufficient reasons for Shareholders to accept the Proposed Transaction.

The potential advantages and disadvantages to Shareholders arising from the approval of the Proposed Transaction are summarised below. Having considered the various advantages, disadvantages and other factors, we have assessed the Proposed Transaction as not reasonable.

The most compelling reasons for Non-Associated Shareholders to approve the Proposed Transaction is JustKapital's exit from the downside risk of funding contingent litigation cases and allowing Management to focus on JustKapital's core business.

If the Portfolio Transfer is approved, JustKapital will continue to have an interest in the Portfolio, although it will be as a 'passive' investor in the Trust. According to the Acquisition Deed, JustKapital will be somewhat protected from future dilution in the event that Philip Kapp undertakes capital or fund raisings. A capital raising of $5 million is a condition precedent of the Portfolio Transfer. If the capital raising is unsuccessful, the Portfolio Transfer will not occur. Refer to the Notice of Meeting and Explanatory Memorandum for further details.

The most compelling reasons for Non-Associate Shareholders to not approve the Proposed Transaction is the potential viable alternatives that have been presented to JustKapital subsequent to the signing of the Acquisition Deed and announcement of the Proposed Transaction on 1 November 2017 as well as the subsequent Confidential Case announced on 2 January 2018.

Having considered the various advantages, disadvantages and other factors, we have assessed the Proposed Transaction as not reasonable. The advantages, disadvantages and other factors are summarised below:

Advantages

Continue as a Shareholder

Shareholders will continue to hold their shares in JustKapital.

Continue to have exposure to the litigation funding business

Shareholders will continue to have an exposure to the litigation funding business (Portfolio) through JustKapital's holding of units in the Trust.

No requirement to fund the litigation cases

The Company will not be required to fund any of the cases in the Portfolio if the Portfolio Transfer is approved, assuming the Company's interest in the Trust is not diluted by capital raisings and the issue of units lower than the Consideration per unit.

Reduce uncertainty to Shareholders

There have been numerous announcements since July 2017 regarding various forms of a proposed restructure of the Portfolio. If the Proposed Transaction proceeds, the Shareholders will have more certainty of the proposed restructure and future strategy of the Company.

Focus of Management

Management will be able to focus on the strategic plans for the Company's core business of providing disbursement funding and short-term lending to law firms, without the distraction of the challenges presented by the Portfolio as reflected in the Company's announcements since July 2017, and the fundraising required to meet the future cash requirements of the Portfolio.

Value of Company may be more appropriately reflected in market share price

The holding structure of the Portfolio may allow the value of the Company to be more appropriately assessed by the market as reflected in the market share price of the Company because the financial performance of the core business of the Company will be more transparent.

Litigation funding provides lumpy and unpredictable cash flows and earnings, it is possible that the market has not been attributing full intrinsic value to the Portfolio.

Lower financing costs for the Company

Due to the uncertain nature of the revenue streams of the Portfolio, Management considers that the Company's cost of capital has potentially been negatively impacted by the litigation funding business segment.

Retain the experience of Philip Kapp

Philip Kapp has integral knowledge of and extensive experience in managing the Portfolio Cases. If the Proposed Transaction is approved, Philip Kapp will continue to manage the Portfolio.

Aligns with the Company's strategy

Proposed Transaction is consistent with JustKapital's business strategy of becoming a financier of law firms and operate as a pure finance company of non-contingent disbursements in the litigation process. JustKapital will not be required to raise funding to complete the Portfolio Cases and won't be exposed to any future liability in relation to the Portfolio Cases if its interest in the Trust is not diluted.

Recommendation of Directors

The Directors have advised that the Proposed Transaction was the best option available to the Company for the divestment of the Portfolio at the time the Acquisition Deed was signed, for a number of reasons including:

- it is in line with the Company's strategy
- JustKapital's return on the Portfolio Cases per the Acquisition Deed is based on an agreed investment value (approximately $14 million) that is higher than the actual investment value of (approximately $6 million)
- the Portfolio will be managed by Philip Kapp who is familiar with the Portfolio Cases, hence eliminates the need for due diligence and the associated costs thereof.

Disadvantages

Financial benefit

Philip Kapp will receive a sizeable financial benefit if the Proposed Transaction is approved. The financial benefit arises from the Management Fee, Performance Fee, Trustee Fee, and Consulting Fee payable to Philip Kapp and his related entities.

The operations of the Company will be less diverse

Once all the Portfolio Cases have completed, the Directors have advised that no further investment will be made by the Company in additional cases. Investors who sought to invest in the equity of JustKapital for exposure to litigation funding may need to re-evaluate their investment in the medium to long term.

Loss of control

Management will no longer have day to day operational control of the Portfolio. The success of JustKapital's investment in the Trust and accordingly to benefit from the upside of Portfolio Cases is reliant on the capabilities and management of Philip Kapp and Twin Management.

Alternative options

The Directors have advised that the Company's strategy is to divest the Portfolio. However, if the Proposed Transaction is not approved, there are other viable options they will consider. Refer to the other factors discussed in Section 11 below.

9. The Proposed Transaction is not at arm's length

Philip Kapp will receive a financial benefit in the range of $2.2 million to $2.6 million if the Proposed Transaction is approved. The financial benefit arises from the Management Fee, Performance Fee, Trustee Fee, and Consulting Fee payable to Philip Kapp and his related entities.

10. The Consultancy Agreement is not reasonable

The Consultancy Agreement is reasonable if it is fair. However, it can also be reasonable, even if it is not fair, if there are sufficient reasons for Shareholders to accept the Consultancy Agreement, in the absence of a superior offer being tabled.

The potential advantages and disadvantages to Shareholders arising from the approval of the Consultancy Agreement are summarised below. Having considered the various advantages and disadvantages, we have assessed the Consultancy Agreement as not reasonable.

The most compelling reason for Non-Associated Shareholders to approve the Consultancy Agreement is outsourcing the management of the Confidential Case to allow Management to focus on JustKapital's core business. However, given settlement is expected to be approved by Court in a short period of time, we do not consider that advantages outweigh the disadvantages.

Advantages

Retain the experience of Philip Kapp

Philip Kapp has extensive experience in managing the Confidential Case. If the Consultancy Agreement is approved, Philip Kapp will continue to manage the Confidential Case.

Focus of Management

Management will be able to focus on the strategic plans for the Company's core business of providing disbursement funding and short-term lending without the distraction of managing the Confidential Case to its expected completion in the first quarter of 2018.

Disadvantages

Consulting Fee is significant

JustKapital is required to pay Philip Kapp the significant Consulting Fee under the Consultancy Agreement. Philip Kapp will receive a financial benefit if the Consultancy Agreement is approved.

Alternative options

The alternative would be for the Company to retain the Confidential Case.

11. The Consultancy Agreement is not at arm's length

Philip Kapp will receive a financial benefit in the range of $0.783 million to $0.796 million if the Consultancy Agreement is approved. The financial benefit arises from the Consulting Fee payable to Philip Kapp and his related entities.

12. Other factors

At the time the Acquisition Deed was negotiated and signed with Philip Kapp (September – October 2017), the Proposed Transaction was, in the Directors view, the best option available for the Portfolio and Confidential Case given the Company's strategy to focus on its core business as a provider of disbursement funding and short-term lending.

The Directors have informed us that since the Acquisition Deed was signed and the Proposed Transaction announced to the ASX on 1 November 2017:

- the Company settled the its first funded litigation case (the Confidential Case) on 2 January 2018
- a number of parties have shown significant interest in the Portfolio and have made unsolicited offers to either fund or acquire the Portfolio. The majority of the parties that have made the offers are well known and reputable and are capable of completing a transaction
- some of the parties have significant experience in managing litigation funding businesses.

The Directors believe that they could enter into negotiations with any and all of the interested parties and complete a transaction relatively quickly and potentially more favourably than the Proposed Transaction, especially given three of the cases in the Portfolio are for the same breach of trustee duties and are against the same defendant.

Therefore, there is a significant number of alternative options for the Portfolio of a funding and acquisition nature.

Given the level of interest shown for the Portfolio, the Directors consider that a transaction with better terms than those of the Proposed Transaction could now be negotiated.

The resolutions relating to the Proposed Transaction in the Notice of Meeting and Explanatory Memorandum are not inter-conditional. Therefore, Shareholders may:

- approve the Portfolio Transfer and approve the Consultancy Agreement or
- approve the Portfolio Transfer and not approve the Consultancy Agreement or
- not approve the Portfolio Transfer and approve the Consultancy Agreement or
- not approve the Portfolio Transfer and not approve the Consultancy Agreement.

The Directors have advised that the legal, professional adviser fees of approximately $300,000 under the Acquisition Deed relating to the Proposed Transaction will be borne by the Company. If the Proposed Transaction does not proceed, Shareholders will not benefit from the advantages listed above.

13. Note regarding forward looking statements and forecast financial information

Certain statements in this IER may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, and achievements of the Trust, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following:

- general economic conditions
- future movements and changes in interest rates and taxes
- impact of terrorism and other related acts on broader economic conditions

- changes in laws, regulations or governmental policies or the interpretation of those laws, the impact of regulations on the Trust in particular
- other factors as referenced in this IER.

14. Other matters

PPB has prepared the FSG in accordance with the Corporations Act. The FSG is set out in Part 1 of this document.

In forming our view on the Proposed Transaction, we have considered the interests of the Non-Associated Shareholders, as a whole. We have not considered the financial situation, objectives or needs of individual shareholders. It is not practical or possible to assess the implications to individual Non-Associated Shareholders of the Proposed Transaction as their financial circumstances are unknown to us.

The decision of whether or not to accept the Proposed Transaction is a matter for each Shareholder to decide, based on their own views as to the value of the Trust and their own expectations about future market conditions, the future performance of JustKapital, risk profile and investment strategy.

If Shareholders are in any doubt as to the action that they should take in relation to the Proposed Transaction, they should seek their own professional advice.

This letter should be read in the context of our full report that is attached.

Yours faithfully

PPB Corporate Finance Pty Ltd

Fiona Hansen
Authorised Representative
AR Number 246371

John-Henry Eversgerd
Director

Contents

All references to $ in this report are Australian dollars unless stated otherwise.

1. Summary of the Proposed Transaction

The Proposed Transaction comprises:

- the proposed transfer of JustKapital's portfolio of litigation funding agreements (excluding 3 cases) ('Portfolio') to Litigation Finance Trust ('the Trust') in exchange for units in the Trust. The trustee and manager of the Trust will owned by the previous managing director of JustKapital ('Portfolio Transfer'), and
- a proposed consultancy agreement ('Consulting Agreement') with the previous managing director.

Upon approval by Shareholders, the Consultancy Agreement will proceed after the completion of the Portfolio Transfer. Although the Consultancy Agreement and the Portfolio Transfer are associated, they are not inter-conditional.

There will be no change to the holdings of shareholders ('Shareholders') in JustKapital, as a result of the Proposed Transaction. The Proposed Transaction is effectively an internal restructure within the JustKapital group of companies.

1.1. The Portfolio Transfer

JustKapital is proposing to transfer the Portfolio currently held in its 100% owned subsidiary JustKapital Litigation Pty Ltd ('JKL') (and JKL's direct and indirect wholly owned subsidiaries), by selling 100% of the shares it holds in JKL to the Trust.

Under the terms of the Acquisition Deed that has been executed on 8 December 2017 by JustKapital, JKL and the Litigation Finance Pty Ltd ('Trustee') ('Acquisition Deed'):

- the Consideration payable to JustKapital for JKL is to be $14.0 million in the form of units issued in the Trust at $1.0 per unit
- the Trustee will appoint Twin Management Pty Ltd ('Twin Management') as the manager of the Trust under a management agreement ('Management Agreement') and Twin Management will receive a management fee ('Management Fee'), a performance fee ('Performance Fee') and a trustee fee ('Trustee Fee'). The Management Fee will be calculated as 2% of total invested capital. The Performance Fee will be based on 20% of the profits generated by any case after an 8% profit hurdle. The Performance Fee will be calculated on a case by case basis adjusting for any lost cases. JustKapital, as unitholder of the Trust will be entitled to 80% of the net return upon the conclusion of each case. The Trustee Fee is $200,000 per annum.

  The Management Fee, Performance Fee, and the Trustee Fee, together are referred to as the Fees.

The Trustee and Twin Management are wholly owned companies of JustKapital's former chairman and managing director, Philip Kapp.

Philip Kapp is a related party of JustKapital for the purposes of the Australian Securities Exchange ('ASX') Listing Rules and Chapter 2E of the Corporations Act 2001 (*Cth*) (the 'Corporations Act') as he was a director of the Company within the last six months. Accordingly, the Trustee and Twin Management are related parties of JustKapital.

1.2. The Consideration

As noted above, the effect of the Proposed Transaction is an internal restructure i.e. shareholders will retain a 100% interest in the Portfolio.

The Consideration for the Portfolio Transfer (from the Company to the Trust) will comprise:

- 14 million units (series A and series B), comprising 100% of the units in the Trust. The only asset to be held by the Trust is the Portfolio. Therefore, the value of the units in the Trust will be equal to the value of the Portfolio. No cash consideration is being provided to shareholders. The valuation of the Portfolio is discussed in Section 7.

- $0.25 million loan to be used by the Trust for working capital purposes which, on completion of the Proposed Transaction, is to convert into 250,000 series A units in the Trust.

The fair value of the units in the Trust, is therefore dependent on the fair value of the Portfolio transferred to the Trust.

1.3. The Consultancy Agreement

Upon completion of the Portfolio Transfer, JustKapital is also proposing to enter into a Consultancy Agreement with Kapp Consulting Pty Ltd ('Kapp Consulting') and Philip Kapp, under which Kapp Consulting is to provide consultancy services in relation to a confidential litigation case ('Confidential Case') that is to be retained by JustKapital.

Under the Consultancy Agreement:

- in return for the day-to-day management of the Confidential Case, Kapp Consulting will be paid a one-off fee equal to 35% of the net profit of JustKapital's investment in the Confidential Case ('Consulting Fee')
- Kapp Consulting must obtain written consent of JustKapital prior to agreeing to any settlement sum, compromise, interest, and costs or otherwise in respect of the Confidential Case.

The Confidential Case settlement is expected to obtain Court approval in the first quarter of 2018. Payment of the settlement funds is expected shortly thereafter. If the Court does not approve the settlement, then the Confidential Case will be relisted for trial.

Kapp Consulting is a wholly owned company of Philip Kapp. Therefore, as described above, Philip Kapp is a related party of JustKapital, accordingly Kapp Consulting is also a related party of JustKapital.

The Consultancy Agreement is intended to be executed on completion of the Proposed Transaction and forms part of the Acquisition Deed.

1.4. Group structure before and after the Proposed Transaction

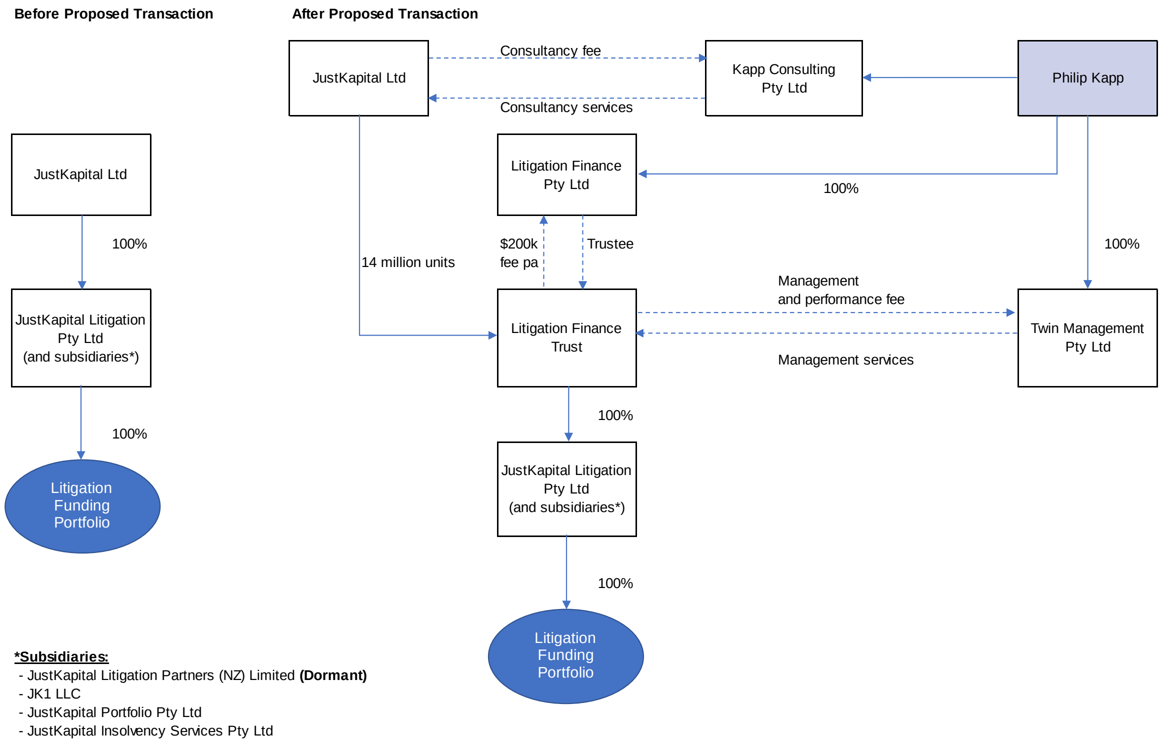
A summary of the group structure of JustKapital in relation to the Portfolio before and after the Proposed Transaction is summarised in Figure 2 below. We have also included the arrangement arising from the Consultancy Agreement.

1.5. Rationale for the Proposed Transaction

According to the Directors, the Directors' rationale in pursuing the Proposed Transaction is based on the following factors:

- The Proposed Transaction is consistent with JustKapital's business strategy of becoming a financier, of law firms, as a pure finance company of non-contingent disbursements in the litigation process.
- Philip Kapp, who recently resigned, has integral knowledge of the Portfolio, and is best qualified to continue with the management of the Portfolio for the Management Fee and will also be incentivised by the Performance Fee to achieve the best possible outcome for JustKapital
- The Company will not incur any further liability or have any further obligations to fund any ongoing litigation costs in relation to the cases in the Portfolio.
- Shareholders who qualify as sophisticated investors or professional investors for the purposes of the Corporations Act who wish to have ongoing direct exposure to an investment in the Portfolio are able to participate in capital raisings of the Trust.
- Shareholders will continue to have an interest in the outcomes of the Portfolio through the units held by JustKapital in the Trust.
- The Company has retained control of three cases. For various reasons the Board considered it is in the best interests of Shareholders to retain these particular cases. The expected future investment required by the Company to realise an outcome in these three cases is less than $1 million.

Figure 2: Summary of the holding structure of the Portfolio before and after the Proposed Transaction



Source: JustKapital

The Directors have considered numerous other options in pursuit of the business strategy to reduce the Company's exposure to contingent litigation funding. The Directors believe that the Proposed Transaction is the best available option for JustKapital, because it will enable Shareholders to continue to have an interest in the Portfolio and potentially reduce exposure to any further liability or have any further funding obligations and allow JustKapital to focus on growing its core business, as a provider of non-contingent finance to law firms.

If the Portfolio Transfer is not approved, the Portfolio Transfer will not occur and accordingly:

- the Portfolio may either be retained by JustKapital, which may not be consistent with the Company's business strategy to become a pure finance company of non-contingent disbursements in the litigation process, or
- the Directors will seek an alternate buyer for Portfolio, in which case there can be no guarantee that the terms negotiated with the alternate buyer will be more or less favourable than the terms of the Portfolio Transfer
- Philip Kapp will not have a role in managing the Portfolio and the Company will need to appoint an alternate manager to the Portfolio
- Philip Kapp may be entitled to a reimbursement fee of $535,700
- the Company may need to raise at least $5 million to complete the cases in the Portfolio
- the Consultancy Agreement may proceed, if approved by Shareholders
- the Company return on the Confidential Case will be higher (i.e. the Consulting Fee will not need to be paid)
- the share price of the Company may remain depressed.

If the Consultancy Agreement is not approved, Philip Kapp will not be paid the Consulting Fee and the management of the Confidential Case will be retained by the Company.

1.6. Conditions precedent

The Proposed Transaction is subject to a number of conditions precedent including:

- preparation of an IER that concludes that the Proposed Transaction is at arm's length
- preparation of an IER that concludes that the Portfolio Transfer and the Consultancy Agreement are in the best interests of the Shareholders as a whole
- Shareholder approval of the Portfolio Transfer and the Consultancy Agreement for the purposes of Chapter 2E of the Corporations Act and of Listing Rule 10 ('LR 10')
- JustKapital receives certification from Philip Kapp of binding commitments for a minimum of $5 million of new funds for the Trust
- Longford Capital Management, LP ('Longford'), a joint funder of a number of the Portfolio Cases, provides prior written consent to the Proposed Transaction for the purposes of participation sharing agreements held between Longford and JustKapital in respect of the cases that it has jointly funded with JustKapital
- Philip Kapp provides JustKapital with evidence of the future termination date of the Trust.

Details of all the conditions precedent are included in the Notice of Meeting and Explanatory Memorandum prepared by the directors, to which this Report forms part.

2. Scope of the report

2.1. Purpose and scope

Shareholder approval of the transactions contemplated by the Acquisition Deed, comprising the Proposed Transaction and including the Portfolio Transfer and the Consultancy Agreement, is a condition precedent of the Acquisition Deed. The resolutions for Shareholders to consider the Portfolio Transfer and the Consultancy Agreement are independent of each other.

PPB has been engaged by the Directors to prepare an IER expressing our opinion as to whether or not the Portfolio Transfer and the Consultancy Agreement are 'fair' and 'reasonable' to the Shareholders who are not associated with the following parties and their associates ('Non-Associated Shareholders'), as a whole, and to provide reasons for that opinion:

- Philip Kapp
- the Trustee, Litigation Finance Pty Ltd
- Twin Management
- Kapp Consulting

PPB has also been required to assess whether the Proposed Transaction is at arm's length.

This Report has been prepared at the request of, and for the benefit of, the Directors and Non-Associated Shareholders, to assist the Directors in fulfilling their obligations to provide Non-Associated Shareholders with full and proper disclosure to enable them to assess the merits of the Proposed Transaction. It is to be used by the Non-Associated Shareholders to assist them in deciding whether to agree to the resolutions set out in the Notice of Meeting and Explanatory Memorandum.

This Report is to accompany the Notice of Meeting and Explanatory Memorandum to be sent to Shareholders.

Our valuation has been undertaken in accordance with the Accounting Professional & Ethical Standards Board Limited professional standard APES 225 '*Valuation Services'* ('APES 225'). As required under APES 225, we confirm that we are independent of the Directors of the Company, JKL, the Trust, Philip Kapp, Twin Management, Kapp Consulting and the major Shareholders of the Company involved in the Proposed Transaction.

APES 225 defines three types of valuation engagements. This engagement is considered to be Valuation Engagement.

2.2. Regulatory requirements

The requirement for our IER has primarily arisen from the Chapter 10 of the ASX Listing Rules.

In accordance with LR10, Philip Kapp, the Trustee, Twin Management and Kapp Consulting are considered to be 'related parties' in respect of JustKapital for the purposes of the ASX Listing Rules. Under the ASX Listing Rules, the Notice of Meeting and Explanatory Memorandum that is to be provided to Shareholders in advance of the meeting must include an IER that states in the expert's opinion, as to whether the transaction is fair and reasonable to the Non-Associated Shareholders.

Additionally, Chapter 2E of the Act provides that for a public company or its controlled entities to give a financial benefit to a related party, either:

- shareholder approval must be obtained; or
- the giving of the financial benefit must fall within one of the exceptions listed in Sections 210-216 of the Corporations Act.

One of the key exceptions to obtaining member approval is the arm's length exception, whereby the financial benefit is given on terms that would be reasonable in circumstances where the parties are dealing at arm's length, or on terms that are less favourable to the related party.

Therefore, in addition to expressing our opinion as to whether or not the Portfolio Transfer and the Consultancy Agreement are 'fair' and 'reasonable' to the Shareholders, as a whole, the Directors have requested PPB to include in the IER a view as to whether, in PPB's opinion, the Portfolio Transfer and the Consultancy Agreement are on arm's length terms, or on terms that are less favourable to the related party.

2.2.1. ASX Listing Rules

LR 10 requires a company to obtain shareholder approval for the acquisition of a substantial asset from, or disposal of a substantial asset to:

a) a related party[2]

b) a child entity of the entity

c) a substantial holder in the entity, if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities in the entity

d) an associate of a person referred to in a) to c)

e) a person whose relationship to the entity or persons referred to in a) to d) above is such that, in ASX's opinion, the transaction should be approved by security holders.

As Philip Kapp, the Trustee, Twin Management and Kapp Consulting are all related parties of JustKapital, LR 10 applies to the Proposed Transaction, which includes the Portfolio Transfer and the Consultancy Agreement.

2.2.2. Corporations Act

The Directors have assessed the proposed Portfolio Transfer and the payment of the Consulting Fee and consider that the financial benefit to be provided to Philip Kapp through his wholly owned entities, the Trustee, Twin Management and Kapp Consulting under the Acquisition Agreement fall under the exceptions of Chapter 2E of the Act, and therefore shareholder approval is not required under Chapter 2E.

However, to assist Shareholders in their consideration of the Proposed Transaction set out in resolution 1 and 2 of the Notice of Meeting and Explanatory Memorandum, the Directors also have asked PPB to provide an opinion on whether the Portfolio Transfer and the Consultancy Agreement are on arm's length terms, or on terms that are less favourable to the related party.

2.2.3. ASIC Regulatory Guides

The expression 'fair and reasonable' is not defined in the ASX Listing Rules or the Corporations Act. However, guidance is provided by Australian Securities & Investments Commission ('ASIC') Regulatory Guides ('RG') which establish certain guidelines in respect of IERs.

ASIC Regulatory Guide RG 111 *Content of expert reports* ('RG 111') and ASIC Regulatory Guide RG 76 *Related party transactions* ('RG 76') provide guidelines for an expert preparing an independent expert report. RG 112 *Independence of experts* ('RG 112'), deals with the independence of the expert.

We confirm that we are independent under the requirements of RG 112. We have prepared the IER in accordance with RG 111.

RG 76 requires a valuation from an independent expert under ASX Listing Rule 10.1 ('LR 10.1').

Additionally, RG 76 provides guidance for an expert in relation to the valuation of the financial benefit given under a related party transaction that requires member approval under Ch 2E of the Act.

RG 76 recommends an independent expert assess a related party transaction as if it was a control transaction. Therefore, where an independent expert assesses whether or not a related party transaction is

[2] As defined in the ASX Listing Rules

'fair and reasonable' (whether for the purposes of Chapter 2E of the Act or LR 10.1), there should be a separate assessment of whether the transaction is 'fair' and 'reasonable'.

RG 111 provides guidance in relation to the content of independent expert's reports for a range of transactions. It notes that an expert should focus on the substance of a related party transaction, rather than the legal mechanism and, where a related party is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required and consider the overall effect of the related party transaction.

Accordingly, the key component of the assessment as to whether or not the Proposed Transaction is fair and reasonable is the comparison of the fair value of the Portfolio, including the fees under the Consultancy Agreement, with the fair value of the Consideration.

Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Ch 2E or LR 10.1), this should not be applied as a composite test, that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction.

In considering the Proposed Transaction, we have had regard to the economic substance of the Portfolio Transfer and the Consultancy Agreement.

To assess whether the Proposed Transaction is fair and reasonable to Shareholders, we have considered whether it is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as provided by RG 111. In respect of related party transactions, RG 111 provides that:

- the criteria to assess a related party transaction should consider if the offer is 'fair' and if it is 'reasonable'.
- the expert should not assess whether the transaction is 'fair and reasonable' based on consideration of the advantages and disadvantages of the proposal, as it is not considered to provide members with sufficient valuation information
- a proposed related party transaction is considered to be 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity
- the comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length
- an offer is 'reasonable' if it is 'fair'
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for shareholders to vote for the proposal.

The Directors have requested that PPB provide separate assessments for the Portfolio Transfer and the Consultancy Agreement.

RG 111 recommends that we consider the Proposed Transaction as follows:

- the Proposed Transaction is fair, if the value of the assets being provided to the related party is equal to or less than the financial benefit being offered by the related party to the entity
- the Proposed Transaction is reasonable if they it is fair, or despite not being fair, after considering the other significant factors, there are sufficient reasons for Shareholders to vote for the Proposed Transaction.

As mentioned above, an exception to obtaining shareholder approval, is the arm's length exception. If the financial benefit is on terms that would be reasonable in the circumstances where parties are dealing at arm's length or on terms that are less favourable to the related party than those reasonable to expect if the parties were dealing at arm's length. PPB has been required to assess whether the Proposed Transaction is at arm's length.

RG 76 recommends that we consider the following in assessing the arm's length nature of the Proposed Transaction:

- identify and quantify the financial benefit
- consider the terms of the giving of the financial benefit, in the circumstances of the Proposed Transaction
- determine if the financial benefit is given on terms more or less favourable to the related party.

2.3. Our approach for assessment of the Proposed Transaction

We have followed the guidance of the relevant RGs in the preparation of this Report. In accordance with RG 111, since the Proposed Transaction involves a related party, we have focused on the substance of the Proposed Transaction, rather than the legal mechanism and considered the overall effect of the Proposed Transaction. As required by the Directors, we have also assessed the Consultancy Agreement separately.

2.3.1. Fairness

RG 111.10 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the Portfolio, which is the subject of the offer.

- the Proposed Transaction will be fair to Non-Associated Shareholders if the fair value of the Consideration, including the Consultancy Agreement, under the Proposed Transaction is higher than or equates to the fair value of the Portfolio being transferred
- the Consultancy Agreement will be fair to Non-Associated Shareholders if the fair value of the services provided by Kapp Consulting or Philip Kapp under the Consultancy Agreement (for managing the Confidential Case) is higher than or equates to the fee payable to Kapp Consulting under the Consultancy Agreement. We have compared the Equivalent Company Management Cost for managing the Confidential Case to the Consulting fee.

Whilst this approach is line with the guidance of ASIC, it may not necessarily be the only approach Shareholders should consider when assessing the Proposed Transaction.

If the Proposed Transaction and Consultancy Agreement are 'fair', it is likely that they will be at arm's length terms.

We have also had regard to other potential approaches in assessing the merits of the Proposed Transaction, as part of our reasonableness assessment. This considers other factors relevant to the Proposed Transaction and the Consultancy Agreement from the perspective of Non-Associated Shareholders.

2.3.2. Reasonableness

In forming our opinion, we have considered the advantages and disadvantages to the Shareholders if the Proposed Transaction (and Consultancy Agreement) proceeds. ASIC suggests, in RG 111, the factors that an expert should consider when determining whether an offer is 'reasonable' include:

- substance of the Proposed Transaction (and Consultancy Agreement)
- rationale for the Proposed Transaction (and Consultancy Agreement)
- the financial situation and solvency of the entity
- opportunity costs
- the alternative options available to the entity and the likelihood of those options occurring
- the entity's bargaining position
- whether there is selective treatment of any security holder, particularly the related party
- implications of the Proposed Transaction (and Consultancy Agreement) on leverage, complexity of the capital structure, share price and earnings per share

- any special value of the transaction to the purchaser, such as particular technology or the potential to write off outstanding loans from the target
- the liquidity of the market in the entity's securities.

2.4. Our approach for assessment of arm's length

We considered the following in assessing the arm's length nature of the Proposed Transaction (and Consultancy Agreement):

- the nature and value of the financial benefit provided to the Related parties
- the terms of the giving of the financial benefit, in the circumstances of the Proposed Transaction (and Consultancy Agreement)
- whether the financial benefit is given on terms more or less favourable to the related party.

2.5. Definition of value

2.5.1. Fair value

For the purposes of our opinion, the definition of fair value that we have used is commonly used for IERs and is set out below:

"the price at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer both acting at arm's length".

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Therefore, there is no indisputable value and we normally express our valuation opinion as falling within a likely range.

Our valuation does not include any other strategic or operational synergies that may be unique to JustKapital and the Trust. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

2.5.2. Special value

ASIC suggests that the expert should not reflect 'special value' that might accrue to the acquirer.

Therefore, we have not considered special value in forming our opinion.

Special value is the amount that a potential acquirer may be prepared to pay for an asset in excess of the fair value. This premium represents the value to the potential acquirer of various factors that may include potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair value as it relates to the individual circumstances of special purchasers.

2.6. Valuation date

Our assumed valuation date is as at 31 October 2017 ('Valuation Date'). This is the date that JustKapital announced to shareholders that:

- Philip Kapp would resign as a director and the executive chair of the Company
- effective date the Portfolio would be transferred to the Trust and managed by entities associated with Philip Kapp.

2.7. Shareholder's decisions

This IER has been prepared specifically for the Directors and the Shareholders of JustKapital. PPB and PPB Advisory, including any members or employees thereof, are not responsible to any person, other than the Shareholders and JustKapital, in respect of this report, including for any errors or omission however caused.

This Report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to Shareholders, as a whole. We have not considered the potential impact of the Proposed Transaction on individual Shareholders.

Individual Shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual Shareholders.

The decision of whether or not to approve the Proposed Transaction and Consultancy Agreement is a matter for Shareholders based on their own views as to the value of the Portfolio and their expectations about future market conditions, the Portfolio's performance, and risk profile and investment strategy.

If Shareholders are in doubt as to the action they should take in relation to the Proposed Transaction and Consultancy Agreement, they should seek their own professional advice.

PPB has prepared a FSG in accordance with the Corporations Act. The FSG is included as Part 1 of the Report.

2.8. Consent and other matters

This IER is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum and is prepared for the exclusive purpose of assisting the Shareholders in their consideration of the Proposed Transaction. This Report should not be used for any other purpose.

PPB's opinion is based on economic, market and other external conditions prevailing at the date of this Report. These conditions can change significantly over a relatively short period of time.

This Report has been based on financial and other information provided by JustKapital in relation to the Proposed Transaction. PPB has considered and relied upon this information.

PPB consents to the issue of this Report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

Refer to Section 11 for limitations and disclosures regarding the basis of preparation and use of this Report.

2.9. Sources of information

In preparing this Report, we have relied on information as summarised in Appendix B, some of which was provided by JustKapital and some was obtained from public sources.

All documents relied on in support of our opinion are either referred to in the body of this Report, identified by way of footnote, or are referred to in the appendices to this Report.

We have had discussions with management of JustKapital ('Management') in relation to the Proposed Transaction and Consultancy Agreement, operations, and outlook for the Portfolio.

3. Overview of JustKapital

3.1. Brief history

JustKapital was founded in April 2014, following the acquisition of JustKapital Litigation Pty Ltd. It listed on the ASX (via listed shell company African Chrome Fields Limited) in April 2015. Since its establishment, JustKapital has achieved the following milestones:

- developed its key operating businesses including:
  - litigation funding
  - disbursement funding and short-term lending
  - broking and advisory services for After the Event insurance
- funded more than 10,000 individual disbursements for over 160 law firm clients
- built a litigation funding portfolio of 11 claims with a gross claim value of approximately $1.9 billion. Five of these cases were acquired in FY17 with a gross claim value of $230 million
- funded claims against entities such as "Big Four" Australian banks, ASX listed companies and a global software company (amongst others)
- established a joint venture with US based Longford Capital Management LP ('Longford') in September 2015, to jointly fund cases in Australia, New Zealand, and the United States
- completed the acquisition of Macquarie Medico Legal ('MML') in January 2016, to develop JustKapital's disbursement funding operations
- established a joint venture with Litigation Funding Solutions in March 2017, to provide litigation finance for claims under $5 million to insolvency practitioners.

3.2. Overview of operations

JustKapital provides litigation and disbursement finance to parties with meritorious legal claims, but who lack the financial resources to pursue them. JustKapital does not provide legal advice to claimants. Principally, the main clients include insolvency practitioners, large groups of individuals in class actions and law firms for disbursement funding and short-term lending.

JustKapital's strategy is centered around:

- leveraging its strong relationships with law firms and legal associations
- developing other financial solutions it is able to offer to law firms.

JustKapital's main services are summarised below.

Table 3: Summary main services

Operating segment	Description of services	Remuneration model
Litigation funding	Provision of funding to potential litigants who would otherwise lack the financial resources to conduct litigation. Typical case types include: • consumer and industrial class actions • insolvency claims • commercial litigation • breach of contract or duties claims.	JustKapital is remunerated via reimbursement of costs and a fee on the successful settlement / judgment of the associated case. Typically, fees total 25-50% of the resolution sum. JustKapital does not recover its costs if the matter is unsuccessful, but JustKapital has the ability to exit a funding arrangement at any time given an appropriate notice period. There are costs risks associated with an early termination of a funding agreement though.

	There is inherent risk in provision of this type of finance, given the possibility of: • litigation being unsuccessful • delays or extensions of legal proceedings leading to cash flow issues for the funder • potential for adverse cost orders which is mitigated by taking out adverse cost insurance on all funded cases. Funding decisions are based on the assessed likelihood of success of the case.	
Disbursement funding and short-term lending	Provision of funding to legal firms in two forms: • disbursement funding • short-term lending. Disbursement funding is generally made for third party disbursements that form part of litigation, such as: • filing fees • independent expert reports • medico-legal reports • radiology reports. Short-term lending is generally in the form of working capital facilities with a maximum term of 12 months. These facilities are only available to law firms that exclusively obtain disbursement funding through JustKapital.	Disbursement funding: JustKapital pays the disbursement directly and invoices the client to include a mark-up, which is payable on settlement or judgment of the underlying case (payment required regardless of outcome). Short-term lending: interest and fees payable.
Broking services for After the Event insurance	Arranging insurance for a party to a legal dispute for its opponents' legal costs in the event litigation fails. It can provide protection for: • adverse costs • personal liability of insolvency practitioners • transaction exposures.	Broker fees and commission are earned based on the policies placed.

Source: JustKapital Management

3.3. Group structure

The group structure of JustKapital is summarised below:

Table 4: Summary group structure

Entity Type	Entity Name
Parent	JustKapital Ltd (ASX listed entity)
Subsidiary	JKL1 LLC
	JustKapital Financing Pty Ltd
	JustKapital Litigation Pty Ltd
	JustKapital Litigation Partners (NZ) Ltd*
	JustKapital Litigation Insurance Pty Ltd
	JustKapital No. 1 Pty Ltd*
	JustKapital Co-Funding No 1 Pty Ltd
	LongKapital Pty Ltd*
	MML Services Pty Ltd*
	JustKapital Portfolio Pty Ltd
	JustKapital STL Pty Ltd
	JustKapital Insolvency Services Pty Ltd

Source: FY17 JustKapital Annual Report (audited)

** Dormant entities*
All group entities are 100% owned as at the date of this report

3.4. Historical financial information

3.4.1. Historical financial performance

The audited consolidated profit and loss of JustKapital for the financial years ended 30 June 2016 ('FY2016') and 30 June 2017 ('FY2017') is summarised in Table 5.

Table 5: Summary historical financial position

	Audited consolidated FY2016 $'000	Audited consolidated FY2017 $'000
Revenue	6,002	22,352
Other income[1]	-	858
Total revenue and other income	**6,002**	**23,210**
Discounts and other write-downs	(975)	(2,620)
Financing component unwind	(163)	(589)
Cost of sales	(2,907)	(12,460)
Gross Profit	**1,957**	**7,541**
Employee benefit expenses	(2,150)	(3,672)
Administrative and other expenses	(2,049)	(2,890)
Due diligence expenses	(1,269)	(843)
Total Expenses	**(5,468)**	**(7,405)**
EBITDA	**(3,511)**	**136**
EBITDA margin	*(58.50%)*	*0.59%*
Depreciation and amortisation expenses	(10)	(79)
EBIT	**(3,521)**	**57**
Finance costs	(1,031)	(3,733)
Interest income	158	451
Net profit / (loss) before tax ('NPBT')	**(4,394)**	**(3,225)**
NPBT margin	*(73.21%)*	*(13.89%)*
Income tax (expense) / benefit	3,051	656
Net profit / (loss) after tax ('NPAT')	**(1,343)**	**(2,569)**

Note: 1. Other income includes warranty claim and commissions received.

Source: FY17 JustKapital Annual Report (audited)

We make the following comments on the financial performance of the Company.

JustKapital's two main operating segments have different earnings profiles. The consolidated financial performance of the Company, reported at a point in time, may not therefore reflect the true performance and potential of the Company. We note particularly that due to the nature of the litigation funding business, costs are incurred upfront in anticipation of future revenue (receipts following settlement / damages being awarded to the claimant). These costs are capitalised onto the balance sheet and only brought to account when revenue is recognised. Revenue may not be received for a number of years following the incurrence of costs.

The audited consolidated summary of JustKapital's operating segments performance for FY2016 and FY2017, is summarised in Table 6

Table 6: Summary segment financial performance

	Audited consolidated FY2016 $'000	Audited consolidated FY2017 $'000
Litigation funding[1]		
Total revenue	-	67
EBITDA	(3,783)	(4,606)
Profit/(loss) before tax	(3,798)	(7,153)
Disbursement funding		
Total revenue	4,864	20,385
EBITDA	430	6,036
Profit/(loss) before tax	(596)	3,928
Other (including insurance)		
Total revenue	158	-
EBITDA	-	-
Profit/(loss) before tax	-	-
Total		
Total revenue	5,022	20,452
EBITDA	(3,353)	1,430
Profit/(loss) before tax	(4,394)	(3,225)

Note 1: Per note 4 of JustKapital's FY17 annual report, the 'Litigation funding' segment also includes insurance and head office items. Accordingly, the performance of this segment is not solely attributable to the Litigation funding segment. FY17 revenue in this segment was not attributable to litigation funding activities.

Source: FY17 JustKapital Annual Report (audited)

There has been a substantial increase in the Company's disbursement funding revenue between FY2016 and FY2017 (372%) as a result of the national rollout of the disbursement funding product

Revenue for the 4 months to 31 October 2017 totaled $6.5 million, which related solely to the disbursement funding and short-term lending business and annualised is broadly consist with FY2017 disbursement revenue.

The large growth in cost of sales and other expenditure line items during FY2017 can mostly be attributed to organic growth and strong marketing for the national rollout of the disbursement funding business. The majority of the litigation funding business costs are capitalised on the balance sheet under other intangibles and therefore not reflected in the profit and loss summary.

The EBITDA growth in the disbursement funding business, can be attributed mostly to the significant growth in disbursement revenue.

EBITDA for the 4 months to 31 October 2017 was $0.6 million (compared to the FY2017 full year result of $0.1 million).

Funding costs are mostly attributable to the disbursement funding business in FY2016 and approximately 55% in FY2017 (borrowings represented 89.7% of total liabilities as at 30 June 2017).

Income tax benefits have been recognised during FY2016 and FY2017 as a result of operating losses.

JustKapital's losses before tax have continued based on YTD 31 October 2017 results, which showed a loss of $2.9 million.

3.4.2. Historical financial position

The audited consolidated financial position of JustKapital as at 30 June 2016 and 30 June 2017 is summarised in Table 7.

Table 7: Summary historical financial position

	Consolidated Audited 30-Jun-2016 $'000	Consolidated Audited 30-Jun-2017 $'000
Cash and cash equivalents	5,568	7,627
Trade and other receivables	11,489	23,022
Other current assets	100	209
Total current assets	**17,157**	**30,858**
Trade receivables	3,720	7,999
Investment held in joint operation	656	1,616
Property, plant and equipment	124	215
Goodwill	5,943	5,943
Other intangibles	999	8,753
Deferred tax	3,051	3,707
Total non-current assets	**14,493**	**28,233**
Total assets	**31,650**	**59,091**
Trade and other payables	1,421	3,454
Borrowings	10,399	9,400
Employee benefits	582	602
Deferred consideration[6]	3,000	500
Total current liabilities	**15,402**	**13,956**
Borrowings	2,400	30,384
Total non-current liabilities	**2,400**	**30,384**
Total liabilities	**17,802**	**44,340**
Net assets / (liabilities)	**13,848**	**14,751**
Equity		
Issued capital	18,723	21,523
Options reserve	1,301	1,973
Accumulated losses	(6,176)	(8,745)
Total equity	**13,848**	**14,751**
Current ratio	*1.11*	*2.21*
Net tangible assets	*6,906*	*55*
Gearing	*92.4%*	*269.7%*

Source: FY17 JustKapital Annual Report (audited)

The audited consolidated summary of the financial position of the Company's operating segments as at 30 June 2016 and 30 June 2017 are summarised in Table 8.

Table 8: Summary segment financial position

	30-Jun-2016 Audited $'000	30-Jun-2017 Audited $'000
Litigation funding[1]		
Assets	6,172	24,252
Liabilities	(1,155)	(18,921)
Net Assets	**5,017**	**5,331**
Disbursement funding		
Assets	25,478	34,839
Liabilities	(16,647)	(25,419)
Net Assets	**8,831**	**9,420**

Note 1: Per note 4 of JustKapital's FY17 annual report, the 'Litigation funding' segment also includes insurance and head office items.

Source: FY17 JustKapital Annual Report (audited)

Assets and liabilities increased during FY17, as a result of the national rollout of the disbursement funding product and the purchase of additional and investment in litigation funding cases. Just over half of the assets and liabilities are attributable to the disbursements funding division as at 30 June 2017, with the remainder attributable to the litigation funding division as illustrated in Figure 3 and Figure 4 below. Under the Proposed Transaction three litigation funding cases will remain with JustKapital, including their associated assets and liabilities.

Figure 3: Segment assets (30 June 2017)

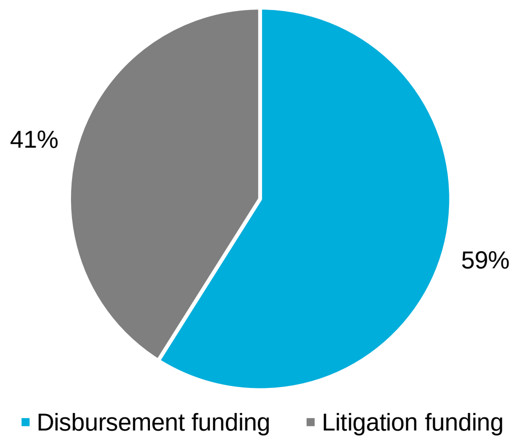
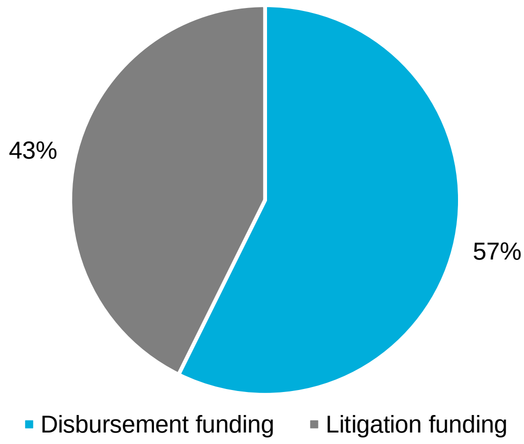


Figure 4: Segment liabilities (30 June 2017)



Source: FY17 JustKapital Annual Report (audited) and PPB analysis

We make the following comments on the financial position of the Company.

- the majority of trade receivables are related to the disbursement funding and short-term lending business. Disbursement funding and short-term lending trade receivables are split between current and non-current receivables based on average collection days of the receivable ledger. Litigation funding trade receivables are reported as non-current trade receivables given their long-term nature and are reclassified as current when the matter is expected to be settled within 12 months.
- Investment held in joint operation relates to the joint operation with Longford, which co-invests with JustKapital on a USA matter and 5 matters in Australia on a 50:50 basis. JustKapital is entitled to its proportionate share of co-funded cases.

- Goodwill arose on the acquisition of MML in January 2016 and is attributable to the Disbursement Funding business. Goodwill is tested for impairment at each reporting date.
- Other intangibles relate to capitalised costs of funded litigation cases in progress, which increased from $0.999 million as at 30 June 2016 to $8.74 million as at 30 June 2017 as a result of continued investment and an increase in the number of cases. A recoverability assessment is undertaken at each reporting date (completed by Management and reviewed by the auditors). The key assumptions as at 30 June 2017 included:
  - the estimated cost to complete each litigation contract
  - expected settlements or judgement amounts and fees due under each litigation contract
  - a discount rate of 15%[3] applied to the cash flow projections based on the Group's weighted average cost of capital ('WACC'); and other factors relevant to the particular litigation contract in progress.
- A deferred tax asset was recognised at 30 June 2016 (totalling $3.05 million, with $2.3 million relating to prior periods) ie. the directors determined that prior unrecouped income tax losses should be brought to account, due to the expectation of future assessable income. As at 30 June 2017, the deferred tax asset increased to $3.71 million mostly due to continued operating losses (incurred predominantly by the Litigation Funding business). Management advised that under the Proposed Transaction any tax assets and liabilities will remain with the parent company and any other associated liabilities including inter-company loan balances will be transferred to other group entities within the JustKapital group.
- Deferred consideration of $0.5 million as at 30 June 2017 relates to the acquisition of the Litigation Funding business and is payable on the successful resolution of one of the cases within the portfolio. The 30 June 2016 deferred consideration of $3.0 million relates to the acquisition of the MML business and was payable in two tranches, $2.0 million as at 30 June 2016, and $1.0 million as at 30 June 2017. The first tranche was paid on 28 July 2016 and the second tranche 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. Borrowings have increased following the acquisitions of MML, the purchase of additional litigation funding cases and additional investment in litigation funding cases.

[3] The discount rate reported in note 14 of the FY17 JustKapital annual report was 25%. Management advised that this was a typographical error.

Table 9: Summary of borrowings

	Consolidated audited 30-Jun-2016 $'000	Consolidated audited 30-Jun-2017 $'000
Current		
Assetsecure Pty Limited loan	10,399	-
Lucerne Finance Pty Limited short-term loan	-	7,000
Vendor loan	-	2,400
Total current borrowings	**10,399**	**9,400**
Non-Current		
Assetsecure Pty Limited loan	-	20,384
Lucerne Composite Master Fund Loan	-	5,000
Vendor loan	2,400	-
Convertible Bonds payable	-	5,000
Total current borrowings	**2,400**	**30,384**
Total borrowings		
Assetsecure Pty Limited loan	10,399	20,384
Lucerne Finance Pty Limited short-term loan	-	7,000
Lucerne Composite Master Fund Loan	-	5,000
Vendor loan	2,400	2,400
Convertible Bonds payable	-	5,000
Total borrowings	**12,799**	**39,784**

Source: FY17 JustKapital Annual Report (audited)

Borrowings at 30 June 2017 include:

- Assetsecure Pty Limited loan: facility expires on 30 September 2020. 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: is unsecured and repayable on 31 March 2018.
- Lucerne Composite Master Fund loan: is unsecured and repayable on 8 November 2018.
- Vendor loan: is unsecured and repayable on 22 January 2018.
- Convertible bonds payable: relate to 50,000 convertible bonds issued 15 July 2016 and maturing on 16 July 2018. 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 (subject to notice requirements) at $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. JustKapital can redeem the bonds earlier than their maturity date at a 10% premium to face value. Additionally, JustKapital and the bond holders may agree to partially or fully apply the redemption amount to subscribe for ordinary shares at a 10% discount to the 5-day volume weighted average price ('VWAP') determined by the holder within the previous 90 days.

Note, extensions to the short-term loan facilities were successfully negotiated as advised in a Company ASX announcement on 18 December 2017.

- Net assets as at 31 October 2017 have decreased by $2.7 million since 30 June 2017 to $12.1 million, due to ongoing operating losses.

3.5. Directors

Table 10 summarises the board members of JustKapital, as at the date of this report.

Table 10: Summary board members

Director	Position	Brief resume
Tim Storey	Non-executive chairman	Joined August 2014. Barrister and solicitor, and former partner at major NZ law firm. Current chair of Stride Property Group, director of Investore Property Ltd, and holds several other directorships.
Anthony Murphy	Non-executive director	Joined October 2017. Current CEO of Lucerne Investment Partners, who represent a substantial portion of JustKapital's shareholder base.
Diane Jones	Executive director	Joined March 2016. Chartered Accountant with over 25 years in management, corporate advisory, finance and accounting experience. Prior to joining JustKapital, was the CFO and Company Secretary of IMF Bentham Ltd.

Source: JustKapital ASX Announcements

Philip Kapp (former executive chairman and managing director), resigned effective 31 October 2017. This was to facilitate Philip Kapp's role in managing the Trust under the Proposed Transaction.

Table 11: Summary of key senior management of JustKapital

Management	Position	Brief resume
Diane Jones	CEO and Company Secretary	Joined March 2016. Chartered Accountant with over 25 years in management, corporate advisory, finance and accounting experience. Prior to joining JustKapital, was the CFO and Company Secretary of IMF Bentham Ltd
Anthony Hersch	COO	Joined April 2016. Chartered Accountant with over 18 years in finance, investment, and accounting experience.
Craig Beatton	CFO	Joined July 2016. Chartered Accountant with over 18 years in finance, investment and accounting experience. Previous CFO of Shaw and Partners Limited.

Source: JustKapital ASX Announcements

3.6. Capital structure

JustKapital has raised equity as summarised in Table 12.

Table 12: Historical equity raising

Date	Value $,000	Number of shares #	Share price $
1 July 2015	15,723	104,229,791	0.15
22 January 2016	3,000	11,333,333	0.26
28 October 2016	50	166,667	0.30
28 October 2016	250	1,250,000	0.20
22 December 2016	300	1,500,000	0.20
22 December 2016[1]	2,200	7,333,333	0.30
8 November 2017	2,642	18,871,969	0.14

Source: FY17 JustKapital Annual Report (audited), ASX announcements

Notes:
1. The 7.33 million shares (22 December 2016) form part of the consideration paid for a portfolio of litigation funding cases acquired in July 2016.

3.6.1. Securities on issue

Table 13 summarises JustKapital's securities on issue as at 21 December 2017.

Table 13: Summary securities on issue

Type	Number
Fully paid ordinary shares	147,933,598
Options	9,794,231
Convertible securities	50,000
Rights	1,264,569

Source: JustKapital ASX announcement (21 December 2017)

We note that on 1 November 2017, JustKapital announced it would be issuing 31,453,280 new fully paid ordinary shares in two tranches to sophisticated and professional investors at an issue price of $0.14 per share. Tranche 1 of 18,871,969 was issued on 8 November 2017. On 12 January 2018 the Company announced to the ASX that a new $3 million line of credit would replace Tranche 2.

3.6.2. Ordinary shares

There were 2,715 shareholders (holding a marketable parcel[4]) of JustKapital shares as at 7 February 2018. Table 14 summarises the top ten shareholders as at 7 February 2018.

Table 14: Top 10 shareholders as at 7 February 2017

	Number of shares	Percentage of total %
Mr John Herbert Bannister	15,831,390	11.37
Citicorp Nominees Pty Ltd	12,289,134	8.83
Twin Investors Pty Ltd	8,989,412	6.46
National Nominees Ltd	8,530,000	6.13
ButtonWood Nominees Pty Ltd	5,485,293	3.94
Wattle Laboratories Pty Ltd	4,800,000	3.45
BNP Paribas Noms Pty Ltd	3,590,283	2.58
Onmell Pty Ltd	2,800,000	2.01
Mr Alistair David Strong	2,600,000	1.87
Garrett Smythe Ltd	2,566,568	1.84
Total of the top 10 shareholders	**67,482,080**	**48.48**
Other shareholders	71,687,025	51.52
Total	**139,266,932**	**100.00**
Plus, shares in escrow	*7,333,333*	
Total (including shares in escrow)	**146,000,000**	

Source: JustKapital

[4] A marketable parcel of shares per the ASX Operating Rules (Chapter 19 – Definition) is a parcel of shares worth not less than $500.

3.6.3. Options

Table 15 summarises the options on issue as at 7 February 2018.

Table 15: Summary of options

Options	Exercise price $	Expiry date
6,395,673	0.25	10 March 2018
1,898,558	0.25	27 March 2018
1,500,000	0.25	22 January 2019

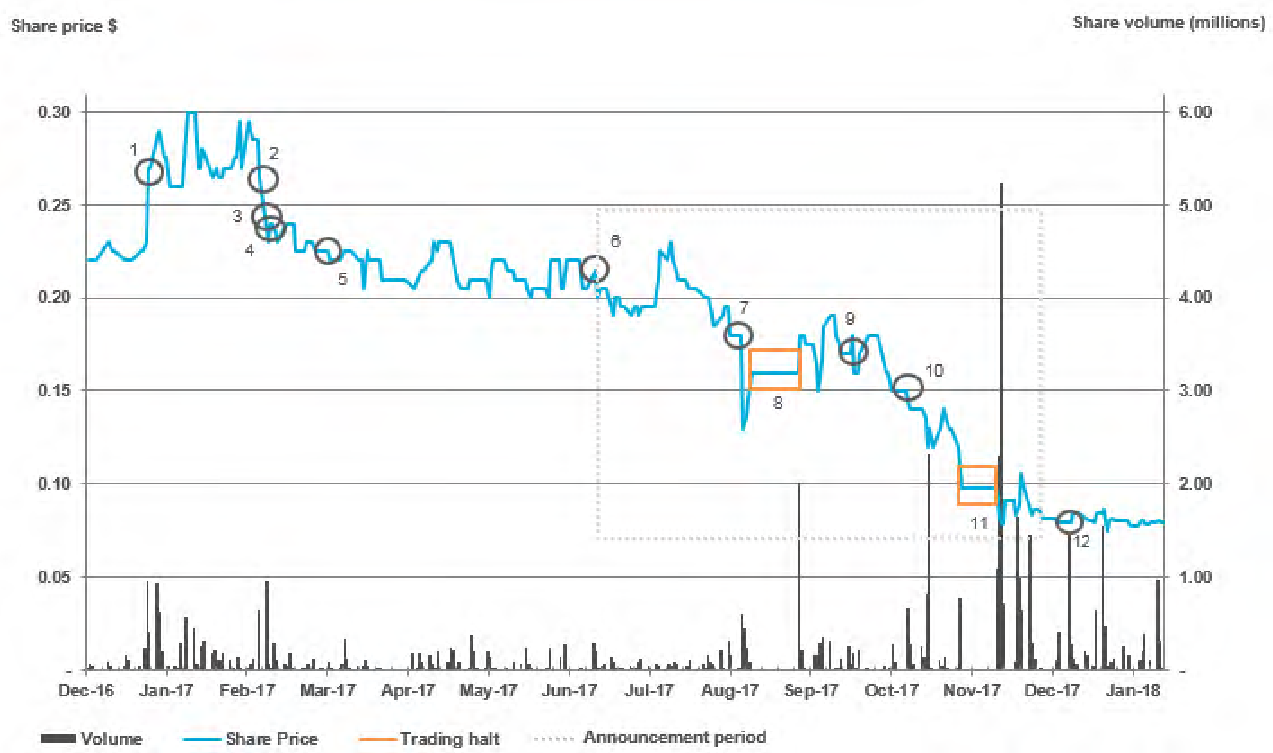
Source: JustKapital

The options are held by a total of 8 holders. Of the options held, current and former directors hold 6,395,673, or approximately 65% of total options.

3.6.4. Share price performance

Figure 5 illustrates the movements in the share price and volumes traded during the period 20 December 2016 and 7 February 2018. JustKapital shares traded in the range of 7.6 cents and 30.0 cents during this period. Figure 4 summaries the key events that occurred during this period.

Figure 5:JustKapital's historical share performance



Note: Grey dotted box indicates the period that JustKapital made announcements pertaining to the Proposed Transaction.

Source: S&P Capital IQ

The key events impacting the share price are as follows:

Table 16: Key events relating to historical share performance

Date	Volume traded	Share price change	Nature of ASX announcement	Label
12-Jan-17	944,240	*17.39%*	JV with Longford Capital LLC	1
24-Feb-17	646,830	*(7.02%)*	Details of JKL incentive plan	2
27-Feb-17	945,740	*(13.21%)*	FY17 Half Year Accounts	3
2-Mar-17	291,220	*(2.08%)*	Joint Venture with Litigation Funding Solutions Ltd	4
20-Mar-17	8,100	-	Release of restricted securities from JustKapital Ltd	5
3-Jul-17	303,210	*4.88%*	Announcement of corporate restructure	6
28-Aug-17	16,620	*(27.78%)*	FY17 Statutory Accounts	7
4-Sep-17	-	-	Trading Halt pending announcement	
6-Sep-17	-	-	Suspension from Official Quotation (proposed acquisition of National Health Finance ('NHF'))	
12-Sep-17	-	-	JKL to acquire majority interest in NHF	8
18-Sep-17	-	-	Governance and remuneration changes	8
20-Sep-17	2,016,650	*12.50%*	Reinstatement to Official Quotation following NHF announcement	
9-Oct-17	253,770	*5.88%*	Independent valuation of litigation funding portfolio	9
30-Oct-17	-	-	Trading Halt pending announcement, notice of AGM	10
1-Nov-17	-	-	Resignation of Philip Kapp as Executive Chairman and Managing Director. Improved terms for investors in the NHF acquisition. Appointment of Diane Jones as interim CEO.	10
22-Nov-17	-	-	Suspension from Official Quotation (NHF acquisition and litigation funding restructure)	11
27-Nov-17	-	-	Diane Jones to assume position of CEO and be appointed to the board.	11
29-Nov-17	-	-	AGM resolutions passed	
4-Dec-17	-	*(6.12%)*	Reinstatement to Official Quotation. NHF acquisition no longer pursued in current structure	11
8-Dec-17	728,260	16.67%	Terms for sale of litigation portfolio announced to the market	
2-Jan-17	273,410	7.59%	First case settlement	12

Source: S&P Capital IQ and PPB analysis

On 3 July 2017, JustKapital first announced to the market it intended to restructure its operations, in order to focus on its finance business. The proposed restructure involved transferring the Litigation funding portfolio into a new trust structure and in exchange receive 25% of the units in the Trust.

On 1 November 2017 JustKapital announced the resignation of Philip Kapp and that a conditional term sheet had be signed for the management of the Trust by wholly owned companies of Philip Kapp.

Subsequent announcements have been made by JustKapital, which largely expanded on the 1 November 2017 announcement, namely:

- 4 December 2017 NHF Acquisition and Litigation Trust Update: advising that terms had been agreed with Mr Kapp and that 3 cases would be retained (outside of the trust)
- 8 December 2017 JustKapital Finalises Terms for the Sale of Litigation Portfolio: which advised the number of units JustKapital is to receive and material terms of the sale.

Given JustKapital has made a number of progress announcements in relation to the Proposed Transaction, we have considered:

- descriptive nature of these announcements
- whether the announcements reflect the current structure of the transaction
- whether the announcements present any 'new' market information
- share price movements, indicating a reaction by the market.

Based on the above, we consider the announcement made by JustKapital on 1 November 2017 as being the first material announcement of the current Proposed Transaction as it outlined the proposed structure of the Proposed Transaction and the involvement of the Related Parties.

Since this announcement date on 1 November 2017, JustKapital's share price has fallen by approximately 46% from 14.0 cents to 7.6 cents, as illustrated in Table 17.

Table 17: Quoted share price since announcement of the proposed transaction

Date	Traded days	Last traded high price ($)	Last traded low price ($)	Last traded close price ($)	% change from 1-Nov-17	Comment
1-Nov-17	1	0.1500	0.1400	0.1400	-	Announcement of corporate restructure
2-Nov-17	2	0.1400	0.1400	0.1400	-	First full day trade after announcement
7-Feb-18	79	0.0790	0.0760	0.0760	*(45.71%)*	Most recent period of trading since announcement

Source: S&P Capital IQ and PPB analysis

Table 18 summarises JustKapital's VWAP before the Valuation Date. JustKapital's shares traded in the range of 12.5 cents and 23.5 cents during this period.

Table 18: VWAP analysis prior to the Valuation Date

Trading period to Valuation Date	VWAP $	High price $	Low price $	Cumulative volume traded	% of issued shares
1 days	0.0000	0.0000	0.0000	0	n/a
15 days	0.1615	0.1850	0.1500	821,160	0.65%
30 days	0.1841	0.2350	0.1450	4,813,590	3.83%
60 days	0.1757	0.2350	0.1250	7,335,140	5.83%

Source: S&P Capital IQ and PPB analysis

Table 19 summarises JustKapital's VWAP after the Valuation Date. JustKapital's shares traded in the range of 7.5 cents to 15.0 cents during this period.

Table 19: VWAP analysis after the Valuation Date

Trading period after Valuation Date	VWAP $	High price $	Low price $	Cumulative volume traded	% of issued shares
1 day	0.1401	0.1500	0.1400	657,290	0.26%
15 days	0.1245	0.1500	0.0980	5,679,060	3.87%
30 days	0.0994	0.1500	0.0780	15,109,160	10.37%
79 days	0.0927	0.1500	0.0750	28,439,110	19.37%

Source: S&P Capital IQ and PPB analysis

We note the quoted share price both before and after the announcement date of the Proposed Transaction may not reflect market value because:

- the volume of shares traded indicates that the liquidity of JustKapital's shares was limited over the period considered
- the free float represents a maximum of 63% of total shares on issue (excluding the shares in escrow).

JustKapital's last trading day prior to the announcement date of the Proposed Transaction was 31 October 2017. However, the quoted share prices may not reflect all available information (including information provided subsequent to the trading halt of 22 November 2017) and the market sentiment immediately prior to the Valuation Date.

4. Overview of the Portfolio

The Portfolio comprises eight of the eleven existing litigation cases over which JustKapital or its subsidiaries has a funding agreement with third parties, that would be transferred to the Trust under the terms of the Proposed Transaction. The remaining three cases will be retained by JustKapital.

We provide a summary of the Portfolio in the sections below.

4.1. Overview of Portfolio

Below is summary of the eight funded litigation cases, Portfolio Cases, that form the Portfolio and which to be transferred as part of the Proposed Transaction. We note that there are 3 additional litigation cases which have been funded by JustKapital however these are being retained and will not form part of the Portfolio.

Table 20: Case summary

Case #	Type of claim	Defendant	Comments
1	Breach of Corporations Act and Continuous Disclosure laws	Top 200 ASX listed company	Matter proceeding through court system. Co-funding agreement in place.
2	Patent infringement (US Patent)	Global software company	Trial set to commence March 2017, however delayed until mid-2018. Co-funding agreement in place.
3	Breach of Fiduciary Duty	ASX listed trustee	Trial date of 3 July 2017 has been vacated. New date fixed for July 2018. Co-funding agreement in place.
4	Shareholder class action	Directors and advisors	Commenced as open class. Strike out application dismissed. Expected trial date in FY18. Co-funding agreement in place.
5	Breach of Fiduciary Duty	ASX listed trustee	Matter proceeding through court system. Matter waiting for the Court to provide an updated timetable.
6	Breach of Fiduciary Duty	ASX listed trustee	Case has been recently filed with Court and plaintiffs awaiting timetabling orders.
7	Breach of Corporations Act and Continuous Disclosure laws	ASX listed company	Case has been recently filed with Court and plaintiffs awaiting timetabling orders.
8	Breach of Fiduciary Duty and various sections of the Corporations Act	Big Four Bank	Proceedings filed 12 October 2017. Matter waiting for the Court to provide an updated timetable.
	Total (8 cases)		

Source: JustKapital Management

4.2. Investment process

Opportunities to fund litigation cases are sourced by JustKapital through its network of relationships with parties operating in the litigation area, primarily law firms and industry bodies.

The key steps in JustKapital's investment process include:

- Screening process to assess the merits of a case. Key factors assessed include:
  - *nature of claim*: preliminary documentation is received from a litigant is reviewed against investment criteria.
  - *claim size*: the maximum amount which may be claimed by potential litigants

  - *jurisdiction*: which location the case will be held (may include cases being conducted overseas, for example in USA)
  - *likelihood of success*: based on the specific circumstances of the case (assessed by Management and externally by case lawyers and counsel), and using industry rules of thumb (for example typical settlement amounts as a percentage of claim value)
  - *defendant's assessed capacity to pay*: the defendants ability to pay the awarded sum in the event the case is successful.
- Independent assessment of the claim. If a case passes the initial screening process, then JustKapital will engage an independent lawyer to undertake an assessment of the claim.
- Draft funding agreement negotiated. If the independent lawyer provides a positive assessment of the claim, then draft funding terms are negotiated with the litigants and acting law firm.
- Case assessed by JustKapital's investment advisory committee. If the case is approved by the investment advisory committee, the committee will put the case forward to the Board.
- Case is presented to the Board for approval.
- Formal offer is made. If Board approves the case, final versions of funding documentation agreed and executed with litigant.

Once a funding agreement is in place, JustKapital will then proceed to actively manage the case which, at a high level, includes receiving and reviewing regular updates on progress, assessing and approving funds requests, attending all relevant meetings (including strategic discussions relevant to the case), and attending settlement negotiations.

The funding agreement may be canceled at any time by JustKapital subject to an agreed notice period. There are typically costs associated with an early termination of a funding agreement.

4.3. Forecast financial performance

The forecast financial performance for the Portfolio for the period ending 30 June 2020 (the forecast resolution date of all cases in the Portfolio), prepared by Management, is summarised in Table 21 ('Portfolio Model'). The details of the Portfolio Model are included in Appendix G.

Table 21: Summary - Portfolio forecast financial performance

$000	Forecast FY2018	Forecast FY2019	Forecast FY2020	Forecast Total
Total revenue	**0**	**21,519**	**1,697**	**23,216**
Less: Management Fees	(81)	(101)	(9)	**(191)**
Less: Performance Fees	0	(2,734)	(124)	**(2,858)**
Net profit before tax	**(81)**	**18,683**	**1,565**	**20,167**

Source: JustKapital Management

We note the following with regards to the forecast financial performance for the Portfolio.

4.3.1. Revenue

Revenue from each case is comprised of two main components:

- return of the case costs funded by JustKapital (at face value, no uplift is received)
- a percentage of the estimated resolution sum of the case attributable to JustKapital.

An estimated resolution sum is determined during the investment process. The resolution sum to be is based on the minimum amount that might be achievable in a short time frame.

The percentage of the estimated resolution sum attributable to the funder is a negotiated percentage with the claim holders that typically ranges from 15% to 40% for a case. For the majority of the Portfolio Cases, JustKapital has entered into a joint funding agreement with other funders whereby the funding requirements for the case and the agreed percentage of the estimated resolution sum accordingly are shared (for example 50:50). JustKapital has three different arrangements with other funders for cases in the Portfolio and may also solely fund cases. The expected revenue to JustKapital shown in the Portfolio Model is net of any agreed cashflows to other funders.

The Portfolio Model reflects the Acquisition Deed in that it assumes that the Trust funds the remaining costs of the Portfolio Cases. Under the Proposed Transaction, the Trustee is required to raise the remaining funds required to complete the Portfolio Cases, including an initial $5 million (approximately) as a condition precedent to the Proposed Transaction. Accordingly, the Portfolio Model apportions the expected returns from the Portfolio Cases between JustKapital and future investors based on a ratio of the agreed investment value, being the purchase price of $14 million, per the Acquisition Deed. The total agreed investment value for all cases as compared to the actual investment value provided by JustKapital is shown in Table 22 below. Note the ratio of actual compared to agreed investment value varies between the cases.

Table 22: Investment comparison – actual versus Acquisition Deed

$'000	Actual JustKapital investment (excluding Capitalised overheads) To 31-Oct-17	Total future investment required 1-Nov-17 to 30-Jun-20	Agreed JustKapital Investment value (per Acquisition Deed) To 31-Oct-17
	A	B	C
Total	**6,073**	**11,572**	**14,000**

Source: JustKapital

By way of example, we calculate, in Table 23, JustKapital's share of the expected return per case under the Trust structure as compared to the expected case return using JustKapital's actual investment value.

As agreed under the Proposed Transaction, JustKapital will receive a higher proportion of the expected case returns based on the investment value compared to the actual investment value.

Table 23: Example calculation of JustKapital expected returns share under the Proposed Transaction

		Example using total investment values	
	$'000	Agreed	Actual
	JustKapital case investment value (B or A)	14,000	6,073
/	Investment value (B or A) + Total future investment required (B)	25,572	17,644
=	**% share of estimated case return attributable to JustKapital under the Trust structure**	**54.7%**	**34.4%**
x	Total estimated return from the case	20,000	20,000
=	**$ share of estimated case return attributable to JustKapital under the Trust structure**	**10,949**	**6,884**

Source: JustKapital and PPB analysis

This is an example and is not reflective of the expected return of any Portfolio Case or the total expected Portfolio return.

The timing of the revenue for each case is estimated by Management based on the expected settlement date determined during the investment assessment process.

4.3.2. Expenses

Management's forecast for the Portfolio includes two expenses:

- the Management Fee payable to Twin Management under Clause 3 of the Trust Litigation Management Agreement. The payment of this fee is not contingent on the success of the Portfolio Cases. It is equal to 2% per annum of the total amount of funds that JustKapital has invested in the Portfolio Cases ('Net Invested Capital') that are still in progress, i.e. if a case is resolved, the Net Invested Capital amount on which the 2% fee is calculated will be adjusted to remove the Net Invested Capital amount of that case. Management have accrued this fee monthly in the Portfolio Model
- the Performance Fee payable to Twin Management under Clause 3 of the Trust Litigation Management Agreement. The payment of this fee is contingent on the success of the Portfolio Cases. It is equal to 20% of the amount (if any) by which the Net Return of the case attributable to JustKapital exceeds 8% of the total case costs funded by JustKapital.
  Funding

As noted in Table 23, Management estimates that $11.6 million is required to complete all the cases in the Portfolio. If case recoveries were reinvested into the remaining cases an estimated net $5 million is required by November 2018 from external sources. Under the terms of the Proposed Transaction the $5 million funding requirement is to be raised by Philip Kapp as a condition precedent and is structured so that it will be non-dilutive to JustKapital.

4.4. Company Management Costs

As noted above, the Portfolio Model assumes that the Portfolio Transfer is approved and that the costs to manages the cases are the Management Fee, Performance Fee and Trustee Fee.

In the absence the Portfolio Transfer, Management has advised that the Portfolio would be managed using the following resources ('Company Management Costs'):

- a consultant with extensive experience in managing funded litigation cases would need to be engaged at an estimated cost of $350,000 per annum to manage all JustKapital's funded litigation cases
- the current CEO would be required to provide direction, oversight, and participate in critical case decisions of funded litigation cases. Management estimate that 30% of the CEO's time would be required. This is consistent with the CEO's current commitment to all the funded litigation cases and the proportion of senior management remuneration capitalised in the FY2017 accounts as an expense of the litigation funding segment. Therefore 30% of the CEO's current maximum remuneration package of $680,000 (comprising $400,000 base salary and potential performance payments of up to 70% of base salary, i.e. $280,000) would be allocated as an expense of managing the litigation funding business. Based on discussions with Management we consider that it is appropriate to assume that this remuneration package is appropriate over the life of the Portfolio. This is consistent with recent shareholder discussions over executive remuneration packages and agreed salary decreases for key management (including the CEO).

These resources would be used to manage all the funded litigation cases in which JustKapital has invested. Historically for accounting purposes, the cost of resources used to manage the litigation funding business have been apportioned across the cases based on investment costs. Investment costs as at the Valuation Date as shown in Table 24 below.

Table 24: Funded litigation investment costs to 31 October 2017

Case investment to 31 October 2017	$	% of total
Portfolio	6,072,739	57.9%
Confidential Case	919,209	8.8%
Other cases (2) to be retained by JustKapital	3,495,792	33.3%
Total	**10,487,740**	**100.0%**

Source: JustKapital Management

Accordingly, the Company Management Costs for the Portfolio in the absence of the Portfolio Transfer would be:

- 57.9% of the consultant's salary = $202,650 per annum
- 17.4% of the CEO's remuneration package (i.e. 57.9% of 30.0%) = $118,122 per annum.

4.5. Other

Management has advised that the Portfolio is the only asset that will be transferred to the Trust. Under the Proposed Transaction:

- any taxation obligations or assets of JKL will remain with the JustKapital
- any other liabilities including associated inter-company loans balances between JKL and other JustKapital group companies will be transferred to other group entities within the JustKapital group
- three other funded litigation cases will be transferred out of JKL to other JustKapital group companies (i.e. they will be retained by JustKapital and not transferred to the Trust).

5. Industry overview

5.1. Introduction

We used IBISWorld's Litigation Funding in Australia report dated February 2017, and information from JustKapital as sources for our commentary on the Litigation Funding industry in Australia ('Industry'), as summarised in this section.

JustKapital's litigation funding business operates primarily within the Australian litigation funding industry. Broadly, litigation funders provide finance for legal cases and matters where a party to the action lacks the funds necessary to commence or continue a case. A litigation funder assesses each case on its merits (likelihood of success) and charges a fee (typically between 10 – 50% of the settlement / judgment return from the case) to provide the finance to pursue the case.

Key areas targeted by litigation funders include (but are not limited to):

- consumer protection lawsuits
- class action lawsuits
- industrial relations lawsuits
- investor-related lawsuits
- insolvency related claims.

The litigation funding industry has grown significantly in Australia in the past decade, when legislation concerning the provision of funding for legal cases was relaxed to allow third parties to fund lawsuits. In 2016/17 industry revenue and profit was expected to be $89.2 million and $38.5 million, respectively. Revenue can be particularly volatile due to lengthy court proceedings and potential for cases to return unfavourable results.

5.2. Competitor analysis

IMF Bentham Limited ('IMFB') dominates the Australian litigation funding industry holding a 65.8% share of industry revenue in 2016/17. All other players in the Industry hold less than 2% of the market share each.

Other major litigation funders (domestic and international) in the Australian market include:

- Claims Funding Australia Pty Ltd
- Comprehensive Legal Funding LLC
- Harbour Litigation Funding Limited
- International Litigation Funding Partners Pte Ltd
- Ironbark Litigation Funding
- LCM Litigation Funding Services Ltd ('LCM')
- Vannin Capital (Australia) Pty Ltd

The Australian Government (via their Fair Entitlements Guarantee department) also funds insolvency related claims in certain circumstances.

Key success factors for the industry are:

- access to significant levels of working capital to manage cash flow requirements, both for day-to-day operations and provision of finance for potential new litigants. Smaller players often lack sufficient access to capital to fund large cases
- a diversified portfolio of legal cases, to "smooth" out timing and returns from cases and manage risk
- a team of well trained staff and a thorough claim assessment process, to maximise chances of successful outcomes on cases

- a network of relationships with key providers of litigants, primarily law firms and industry bodies.

5.3. Key demand drivers

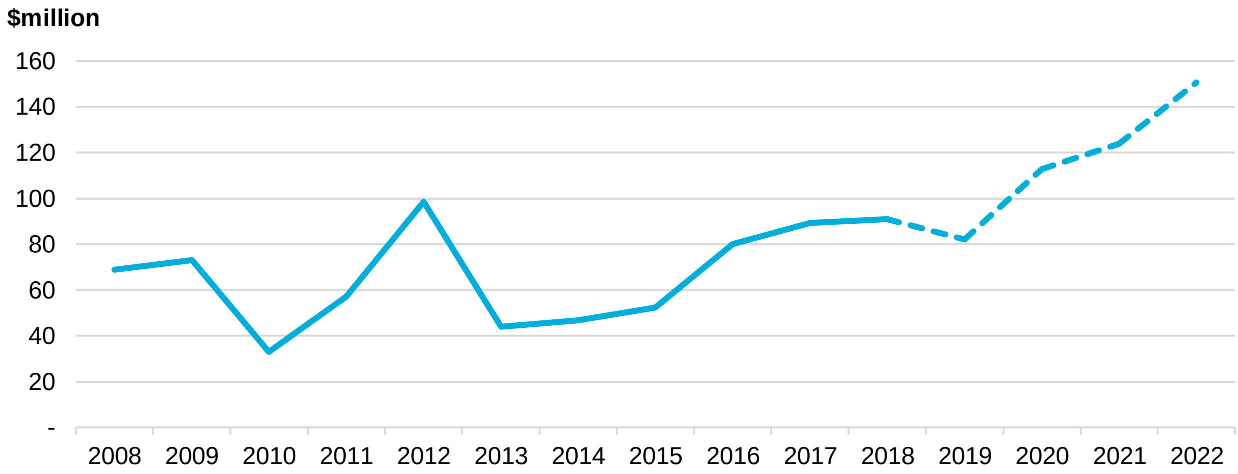
Demand for litigation funding is driven by a number of factors including:

- the quantity of legal cases in areas targeted by litigation funders including:
  - Corporate insolvencies – insolvency practitioners often have claims against company directors and debtors owing funds to the insolvent entity but lack the funds to pursue them. The number of corporate insolvencies was expected to increase in 2016/17.
  - Work place accidents – can lead to litigation against the employer or industry body, and therefore increases in these accidents can correlate to increases in requirements for litigation funding. The work accident rate was expected to decline in 2016/17 due to improved safety standards.
- an increasing awareness of the industry's services. Currently awareness is relatively low given the industry is considered to be in a growth phase
- personal income levels – can often determine the capacity for a party to fund their own legal representation. Real household disposable income levels were expected to increase in 2016/17.

5.4. Industry performance and outlook

As discussed in Section 5.1 of this report, given the potential of lengthy timeframes for litigation conclusions and recovery risks from unfavourable case decisions, Industry revenue is volatile (as shown in Figure 6).

Figure 6: Industry revenue



Source: IBISWorld

The Industry is still relatively immature and there are only a relatively small number of players. Industry revenue is forecast to grow by an annualised rate of 11% through to FY2022 (FY2022 total revenue of $150.6 million).

Due to the relatively small number of players in the market, when large settlements occur they can have a significant impact on industry results, resulting in relatively high volatility when compared against more mature industries.

The key drivers for growth for litigation funders include:

- increased public awareness of the Industry
- likelihood for increasing numbers of consumer-led class actions
- limited number of existing players in the market

- consistency in regulatory conditions.

Currently, regulation of the industry is low, and this has led to favorable conditions for litigation funders. Future changes in regulation may significantly affect the growth of the industry, including:

- potential for funders to be required to hold financial licenses (currently funders are not required to hold a financial license)
- possibility for a lifting of a ban on damages-based remuneration (where lawyers receive a percentage of settlement awarded), as was recommended in the 2014 Productivity Commission report into Access to Justice Arrangements. This may significantly hinder performance of the Industry, as it would allow lawyers to commence litigation with clients who would otherwise lack funding to do so (on the basis the law firm assessed there was sufficient merit in the case that they would likely receive a return from an eventual settlement/judgement).

6. Valuation methodologies

6.1. Valuation methodologies

RG 111 sets out the valuation methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, related party transactions. The following methodologies are included:

- discounted cash flow ('DCF') method and the estimated fair value of any surplus assets
- capitalisation of future maintainable earnings ('CFME') method, capitalising the estimated future maintainable earnings or cash flows of the entity, using an appropriate earnings multiple, and adding any surplus assets
- net asset ('NA') method or cost method, being the amount available for distribution to security holders on an orderly realisation of assets
- quoted market price ('QMP') for listed securities, when there is a liquid and active market. This method is typically used as a cross check to any of the above methods
- any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets. This method is typically used as a cross check to any of the above methods.

Each of these methodologies may be appropriate in certain circumstances. The decision as to which method to apply generally depends on the nature of the business being valued, the availability of appropriate information and the methodology most commonly adopted in valuing such a business. Further details on these methodologies are set out in Appendix C to this Report.

RG 111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

6.2. Methodology selected to value the Portfolio and the Consideration

6.2.1. Primary valuation method

We have applied the DCF method as our primary method for the valuation of the Portfolio and the Consideration.

In determining that the DCF method is the appropriate, we have considered:

- the available valuation methodologies (refer Section 6.1)
- the nature of the transaction
- the nature of the Portfolio, its income stream as non-recurring and finite
- the quality and availability of appropriate forecast financial information.

We have selected the DCF method as our primary valuation methodology to value the Portfolio because:

- Management have provided projected cash flow information (Portfolio Model) for the life of the cases in the Portfolio
- the Portfolio is expected to generate earnings for a finite period only
- revenue of the Portfolio year to year can be highly volatile given the underlying nature of its business
- the net assets of the Portfolio are not of the nature or magnitude to support the NA method.

We have not used the CFME method as our primary methodology to value the Portfolio, because:

- the past financial performance of the Portfolio is not indicative of its future performance
- the CFME method typically requires many years of expected future earning however the Portfolio's earnings are only expected to continue for a finite period.

We have not used the NA method as our primary methodology to value the Portfolio because this methodology is mostly suitable for businesses that:

- are incurring sustained losses or generating profits but at a level less than the required rate of return
- are close to liquidation
- are holding companies
- have mostly liquid assets (such as listed shares), or are holding significant property, plant and equipment, or considered 'asset rich'
- are being segmented or divested
- have significant assets surplus to the core operating business.

To value the Portfolio and the Consideration using the DCF method we have:

- assessed Managements estimated financial projections for the Portfolio Cases
- estimated the appropriate Company Management Costs for the valuation of the Portfolio
- calculated the Fees to Philip Kapp for the valuation of the Consideration
- determined an appropriate discount rate to be applied to the future cash flows.

We have valued the Portfolio assuming the cost structure of JustKapital immediately before the proposed transfer to the Trust. Accordingly, we have included estimated Company management costs for both the Portfolio, (the Company Management Costs), and Confidential Case, (the Equivalent Company Management Costs), in our fair value calculation.

We have valued the Consideration assuming the cost structure of the Trust immediately after the proposed transfer of the Portfolio to the Trust given the Consideration comprises the value of the units in the Trust immediately after the proposed transfer. We have, therefore, included estimated fees payable to Philip Kapp including the Management Fee, Performance Fee, Trustee Fee and the Consulting Fee in our fair value calculation.

In applying the DCF method, we estimated a range of discount rates to apply to the ungeared, post-tax cash flows of Portfolio to discount them to the present value as at the Valuation Date. The discount rates represent a nominal, post-tax weighted average cost of capital. The discount rates are discussed in further detail in Appendix D.

6.2.2. Cross check methodology

We have used an industry rule of thumb to cross check the reasonableness of our valuation using the DCF method, specifically the multiple of invested capital ('MOIC').

6.3. Methodology selected to value the Consultancy Agreement

6.3.1. Primary valuation method

We have valued the Consulting Agreement using the cost method by calculating the Consulting Fee in accordance with the terms of the Consultancy Agreement.

We also used the cost method to estimate the Equivalent Company Management Cost (the estimated Company management costs for the management of the Confidential Case).

6.3.2. Cross check methodologies

Given we have used the cost method to value the Consultancy Agreement, we do not consider in necessary to undertake a cross check.

7. Valuation of the Portfolio and the Consideration

7.1. Summary

In our opinion, the fair value of the:

- Portfolio, including the Consultancy Agreement, is in the range of $9.72 million to $9.95 million, as summarised in Table 25.
- Consideration, including the Consultancy Agreement, is in the range of $7.97 million to $8.18 million, as summarised in Table 26.

As mentioned in Section 2.3, we have focused on the substance of the Proposed Transaction, rather than the legal mechanism and considered the overall effect of the Proposed Transaction. As required by the Directors, we have also assessed the Consultancy Agreement separately. Therefore, firstly we have valued the Portfolio, including the Consultancy Agreement and then we have assessed the Consultancy Agreement separately (refer to Section 10).

Due to the inherent uncertainties in the valuation process, we have determined a range of values within which we consider the fair value of the Portfolio and the Consideration lie.

The valuation of the Portfolio and the Consideration was determined using the DCF method.

In valuing the Portfolio, we have assumed:

- the cost structure of JustKapital immediately before the proposed transfer to the Trust ('Company Structure')
- that 75% of the number of Portfolio Cases are completed (we have excluded two cases, being the one with the lowest forecast return and the one with the highest forecast return). Refer to Section 7.2 for the basis for this assumption.

The following table presents the fair value of the Portfolio including the Consultancy Agreement before the Proposed Transaction.

Table 25: Summary – Valuation of the Portfolio (Company Structure)

	Low $000	High $'000
Total Free Cashflow to Firm ('FCFF')	11,462	11,462
Discount rate	14.50%	12.50%
Net present value	**9,492**	**9,727**
Cash	250	250
Equivalent Company Management Costs	(24)	(24)
Value of the Portfolio including the Consultancy Agreement	**9,718**	**9,953**
Value of the Portfolio excluding the Consultancy Agreement	*9,742*	*9,977*

Source: PPB analysis, JustKapital Management

The value of the Portfolio *excluding* the Consultancy Agreement represents the Portfolio Transfer (excluding the Consultancy Agreement), ie resolution 1 in the Notice of Meeting and Explanatory Memorandum.

In valuing the Consideration, we have assumed the cost structure of Trust, immediately after the proposed transfer to the Trust ('Trust Structure'). The Consideration comprises the value of the units in the Trust immediately after the proposed transfer, therefore the value of the Consideration should reflect the cost structure of Trust.

The following table presents the fair value of the Consideration including the Consultancy Agreement after the Proposed Transaction.

Table 26: Summary – Valuation of the Consideration (Trust Structure)

	Low $000	High $000
Total FCFF	10,299	10,299
Discount rate	14.50%	12.50%
Net present value	**8,524**	**8,736**
Cash	250	250
Consulting Fee	(807)	(807)
Value of the Consideration including the Consultancy Agreement	**7,967**	**8,179**
Value of the Consideration excluding the Consultancy Agreement	*8,774*	*8,986*

Source: PPB analysis, JustKapital Management

The value of the Consideration *excluding* the Consultancy Agreement represents the Portfolio Transfer, ie resolution 1 in the Notice of Meeting and Explanatory Memorandum.

If we assume that 100% and 0% of the Portfolio Cases complete, the values of the Portfolio and the Consideration would be as presented in Table 27 and Table 28, respectively.

Table 27: Summary – Valuation of the Portfolio and the Consideration (assuming 100% of Portfolio Cases complete)

	The Portfolio (Company Structure)		Consideration (Trust Structure)	
	Low $000	High $000	Low $000	High $000
Discount rate	*14.5%*	*12.5%*	*14.5%*	*12.5%*
Total FCFF	16,676	16,676	14,767	14,767
Net present value	**13,677**	**14,033**	**12,108**	**12,424**
Cash	250	250	250	250
Value of the Consultancy Agreement	(24)	(24)	(807)	(807)
Value including the Consultancy Agreement	**13,903**	**14,259**	**11,550**	**11,866**
Value excluding Consultancy Agreement	*13,927*	*14,283*	*12,358*	*12,674*

Source: PPB analysis, JustKapital Management

Table 28: Summary – Valuation of the Portfolio and the Consideration (assuming 0% of Portfolio Cases complete)

	The Portfolio (Company Structure)		Consideration (Trust Structure)	
	Low $000	High $000	Low $000	High $000
Discount rate	*14.5%*	*12.5%*	*14.5%*	*12.5%*
FCFF	(599)	(599)	(507)	(507)
Net present value	**(503)**	**(514)**	**(433)**	**(442)**
Cash	250	250	250	250
Value of the Consultancy Agreement	(24)	(24)	(807)	(807)
Value including the Consultancy Agreement	**(277)**	**(288)**	**(990)**	**(999)**
Value excluding the Consultancy Agreement	*(253)*	*(264)*	*(183)*	*(192)*

Source: PPB analysis, JustKapital Management

We note that the valuation of the Portfolio and the Consideration are sensitive to the assumption of the number of cases that complete. This is because:

- the Company Management Cost and Consulting Fee are fixed whereas the cash flows from the Portfolio Cases are variable and decline as cases complete
- the Performance Fee varies with the level of net return.

Details on the valuation methodology, assumptions and calculations adopted in arriving at the above conclusion are set out in the remainder of this section.

7.2. Management's cash flows projections

The Directors of JustKapital have prepared the Portfolio Model including financial projections and various assumptions for the Portfolio as it was being managed in the Trust Structure over the period from the Valuation Date to the expected completion of all the Portfolio Cases (30 June 2020). Refer to Section 4.3 for an overview of the Portfolio Model.

We reviewed the financial projections and underlying assumptions, and tested the assumptions for reasonableness.

We considered the reasonableness of the Management's revenue projections and assessment of the success of each case in the Portfolio based on our discussions with Management and our review of the supporting documentation and calculations.

We conducted a high level analysis of the integrity of the Portfolio Model.

For the valuation of the Portfolio, in consultation with Management, we made amendments to the financial projections and assumptions to reflect the Portfolio as if it were operating under the cost structure of JustKapital, immediately before the proposed transfer to the Trust. The amendments mostly related to staff, management costs and taxation, the Company Management Costs.

For the valuation of the Consideration, in consultation with Management, we reviewed the financial projections and assumptions to determine if they reflected the cost structure of Trust, immediately after the proposed transfer to the Trust, incorporating the Management Fee, Trustee Fee and the Performance Fee.

In analysing the financial projections in the Portfolio Model, we have:

- conducted limited procedures regarding the mathematical accuracy of the Portfolio Model (but have performed neither a detailed review nor an audit of the Portfolio Model)
- reviewed the basis of the underlying assumptions such as revenue, operating and success fees
- held discussions with Management concerning the preparation of the cash flow projections, and their views regarding the assumptions on which they are based
- estimated success rates for the completion of the cases, based on references to industry data and discussions with Management.

Key assumptions adopted by Management in the preparation of the financial projections include:

- that there will be sufficient funding available to manage the cases to completion
- the cash flow projections for the cases in the Portfolio are, in Managements view, conservative estimates of the potential returns from the Portfolio Cases
- the financial projections reflect the cash flows of the Trust immediately after the proposed transfer of the Portfolio, hence reflects the costs and fees per the Annexure A - Litigation Management Agreement, to the Acquisition Deed:
  - the Management Fees has been calculated as 2% of the net investment made by JustKapital for each case to the Valuation Date in accordance with the Litigation Management Agreement. These fees are payable whether or not the cases are successful. The investment amount, and accordingly the fees, are adjusted as Portfolio cases are forecast to be resolved
  - the Performance Fee has been calculated in accordance with the formula outlined in Schedule 4 of the Litigation Management Agreement. These fees amount to 20% of the expected return above an 8% hurdle rate for the assumed successful cases
  - Management has not included the Trustee Fee in the cash flow projections. The Trustee Fee of $200,000 per annum is payable to the Trustee of the Trust under the Proposed Transaction documentation and is a cost that will be incurred by unitholders of the Trust under the Trust Structure. We have amended the Portfolio Model to include the Trustee Fee
- no Australian tax has been included. We have amended the Portfolio Model to include corporate tax at 30%. We have assumed that turnover will be $10 million or more
- that the expected returns to JustKapital from the case held in the USA will be taxed at a 35% corporate tax rate in the USA as they are derived in the USA. Management has also assumed that no further tax will be payable in Australia due to the double tax treaty Australia holds with the USA
- a $5 million cash requirement to fund the Portfolio Cases in November 2018. The funding is assumed to be raised by equity under the terms of the Proposed Transaction. It is assumed that this equity raising will be non-dilutive to JustKapital.

Management's projected cash flows are summarised in Appendix F. Management's projected cash flows adjusted for the Trustee Fee and tax are summarised in Table 29, below.

Table 29: Summary – Management's projected cash flows in the Trust Structure amended to include the Trustee Fee and tax

$ Period ended	31-Oct 2017	Forecast FY2018	Forecast FY2019	Forecast FY2020	Forecast Total
Total revenue		**0**	**21,519**	**1,697**	**23,216**
Less: Management Fee		(81)	(101)	(9)	**(191)**
Less: Performance Fee		0	(2,734)	(124)	**(2,858)**
Less: Trustee Fee		(133)	(200)	(200)	**(533)**
NPBT		**(214)**	**18,483**	**1,365**	**19,633**
Less: tax expense		64	(4,521)	(409)	**(4,867)**
Forecast free cash flow		**(150)**	**13,962**	**955**	**14,767**

Source: JustKapital Management, PPB analysis

Our comments on the cash flow projections and assumptions are as follows.

For the purposes of our valuation, we have accepted that Management's forecast expected returns for each of the Portfolio Cases represents the future cash flows likely to be received. In forming our view of the cash flow projections, we:

- held discussions with Management to understand the case investment decision process is undertaken (as outlined in Section 4.2) and understand how expected returns are estimated
- reviewed key investment case documentation provided by Management including opinions from independent legal counsel
- note however that given the early stage of the Portfolio, there was no history of Management's forecasts compared to actual results.

For the purposes of our valuation, we have considered the likelihood that not all cases will be successful by adjusting the expected returns of the Portfolio. Given that case success is binary (i.e. either a case is successful, or it is unsuccessful) we have assumed that 25% of the number of cases are unsuccessful and accordingly have removed from the cashflows the revenue for the Portfolio Case with the lowest return and the Portfolio Case with the highest return. The Management fee is calculated on the invested amount in these cases however the Performance fees are not payable if Portfolio Case is unsuccessful.

We have assumed an unsuccessful case rate of 25% (75% success rate) after considering:

- IMFB's reported case success rate of 91% of completed cases for the past 16 years[5]
- LCM's reported 79% profitability of cases completed in the past 19 years (38 of 48 cases profitable of those managed to completion)[6]
- the larger size of IMFB and LCM's operations and more extensive experience in litigation funding in comparison to JustKapital
- Management's assessment of an unsuccessful case rate of 15% to 30%.

5 IMFB Investor presentation dated 24 August 2017, page 4
6 LCM investor presentation dated 31 August 2017, page 7

The adjusted projected cash flows for the Portfolio under the Trust Structure are summarised as follows:

Table 30: Summary – Adjusted projected cash flows for the Trust Structure

$ Period ended	31-Oct **2017**	Forecast **FY2018**	Forecast **FY2019**	Forecast **FY2020**	Forecast **Total**
Total revenue		**0**	**14,726**	**1,041**	**15,767**
Less: Management Fee		(81)	(101)	(9)	**(191)**
Less: Performance Fee		0	(1,734)	(58)	**(1,792)**
Less: Trustee Fee		(133)	(200)	(200)	**(533)**
NPBT		**(214)**	**12,691**	**774**	**13,251**
Less: tax expense		64	(2,784)	(232)	**(2,952)**
Forecast free cash flow		**(150)**	**9,907**	**542**	**10,299**

Source: JustKapital Management, PPB analysis

7.3. Cash flow projections for the Portfolio (Company Structure)

As previously noted, the Company Management Costs for the management of the Portfolio under the Company Structure are not the same as the management costs under the Trust Structure.

In order to assess the fair value of the Portfolio, we have valued the Portfolio assuming the Company's current cost structure to manage the Portfolio.

The key difference between the cost structure to manage the Portfolio under the Company Structure and the Trust Structure is the Company Management Costs under the Company Structure and the Fees per the Acquisition Agreement under the Trust Structure.

Our assumptions in estimating the Company Management Costs are discussed in Section 4.4. All other assumptions remain the same as under the Trust Structure. Refer Section 7.2 above.

The adjusted projected cash flows for the Portfolio under the Company Structure are summarised as follows:

Table 31: Summary – Adjusted projected cash flows in the Company Structure

$ Period ended	31-Oct **2017**	Forecast **FY2018**	Forecast **FY2019**	Forecast **FY2020**	Forecast **Total**
Total revenue		**0**	**14,726**	**1,041**	**15,767**
Less: Consultant salary		(135)	(203)	(203)	**(540)**
Less: CEO apportioned salary		(79)	(118)	(118)	**(315)**
NPBT		(214)	**14,405**	**721**	**14,912**
Less: tax expense		64	(3,298)	**(216)**	**(3,450)**
Forecast free cash flow		**(150)**	**11,107**	**504**	**11,462**

Source: JustKapital Management, PPB analysis

7.4. Value of the Consultancy Agreement

Refer to Section 8 for the valuation of the Consultancy Agreement.

7.5. Taxation

With the exception that the revenue from the case the USA, as discussed above, we have applied the Australian 30% corporate tax rate to the net cashflows of the Portfolio under both the Company and the Trust structures. We have assumed that turnover will be $10 million or more.

We have accepted Management's assumptions on double taxation for the USA case and have assumed that no Australian tax will be payable on the revenue derived in the USA, and we have assumed that the associated expenses are tax deductible in the USA.

Refer to Appendix F for a summary of the cash flow projections for the Portfolio.

7.6. Discount rates

The discount rates used to equate the forecast cash flows to their present value reflects our estimate of the risk adjusted rate of return demanded by a hypothetical investor. We have selected a nominal after tax discount rate range of 12.5% to 14.5% to discount the forecast cash flows of the Portfolio to their present value.

In selecting this range of discount rates, we considered:

- the required rate of return of listed companies in a similar business, notably IMFB
- the specific business and financing risks of the Portfolio
- an appropriate level of financial gearing.

We have used the same discount rate for the valuation of the Portfolio in the Company structure as in the Trust structure because the specific business and financing risks are very similar.

Detailed discussions on these matters are provided in Appendix E.

7.7. Terminal value

The life of the Portfolio is finite, therefore there is no terminal value in our valuation.

7.8. Surplus assets

The Portfolio had no surplus assets at the Valuation Date.

7.9. Net cash

Under the terms of the Proposed Transaction, the Trust will be provided with $250,000 for working capital purposes in return for 250,000 Series A units in the Trust.

We have assumed that these funds are also available to the Portfolio under the Company Structure at the Valuation Date.

The Portfolio had no associated debt at the Valuation Date.

7.10. Summary valuation of the Portfolio and the Consideration

The value of the Portfolio and the Consideration using the DCF method is summarised below. Detailed calculations are included in Appendix H.

Table 32: Summary valuation of the Portfolio and the Consideration

	The Portfolio (Company Structure)		Consideration (Trust Structure)	
	Low $000	High $000	Low $000	High $000
Total FCFF	11,462	11,462	10,299	10,299
Discount rate	*14.50%*	*12.50%*	*14.50%*	*12.50%*
Net present value	**9,492**	**9,727**	**8,524**	**8,736**
Cash	250	250	250	250
Less: Value of the Consultancy Agreement	(24)	(24)	(807)	(807)
Value including the Consultancy Agreement	**9,718**	**9,953**	**7,967**	**8,179**
Value excluding the Consultancy Agreement	*9,742*	*9,977*	*8,774*	*8,986*

Source: PPB analysis

The value of the Portfolio and the Consideration excluding the Consultancy Agreement represents the Portfolio Transfer (excluding the Consultancy Agreement), ie resolution 1 in the Notice of Meeting and Explanatory Memorandum.

We note that our value ranges are narrow, largely due to the relatively short period of the cashflows for the Portfolio (less than 3 years) (refer to Section 7.2)

7.11. Sensitivity analysis

We have considered the sensitivity of the valuation of the Portfolio and the Consideration to changes in our discount rate.

Table 33: Sensitivity of value to changes in the discount rate

% change in discount rate	Portfolio value including Consultancy Agreement $'000	change in value %	Consideration value including Consultancy Agreement $'000	change in value %
Increase 3%	9,383	(3.4%)	7,666	(3.8%)
Increase 1%	9,604	(1.2%)	7,864	(1.3%)
Valuation - low case	9,718	0%	7,967	0%
Valuation - high case	9,953	0%	8,179	0%
Decrease 1%	10,074	1.2%	8,288	1.3%
Decrease 3%	10,325	3.7%	8,514	4.1%

Source: PPB analysis

We note that the valuation is not very sensitive to changes in the discount rate because:

- of the relatively short period of the cash flows for the Portfolio
- the projected cash flows are 'lumpy'.

7.12. Valuation cross check

To assess the reasonableness of the valuation of the Portfolio, we have considered the MOIC that is implied by our valuation of the Portfolio.

Given the Portfolio is a unique asset it is relatively difficult to compare its value against other similar assets in the market. However, given there are two potentially comparable listed companies with very similar operations to the Portfolio, we consider a comparison of the MOIC to be appropriate as a high-level indicator for the reasonableness of the valuation of the Portfolio.

Note, we have assessed the MOIC of the Portfolio only. The Consultancy Agreement has been excluded to ensure comparability with the MOIC of the potentially comparable listed companies, IMFB and LCM ('the Comparable Companies').

We summarise our calculations in Table 34 below:

Table 34: Comparable Company multiples

$'000	Portfolio (mid-point value)	Consideration (mid-point value)	Comparable Companies IMFB	Comparable Companies LCM
Share price ($)	n/a	n/a	2.33	0.52
# of shares	n/a	n/a	172,946,828	53,533,247
Market capitalisation	**n/a**	**n/a**	**402,966**	**27,837**
Control premium	n/a	n/a	30%	30%
Equity value (control basis)	**9,860**	**8,880**	**523,856**	**36,188**
Net debt / (cash)	(250)	(250)	(25,422)	(1,863)
Enterprise value (control basis)	**9,610**	**8,630**	**498,434**	**34,325**
Case capitalised costs	6,073	6,073	177,902	12,471
Multiple of invested capital (x)	**1.6x**	**1.4x**	**2.8x**	**2.8x**

Source: S&P Capital IQ, Comparable Company FY17 annual reports, PPB Advisory analysis

We have applied a 30%[7] control premium to the market capitalisation of the Comparable Companies because we are valuing a 100% interest in the Portfolio and the Consideration.

In relation to our cross-check analysis above, we note that the MOIC multiples implied in our valuations of the Portfolio are lower than those of the Comparable Companies.

We would expect the implied multiples for the Portfolio to be lower than those of the Comparable Companies. In this regard we note:

- the Portfolio is a significantly smaller operation than the Comparable Companies both in terms of scale and number of cases managed. In our experience, smaller companies tend to trade on lower multiples than larger companies

[7] it is necessary to apply a control premium to the trading multiples of the potentially comparable listed companies. This is because the share trading price of these companies is based on transactions involving minority parcels of shares. When acquiring a majority interest in a company, an acquirer is typically willing to pay a premium above the minority trading price of the shares in order to obtain control over the operations and management of the company. The quantum of this premium will vary dependent on the specific circumstances of each transaction, including the equity share acquired, the negotiating position of the parties, competitive tension in the sales process, the availability of synergies and the extent to which a buyer would pay away these synergies to gain control of the target. Based on our recent research we consider that a 30% control premium is not unreasonable.

- the Portfolio is unlisted. Unlisted companies would tend to trade on lower multiple
- the Portfolio does not have a comparable track history of financial results whilst the Comparable Companies have been in operation for over 15 years
- the Comparable Companies' multiples reflect whole of company operations whereas the Portfolio only incorporates a portfolio of cases. Therefore, we would expect the MOIC for the Portfolio to be lower.

We therefore do not consider that our valuation of the Portfolio is unreasonable.

8. Valuation of the Consultancy Agreement

8.1. Summary

In our opinion, the fair value of the:

- Equivalent Company Management Costs is $24,278. This represents the value of the financial benefit provided to JustKapital and the costs that JustKapital would incur to manage the Confidential Case
- Consultancy Agreement is $807,182, based on the Consulting Fee. The Consultancy Agreement represents the value of the consideration being offered by JustKapital by Philip Kapp

We note that the financial benefit provided to JustKapital is less than the value of the consideration being offered by JustKapital. The comparison is summarised below.

Table 35: Valuation summary – Consultancy Agreement

	$	% difference from Consulting Fee
Consulting Fee	**807,182**	
Company Management Costs		
- Consultant salary - apportioned	15,338	
- CEO remuneration package - apportioned	8,940	
Total Equivalent Company Management Costs	**24,278**	
Difference from Consulting Fee	*(782,904)*	*(97.0%)*

Source: PPB Advisory analysis

A noted in Section 2.2.3, RG 111 notes that the substance of a related party transaction should be considered rather than the legal form, and accordingly we have considered the overall effect of the related party transaction. Refer to Section 9 for our assessment of the Proposed Transaction.

In Section 7, we determined the fair value of the Portfolio, including the Consultancy Agreement. In this section we have valued the Consultancy Agreement separately. The Consultancy Agreement comprises the management of the Confidential Case will be provided for the Consulting Fee.

8.2. Calculation of the Consulting Fee

Kapp Consulting will receive a Consulting Fee of $807,182 under the Consultancy Agreement for managing the Confidential Case.

A settlement amount has been agreed for the Confidential case. The Company's net return on this case is $2,306,235. Based on the Consultancy Agreement, 35% of the Company's net return is therefore $807,182.

The Confidential Case settlement is expected to obtain Court approval in the first quarter of 2018. Payment of the settlement funds is expected shortly thereafter. If the Court does not approve the settlement, then the Confidential Case will be relisted for trial.

Given that the Confidential Case has been settled and settlement funds are expected in the first quarter of 2018, and the Directors believe that there is reasonable certainty of Court approval for settlement, we have not discounted the Consulting Fee because of the relatively short period between Valuation Date and expected settlement and the relatively low risk associated with the settlement of the case and payment of the Consulting Fee.

8.3. Calculation of the Equivalent Company Management Cost

If we assumed that the Confidential Case is managed in-house by JustKapital, the costs of managing the Confidential Case would comprise internal staff and possibly contractors or consultants' costs.

We have considered and estimated the costs the Company would incur if it were to manage the Confidential Case until settlement shortly after the first quarter of 2018. Management have advised that the following management costs would be applicable (per Section 4.4):

- **Consultant:** a consultant with extensive experience in managing funded litigation cases would cost approximately $350,000 per annum to manage all of JustKapital's funded litigation cases.
- **Senior management time:** the current CEO would be required to provide direction, oversight and participate in critical case decisions of the Confidential Case. Management estimates that 30% of the CEO's time would be required, consistent with the current commitment to the cases and for which 30% of the remuneration package was capitalised in the FY17 accounts.

In accordance with Section 4.4 and Table 24, 8.8% of these costs would then be apportioned to the Confidential Case. We have therefore calculated the Equivalent Company Management Costs to be:

- 8.8% of the Consultant's salary for six months = $15,338
- 2.7% of the CEO's remuneration package (i.e. 8.9% of 30%) for six months = $8,940.

8.4. Other considerations

Assuming the Confidential Case was part of the Portfolio Transfer

If we assumed that the Confidential Case had been included as part of the Portfolio, total fees of $454,152 would have been payable to Twin Management. Our assumptions are as follows:

- the Management Fee of $9,255: calculated as 2% per annum of the actual JustKapital investment in the Confidential Case of $925,460, pro-rated for 6 months
- the Performance Fee of $446,440: calculated as 20% of JustKapital's net return from the Confidential Case ($3,231,694) above a performance hurdle of 8% return on JustKapital's investment in the Confidential Case ($999,496).

We note that under this assumption, this amount of $454,152 is less than the Consulting Fee of $807,182.

Assuming Philip Kapp received a salary

If we assumed that Philip Kapp was employed by JustKapital, part of his remuneration could be allocated to managing the Confidential Case. Our assumptions are as follows:

- six months between the Valuation Date and the expected receipt of the case funds (by 30 April 2018)
- Philip Kapp's remuneration package at the Valuation Date of approximately $850,000[8]. Based on discussions with Management we assume that this remuneration package is appropriate over the life of the Consultancy Agreement due to recent shareholder discussions over executive remuneration packages and agreed salary decreases for key management (including Philip Kapp)
- 30% of Philip Kapp's time was attributable to managing the litigation funding business segment. Accordingly, in FY17, 30% of Philip Kapp's total remuneration was capitalised in the FY17 accounts as a cost of the litigation funding business segment
- 8.8% of Philip Kapp's time managing the litigation funding business segment was allocated to the Confidential Case.

8 Philip Kapp's total maximum remuneration package for FY18. Comprised of $500,000 base salary and potential performance payments of up to 70% of base salary ($350,000).

Therefore, the portion of Philip Kapp's remuneration that could be allocated to managing the Confidential Case is $11,175[9]. We note that under this assumption, this amount is less than the Consulting Fee of $807,182.

We summarise our comparison of these assumptions to the Consulting Fee below.

Table 36: Consultancy Fee cost comparison

	$	% difference from Consulting Fee
Consulting Fee	**807,182**	
Assuming the Confidential Case was part of the Portfolio Transfer		
- Management Fee (for 5 months)	9,255	
- Performance Fee	446,440	
Total	**455,694**	
Difference from Consulting Fee	*(351,488)*	*(43.5%)*
Assuming Philip Kapp received a salary		
Salary of PK attributable to managing the Confidential Case	**11,175**	
Difference from Consulting Fee	*(796,007)*	*(98.6%)*

Source: PPB Advisory analysis

9 i.e. $850,000 x 30% x 8.8% / 12 x 6

9. Assessment of the Proposed Transaction

9.1. Conclusion

Based on our analysis, in our opinion, the Proposed Transaction is neither fair and nor reasonable and not in the best interests of Non-Associated Shareholders.

We have assessed whether the Proposed Transaction, including the Consultancy Agreement, is fair by comparing the fair value of the Portfolio to the fair value of the Consideration in the event that the Proposed Transaction is approved and implemented.

As the fair value of the Consideration is less than the range of assessed values of the Portfolio, we consider the Proposed Transaction to be not fair.

Our approach to deriving forecast cash flows for the Portfolio, and further details regarding the assumptions we have adopted, are outlined in Section 4 and Section 7.

We have assessed that the Non-Associated Shareholders will not be better off if the Proposed Transaction is approved and therefore, in our view, the Proposed Transaction is not reasonable.

As required by the Directors, we assessed the Consultancy Agreement separately. Refer Section 10.

9.2. Approach

In accordance with the guidance provided in RG 111, we have considered the substance of the related party transactions, rather than the legal mechanism. We have therefore assessed the Portfolio Transfer and Consultancy Agreement together (ie the Proposed Transaction).

As required by the Directors and given that the Portfolio Transfer and Consultancy Agreement are not inter-conditional and will be subject to separate resolutions, we have separately assessed the Consultancy Agreement. Refer to Section 10.

9.2.1. Fairness

The Proposed Transaction will be fair to Non-Associated Shareholders if the fair value of the Consideration under the Proposed Transaction is higher than or equates to the fair value of the Portfolio before the Proposed Transaction.

In accordance with RG 111, we are required to assess the fairness of the Proposed Transaction, comprising the Portfolio Transfer and the Consultancy Agreement, together.

9.2.2. Reasonableness

In assessing the reasonableness of the Proposed Transaction, we considered the advantages and disadvantages of the Proposed Transaction proceeding as well as any other factors that we have identified. We have considered:

- whether there is a selective treatment to the related party such as the receipt of a financial benefit
- alternatives options available to JustKapital.

Given the two parts of the Proposed Transaction, comprising the Portfolio Transfer and and the Consultancy Agreement, are with the same related party, we have considered the reasonableness of the Proposed Transaction in its entirety.

9.2.3. Assessment of arm's length

In assessing whether the Proposed Transaction, is at arm's length, we have determined whether Philip Kapp will be receiving a financial benefit.

The financial benefit is calculated as the Fees that the Philip Kapp will receive under Proposed Transaction (and the Consultancy Agreement) that are in excess to what Philip Kapp, would have received under his employment agreement, for managing the Portfolio Cass, assuming he had remained employed by the Company.

9.3. The Proposed Transaction is not fair

We have assessed whether the Proposed Transaction, including the Portfolio Transfer and the Consultancy Agreement, is fair by comparing the fair value of the Portfolio to the fair value of the Consideration.

Our fairness assessment indicates that the fair value of the Consideration payable to JustKapital is less than the fair value of the Portfolio.

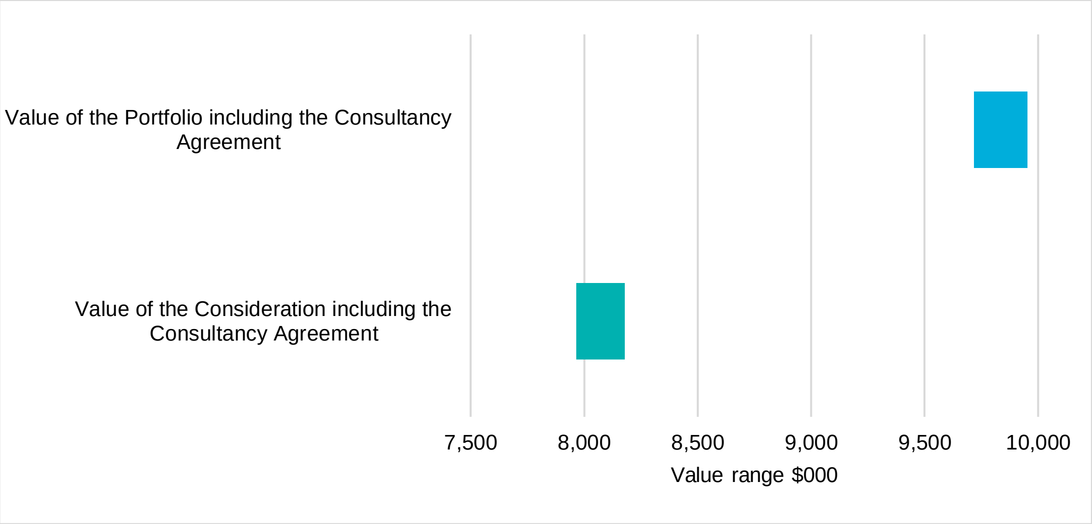
Our assessment involves comparison of the fair value of the Portfolio to the underlying value of the Consideration (receivable by JustKapital for the sale and transfer of the Portfolio to the Trust), where the Consideration is deemed to be units in the Trust after the Proposed Transaction. Shareholders will continue to hold their shares in JustKapital by virtue of the Proposed Transaction. However, their interest in the Portfolio will be held through units in the Trust, rather than directly in a wholly owned subsidiary of JustKapital.

We have assessed the fair value of the:

- Portfolio, to be in the range of $9.72 million to $9.95 million
- Consideration to be in the range of $7.97 million to $8.18 million.

A summary of our fairness assessment is set out Section 9.1.

Figure 7: Fairness summary - Proposed Transaction



Source: PPB analysis

We note that our value ranges are narrow, largely due to the relatively short period of the cashflows for the Portfolio (less than 3 years)

For the purposes of our fairness assessment above, we have:

- included the Consultancy Agreement
- assumed that 75% of the Portfolio Cases will be completed (we have excluded two cases, being the one with the lowest forecast return and the one with the forecast highest return).

Our assessed fair value range of $7.97 million to $8.18 million for the Consideration is less than our assessed fair value range of $9.72 million to $9.95 million for the Portfolio. Therefore, we have determined that the Proposed Transaction is not fair to Non-Associated Shareholders, according to RG 111.

If we assume that all the Portfolio Cases will complete, our opinion on fairness remains that the Proposed Transaction and Portfolio Transfer are unfair, as summarised in the table below:

Table 37: Fairness summary – Proposed Transaction (assuming all Portfolio Cases complete)

	The Portfolio (Company Structure)		Consideration (Trust Structure)	
	Low $000	High $000	Low $000	High $000
Total FCFF	16,676	16,676	14,767	14,767
Discount rate	*14.5%*	*12.5%*	*14.5%*	*12.5%*
Net present value	**13,677**	**14,033**	**12,108**	**12,424**
Cash	250	250	250	250
Value of the Consultancy Agreement	(24)	(24)	(807)	(807)
Value including the Equivalent Company Management Costs or Consulting Fee	**13,903**	**14,259**	**11,550**	**11,866**
Value excluding the Equivalent Company Management Costs or Consulting Fee	*13,927*	*14,283*	*12,358*	*12,674*

Source: PPB analysis

For the purposes of our fairness assessment, we have valued the units in the Trust, being the Consideration, after the Proposed Transaction and compared it to the value of the Portfolio before the Proposed Transaction. JustKapital will hold 100% of the units in the Trust after the Proposed Transaction.

We have assessed the value of the units in the Trust after the Proposed Transaction using the DCF method.

We have not included the value of any potential synergies arising from the transfer of the Portfolio. RG 111.11 states that any special value to a particular 'bidder' (eg synergies that are not available to other bidders) should not be taken into account.

9.4. The Proposed Transaction is not reasonable

The Proposed Transaction is reasonable if it is fair. However, it can also be reasonable, even if it was not fair, if there are sufficient reasons for Shareholders to accept the Proposed Transaction, in the absence of a superior offer being tabled.

The potential advantages and disadvantages to Shareholders arising from the approval of the Proposed Transaction are summarised below. Having considered the various advantages, disadvantages and other factors, we have assessed the Proposed Transaction as not reasonable.

In assessing the reasonableness of the Proposed Transaction, we have considered whether the advantages outweigh the disadvantages in the context of the Proposed Transaction. Individual Shareholders may interpret these factors differently, depending on their circumstances.

The most compelling reasons for Non-Associated Shareholders to approve the Proposed Transaction is JustKapital's exit from the downside risk of funding contingent litigation cases and allowing Management to focus on JustKapital's core business.

If the Portfolio Transfer is approved, JustKapital will continue to have an interest in the Portfolio, although it will be as a 'passive' investor in the Trust. According to the Acquisition Deed, JustKapital will be somewhat protected from future dilution in the event that Philip Kapp undertakes capital or fund raisings. A capital raising of $5 million is a condition precedent of the Portfolio Transfer. If the capital raising is unsuccessful, the Portfolio Transfer will not occur. Refer to the Notice of Meeting and Explanatory Memorandum for further details.

The most compelling reasons for Non-Associate Shareholders to not approve the Proposed Transaction is the potential viable alternatives that have been presented to JustKapital subsequent to the signing of the Acquisition Deed, the announcement of the Proposed Transaction on 1 November 2017 and the settlement of the Confidential Case announced on 2 January 2018 as outlined in Section 9.6 below.

Having considered the various advantages, disadvantages and other factors, we have assessed the Proposed Transaction as not reasonable:

9.4.1. Advantages

Continue as a Shareholder

Shareholders will continue to hold their shares in JustKapital. Only the investment holding structure of the Portfolio will change if the Proposed Transaction is approved.

Continued exposure to the litigation funding business

Shareholders will continue to have an exposure to the litigation funding business through JustKapital's interest in Trust. The Proposed Transaction is in essence an internal restructure involving a related party, Philip Kapp who will manage the Portfolio for agreed the Fees.

No requirement to fund the litigation cases

The Company will not be required to fund any of the cases in the Portfolio if the Portfolio Transfer is approved. This advantage assumes that the Company's interest in the Trust will not be diluted through the issue of units lower than the Consideration per unit in the future.

Reduce uncertainty to Shareholders

There have been numerous announcements since July 2017 regarding various forms of the proposed restructure. If the Proposed Transaction proceeds, the shareholders will have resolution and more certainty of the proposed restructure and strategy of the Company.

Focus of Management

Management will be able to focus on the strategic plans of the Company's core business of providing disbursement funding and short-term lending to law firms, without the distraction of the challenges of the Portfolio as reflected in the Company's announcements since July 2017, and the fundraising required to meet the future cash requirements of the Portfolio Cases.

Whilst the Portfolio has not been neglected, approval of the Proposed Transaction will ensure that a dedicated team, led by Philip Kapp is focused on managing the Portfolio.

Value of Company may be more appropriately reflected in market share price

The holding structure of the Portfolio may allow the value of the Company to be more appropriately assessed by the market as reflected in the market share price of the Company because the financial performance of the core business of the Company will be more transparent.

Litigation funding provides lumpy and unpredictable cash flows and earnings. It is possible that the market may not be attributing full intrinsic value to the Portfolio.

The shareholders will have more certainty regarding the future operating direction of the Company.

Lower financing costs for the Company

Due to the uncertain nature of the revenue streams of the Portfolio, Management considers that the Company's cost of capital has potentially been negatively impacted by the litigation funding business.

By changing the holding structure of the Portfolio with the Proposed Transaction, the Directors consider that the Company will be able to better attract a broader pool of financiers and achieve more attractive debt facilities to fund the core business which is relatively more stable and predictable.

There is expected to be a lower capital requirement for the Company as all future investment in the Portfolio Cases in will be undertaken by the Trust and Philip Kapp and the core business would not require the same extent of funding. This is expected to result in a lower cost of capital for the Company (both debt and equity).

Retain the experience of Philip Kapp

Philip Kapp has extensive experience in managing the Portfolio Cases. If the Proposed Transaction is approved, Philip Kapp will continue to manage the Portfolio.

Transferring the Portfolio to the Trust under the Proposed Transaction, removes need for the Company to retain a dedicated staff to manage the Portfolio.

Philip Kapp has long-standing relationships with the relevant parties in the Portfolio Cases. The Directors advised that these relationships will assist in bringing a favourable resolution of the Portfolio Cases.

Aligns with the Company's strategy

Proposed Transaction is consistent with JustKapital's business strategy of becoming a financier of law firms and operate as a pure finance company of non-contingent disbursements in the litigation process. JustKapital will not be required to raise funding to complete the Portfolio Cases and won't be exposed to any future liability in relation to the Portfolio Cases if its interest in the Trust is not diluted.

Recommendation of Directors

The Directors have advised that the Proposed Transaction was the best option available to the Company for the divestment of the Portfolio at the time the Acquisition Deed was signed, for a number of reasons including:

- it is in line with the Company's strategy
- JustKapital's return on the Portfolio Cases per the Acquisition Deed is based on an agreed investment value (approximately \$14 million) that is higher than the actual investment value of (approximately \$6 million)
- the Portfolio will be managed by Philip Kapp who is familiar with the Portfolio Cases, hence eliminates the need for due diligence and the associated costs thereof.

9.4.2. Disadvantages

Financial benefit

Philip Kapp will receive a financial benefit if the Proposed Transaction is approved. The financial benefit arises from the Fees payable to Philip Kapp as follows:

- the Management Fee which is based on 2% of the total invested capital
- the Performance Fee which is based on 20% of the profits generated by any Portfolio Case after an 8% profit hurdle has been calculated. The Performance Fee is to be calculated on a case by case basis adjusting for any lost cases
- the Trustee Fee which is \$200,000 per annum
- the Consulting Fee for managing the Confidential Case.

The operations of the Company will be less diverse

Once all the Portfolio Cases have completed, the Directors have advised that no further investment will be made by the Company in any further cases. Investors who sought to invest in the equity of JustKapital for exposure to litigation funding may need to re-evaluation their investment in the medium to long term.

Loss of Control

Management will no longer have day to day control of the Portfolio. The success of JustKapital's investment in the Trust and accordingly to benefit from the upside of Portfolio Cases is reliant on the capabilities of Philip Kapp.

Alternative options

The Directors have advised that the Company's strategy is to divest the Portfolio. However, if the Proposed Transaction is not approved, there are other viable options they will consider. Refer to Section 9.6 below.

The Directors believe that they could enter into negotiations with any and all of the interested parties and complete a transaction relatively quickly and potentially more favourably than the Proposed Transaction.

9.5. The Proposed Transaction is not at arm's length

Philip Kapp will receive a financial benefit in the range of $2.2 million to $2.6 million if the Proposed Transaction is approved. The financial benefit arises from the Management Fee, Performance Fee, Trustee Fee, and Consulting Fee payable to Philip Kapp and his related entities.

9.6. Alternatives if the Proposed Transaction is not approved

The Directors have advised that at the time the Acquisition Deed was negotiated and signed with Philip Kapp (September – October 2017), the Proposed Transaction was, in the Directors view, the best option available for the Portfolio and Confidential Case given the Company's strategy to focus on its core business as a provider of disbursement funding and short-term lending.

The Directors have informed us that since the Acquisition Deed was signed and the Proposed Transaction announced to the ASX on 1 November 2017:

- the Company settled the its first funded litigation case (Confidential Case) on 2 January 2018
- a number of parties have shown significant interest in the Portfolio and have made unsolicited offers to either fund or acquire the Portfolio. The majority of the parties that have made the offers are well known and reputable and are capable of completing a transaction
- some of the parties have significant experience in managing litigation funding businesses.

The Directors believe that they could enter into negotiations with any and all of the interested parties and complete a transaction relatively quickly and potentially more favourably than the Proposed Transaction, especially given three of the cases in the Portfolio are for the same breach of trustee duties and are against the same defendant.

Given the level of interest shown for the Portfolio, the Directors consider that a transaction with better terms than those of the Proposed Transaction could now be negotiated.

Therefore there is a significant number of alternative options for the Portfolio, of a funding and acquisition nature if the Proposed Transaction is not approved.

9.7. Assessment of arm's length terms

The Proposed Transaction involves Philip Kapp. As Philip Kapp was the previous chairman and managing director of JustKapital, he is considered a related party under Chapter 2E of the Corporations Act.

RG 76 recommends that we consider the following in assessing the arm's length nature of the Proposed Transaction:

- identify and quantify the financial benefit
- consider the terms of the giving of the financial benefit, in the circumstances of the Consulting Agreement
- determine if the financial benefit is given on terms more or less favourable to the related party.

The financial benefit to be received by Philip Kapp is the Fees and the Consulting Fee. In the following table we compare the Fees and the Consulting Fee to:

- the management costs the Company would incur in managing the Portfolio and the Confidential Case in-house – being the Company Management Cost and the Equivalent Company Management
- the estimated salary that Philip Kapp would have received, had he remained the managing director of JustKapital.

Table 38: Summary financial benefit analysis

Item	Low $000	High $000	Midpoint $000
Fees payable under the Acquisition Deed over the life of the Portfolio[1]			
Management Fee	171	174	173
Performance Fee	1,482	1,519	1,500
Trustee Fee[2]	448	458	453
Total Fees	**2,101**	**2,150**	**2,126**
Consulting Fee	807	807	807
Total Fees and Consulting Fees	**2,908**	**2,957**	**2,933**
Philip Kapp's estimated salary for managing the Portfolio	330	338	334
Philip Kapp's estimated salary for managing the Confidential Case	11	11	11
Total Salary	**342**	**349**	**345**
Company Management Cost	718	734	726
Equivalent Company Management Cost	24	24	24
Total Company Management Costs	**742**	**758**	**750**
Financial benefit provided to Philip Kapp [3]	**2,166 to 2,566**	**2,199 to 2,608**	**2,587 to 2,199**

Source: JustKapital Management, PPB analysis

Notes:
1. *The remaining life of the Portfolio from the Valuation Date is 2 years and 8 months (1 November 2017 to 30 June 2020)*
2. *The Trustee will receive a fee of $200,000 per annum. As noted in Section 1.1, the Trustee is a related party of JustKapital.*
3. *The financial benefit has been calculated as:*
   - *Low - Total Fees and Consulting Fees compared to the Total Company Management Cost*
   - *High - Total Fees and Consulting Fees compared to the Total Salary*

From the above table, the Fees and Consulting Fee are higher than the Company Management Cost and the Equivalent Company Management Cost and the remuneration that Philip Kapp would have received, had he remained the managing director of JustKapital. Therefore, Philip Kapp is receiving a significant financial benefit under the terms of the Consultancy Agreement.

We note that Philip Kapp is receiving significantly more by way of the Consulting Fee than he would have had he remained the managing director of JustKapital to manage the Confidential Case.

From our review of the relevant agreements, the other terms of the Proposed Transaction, other than the Consulting Fee, do not appear to be any more favourable to Philip Kapp compared to those we would expect to be negotiated with an unrelated party. However, given his previous position as managing director of the Company, we are uncertain whether he has been able to negotiate more favourable terms.

Chapter 2E prohibits a company from giving a financial benefit unless it falls within the exceptions of Chapter 2E or prior shareholder approval is obtained for giving the financial benefit. The financial benefit to Philip Kapp, does not fall within the exceptions of Chapter 2E. Accordingly, JustKapital is required to obtain shareholder approval before the Proposed Transaction can be implemented.

An exception from the requirement to obtain shareholder approval under the Corporations Act applies where the giving of the financial benefit is on terms that would be reasonable in the circumstances where the public company and the related party were dealing at arm's length or are less favourable to the related party than those on which it is reasonable to expect if the public company or entity and the related party were dealing at arm's length.

Under the Proposed Transaction, the related party, Philip Kapp is receiving a financial benefit, that indicates that the Proposed Transaction and the Consultancy Agreement are on terms favourable to Philip Kapp.

9.8. Other factors

If the Proposed Transaction, including the Portfolio and the Consultancy Agreement, is not approved:

- the share price of Company may not rise from the current trading price because the anticipated benefits of the Proposed Transaction will not be available
- the Directors of the Company will need to investigate the alternative options for the divestment of the Portfolio. There are alternative options available to the Company as discussed above in Section 9.6.
- if the Portfolio is retained by JustKapital, the Directors will be required to meet the ongoing liabilities associated with the Portfolio Cases. Approximately $5 million of working capital will be required to be raised by November 2018
- JustKapital will continue to be exposed to the uncertain revenue streams that are inherent in the litigation funding business.

The resolutions relating to the Proposed Transaction in the Notice of Meeting and Explanatory Memorandum and are not inter-conditional. Therefore, Shareholders may:

- approve the Portfolio Transfer and approve the Consultancy Agreement or
- approve the Portfolio Transfer and not approve the Consultancy Agreement or
- not approve the Portfolio Transfer and approve the Consultancy Agreement or
- not approve the Portfolio Transfer and not approve the Consultancy Agreement.

The Directors have advised that the legal, professional adviser fees of approximately $300,000 relating to the Proposed Transaction will be borne by the Company. If the Proposed Transaction does not proceed, Shareholders will not benefit from the advantages listed above.

9.9. Other considerations

This IER only provides general information. It does not take into account the Shareholders individual situation, objectives and needs. It is not intended to replace professional advice that should be obtained by individual Shareholders. Shareholders should consider whether this IER is appropriate for their circumstances, having regard to their individual situations, objectives and needs before relying on or taking action. Shareholders are encouraged to seek their own advice.

Whether or not individual Shareholders vote to implement the Portfolio Transfer and Consultancy Agreement depends on their own circumstances, as well as each Shareholders view on the reasonableness factors summarised above.

9.10. Conclusion on the Proposed Transaction

In our opinion, in the absence of a superior alternative the Proposed Transaction is neither fair and nor reasonable and not in the best interests of Shareholders, as a whole.

- the Consultancy Agreement is not fair and not reasonable to Shareholders, as a whole.
- the Portfolio Transfer is not fair and not reasonable to Shareholders, as a whole,

As part of assessing whether or not the Proposed Transaction is fair and reasonable to the Shareholders, PPB has assessed the value of the Portfolio and compared it to the value of the Consideration being offered for the Portfolio.

The alternative to the Proposed Transaction for Shareholders is to vote against the Proposed Transaction comprising the Portfolio Transfer and the Consultancy Agreement and for their investment in the JustKapital to continue in its current structure.

10. Assessment of Consultancy Agreement

10.1. Conclusion

Based on our analysis, in our opinion the Consultancy Agreement is neither fair and nor reasonable to the Non-Associated Shareholders.

We have assessed whether the Consultancy Agreement is fair by comparing the Equivalent Company Management Costs for managing the Confidential Case to the Consulting Fee under the Consultancy Agreement.

In our opinion, the fair value of the:

- Equivalent Company Management Costs is $24,278. This represents the value of the financial benefit provided to JustKapital and the costs that JustKapital would incur to manage the Confidential Case
- Consultancy Agreement is $807,182, based on the Consulting Fee. The Consultancy Agreement represents the value of the consideration being offered by JustKapital to Philip Kapp.

Our fairness assessment indicates that the Consulting Fee is greater than the Equivalent Company Management Costs for managing the Confidential Case as summarised above.

Our approach to deriving the Consulting Fee and the Equivalent Company Management Costs is outlined in Section 8.]

We have assessed that the Non-Associated Shareholders will be better off if the Consultancy Agreement is not approved and therefore, in our view, the Consultancy Agreement is not reasonable.

10.2. Approach

In accordance with the guidance provided in RG 111, we have considered the substance of the related party transactions, rather than the legal mechanism. We have therefore assessed the Proposed Transaction, comprising the Portfolio Transfer and Consultancy Agreement together. However, as required by the Directors, we have separately assessed the Consultancy Agreement.

10.2.1. Fairness

The Consultancy Agreement will be fair to Shareholders not associated with Philip Kapp or Kapp Consulting if the fees payable to Kapp Consulting under the Consultancy Agreement, represented by the Consulting Fee are lower than the cost of the services provided by Kapp Consulting or Philip Kapp under the Consultancy Agreement, represented by the Equivalent Company Management Cost.

10.2.2. Reasonableness

In assessing the reasonableness of the Consultancy Agreement, we considered the advantages and disadvantages of the Consultancy Agreement proceeding as well as any other factors that we identified. We have also considered:

- whether there is a selective treatment to the related party such as the receipt of a financial benefit
- alternative options available to JustKapital.

10.2.3. Assessment of arm's length

In assessing whether the Consultancy Agreement is at arm's length, we have calculated whether Philip Kapp will be receiving a financial benefit.

The financial benefit is calculated as the Consulting Fee that the Philip Kapp will receive under the Consultancy Agreement that is in excess to what Philip Kapp assuming he would have received under his employment agreement had he remained an employee of the Company.

10.3. The Consultancy Agreement is not fair

We have assessed whether the Consultancy Agreement is fair by comparing the Equivalent Company Management Costs for managing the Confidential Case to the Consulting Fee.

In Section 10.1 of our Report, we set out our fairness assessment.

Our fairness assessment indicates that the Consulting Fee is greater than the Equivalent Company Management Costs for managing the Confidential Case. Our assessment is summarised in the following table:

Table 39: Fairness summary – Consultancy Agreement

	$	% difference
Consulting Fee	**807,182**	
Equivalent Company Management Costs		
- Consultant salary - apportioned	15,338	
- CEO remuneration package - apportioned	8,940	
Total Equivalent Company Management Costs	**24,278**	
Consulting Fee is greater than the Equivalent Company Management Costs, therefore the Consultancy Agreement is not fair	**(782,904)**	**(97.0%)**

Source: PPB Analysis

10.4. The Consultancy Agreement is not reasonable

The Consultancy Agreement is reasonable if it is fair. However, it can also be reasonable, even if it is not fair, if there are sufficient reasons for Shareholders to accept the Consultancy Agreement, in the absence of a superior offer being tabled.

The potential advantages and disadvantages to Shareholders arising from the approval of the Consultancy Agreement are summarised below. Having considered the various advantages and disadvantages, we have assessed the Consultancy Agreement as not reasonable.

The most compelling reason for Non-Associated Shareholders to approve the Consultancy Agreement is outsourcing the management of the Confidential Case to allow Management to focus on JustKapital's core business. However, given settlement is expected to be approved by Court in a short period of time, we do not consider that advantages outweigh the disadvantages.

Advantages

Retain the experience of Philip Kapp

Philip Kapp has extensive experience in managing the Confidential Case. If the Consultancy Agreement is approved, Philip Kapp will continue to manage the Confidential Case.

Focus of Management

Management will be able to focus on the strategic plans for the Company's core business of providing disbursement funding and short-term lending without the distraction of managing the Confidential Case to its expected completion in the first quarter of 2018.

Disadvantages

Consulting Fee is significant

JustKapital is required to pay Philip Kapp the Consulting Fee under the Consultancy Agreement which in our view is significant when compared to the Equivalent Company Management Costs.

Alternative options

The alternative would be for the Company to retain the Confidential Case.

10.5. Alternatives if the Consultancy Agreement is not approved

The Directors have advised that if the Consultancy Agreement is not approved, the Company will manage the Confidential Case (the subject of the Consultancy Agreement) in-house.

10.6. Assessment of arm's length terms

We have assessed the financial benefit to the Philip Kapp to be between $0.783 million and $0.796 million and consider the Consultancy Agreement not to be on arm's length terms.

The Consultancy Agreement involves Philip Kapp. As Philip Kapp was the previous chairman and managing director of JustKapital, he is considered a related party under Chapter 2E of the Act.

RG 76 recommends that we consider the following in assessing the arm's length nature of the Consulting Agreement:

- identify and quantify the financial benefit
- consider the terms of the giving of the financial benefit, in the circumstances of the Consulting Agreement
- determine if the financial benefit is given on terms more or less favourable to the related party.

The financial benefit to be received by Philip Kapp is the Consulting Fee. In the following table we compare the Consulting Fee to the Equivalent Company Management Cost and the remuneration that Philip Kapp would have received, had he remained the managing director of JustKapital to manage the Confidential Case. Our analysis is summarised in the following table:

Table 40: Summary financial benefit analysis

Item	$	$
Consulting Fee	807,182	807,182
Philip Kapp's estimated salary for managing the Confidential Case		11,175
Equivalent Company Management Cost	24,278	
Financial benefit provided to Philip Kapp	**782,904**	**796,007**

Source: JustKapital Management, PPB analysis

The financial benefit has been calculated as the:

- Low – Consulting Fee compared to the Equivalent Company Management Cost
- High - Consulting Fee compared to the Philip Kapp's estimated salary for managing the Confidential Case.

From the above table, the Consulting Fee is higher than the Equivalent Company Management Cost and the remuneration that Philip Kapp would have received, had he remained the managing director of JustKapital. Therefore, Philip Kapp is receiving a significant financial benefit under the terms of the Consultancy Agreement. Therefore, Philip Kapp is receiving significantly more by way of the Consulting Fee than he would have had he remained the managing director of JustKapital to manage the Confidential Case.

The terms of the Consultancy Agreement, other than the Consulting Fee, do not appear to be any more favourable to Philip Kapp compared to those that would be negotiated with an unrelated party. However, given his previous position as managing director of the Company, we are unsure whether he has been able to negotiate more favourable terms.

Chapter 2E prohibits a company from giving a financial benefit unless it falls within the exceptions of Chapter 2E or prior shareholder approval is obtained for giving the financial benefit. The financial benefit to Philip Kapp, does not fall within the exceptions of Chapter 2E. Accordingly, JustKapital is required to obtain shareholder approval before the Consultancy Agreement can be implemented.

10.7. Other factors

If the Consultancy Agreement, is not approved JustKapital will continue to manage the Confidential Case in-house or source an alternate consultant to manage the Confidential Case.

The Shareholders may elect to approve or not approve the Consultancy Agreement.

10.8. Other considerations

This IER only provides general information. It does not take into account the Shareholders individual situation, objectives and needs. It is not intended to replace professional advice that should be obtained by individual Shareholders. Shareholders should consider whether this IER is appropriate for their circumstances, having regard to their individual situations, objectives and needs before relying on or taking action. Shareholders are encouraged to seek their own advice.

Whether or not individual Shareholders vote to implement the Consultancy Agreement depends on their own circumstances, as well as each Shareholders view on the reasonableness factors summarised above.

10.9. Conclusion on the Consultancy Agreement

In our opinion, in the absence of a superior alternative the Consultancy Agreement is neither fair and nor reasonable to Shareholders, as a whole.

As part of assessing whether or not the the Consultancy Agreement is fair and reasonable to the Shareholders, PPB has assessed the Consulting Fee compared it to the Equivalent Company Management Cost.

The alternative to the Consultancy Agreement for Shareholders is to vote against the Consultancy Agreement and for their investment in the JustKapital to continue in its current structure.

11. Limitations and disclosures

11.1. Qualification

PPB holds an Australian Financial Services Licence (No. 344626) under the Corporations Act and its authorised representatives are qualified to provide this Report.

PPB provides a range of corporate advisory services and has advised on numerous takeovers, valuations, acquisitions and restructures.

This Report has been prepared by Fiona Hansen B Com, Hon Acc Science, CA, CA (SA) and a Partner at PPB Advisory and authorised representative of PPB Corporate Finance Pty Ltd. Fiona has over 20 years of experience in corporate finance advice including business valuations, preparing independent expert's reports, transaction advisory, financial due diligence and mergers and acquisitions.

This Report has also been prepared by John-Henry Eversgerd BA, MBA, ASA, CFA and a Director of PPB and Partner at PPB Advisory. John-Henry has over 20 years of experience in preparing valuations, IERs and corporate finance.

Based on their experience, Fiona and John-Henry have the appropriate experience and qualifications to provide the advice offered.

11.2. Disclaimers

This Report was not prepared for any other purpose or for use by any other person. PPB does not accept any responsibility to any person other than the Directors and Shareholders for the use of the Report outside the stated purpose without the written consent of PPB. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

Approval or rejection of the Proposed Transaction are matters for individual Shareholders based on their expectations as to various factors including the value and future prospects of the Company, the terms of the Proposed Transaction, market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider the documents. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

11.3. Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the Valuation Date. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly out dated and in need of revision. PPB reserves the right to revise any valuation or other opinion in the light of material information existing at the Valuation Date that subsequently becomes known to PPB.

11.4. Currency

All references to '$' and 'dollars' are references to Australian dollars unless stated otherwise.

11.5. Independence

Prior to accepting this engagement, PPB considered its independence with respect to the Proposed Transaction with reference to the RG 112 and APES 110 Code of ethics for professional accountants issued by the Accounting Professional and Ethics Standards Board.

PPB Advisory maybe involved with some of the Portfolio Cases. We have considered our internal processes and procedures in this respect and are of the view that this does not compromise our independence in preparing the IER.

We have concluded we confirm that we are independent of the Directors of the Company, JKL, the Trust, Philip Kapp, Twin Management, Kapp Consulting and the major Shareholders of the Company involved in the Proposed Transaction.

PPB is not involved with, or interest in, the outcome of the approval of the Proposed Transaction other than that of independent expert for the Shareholders of JustKapital. PPB is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this Report and an independent expert report prepared for the JustKapital Shareholders.

Except for these fees, PPB will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this Report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction. PPB will receive no other benefit for the preparation of this Report.

11.6. Consents

PPB consents to issuing this Report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum. Apart from the Report, PPB is not responsible for the contents of the Notice of Meeting and Explanatory Memorandum, or any other document or announcement associated with the Proposed Transaction. PPB acknowledges that its Report may be lodged with regulatory bodies.

11.7. Reliance on information

The statements and opinions contained in this Report are given in good faith and are based upon PPB's consideration and assessment of information provided by JustKapital. PPB believes the information provided to be reliable, complete, and not misleading, and we have no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, inquiry, and review for the purpose of forming our opinion. The procedures adopted by PPB in forming our opinion may have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

It was not PPB's role to undertake, and PPB has not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of the Proposed Transaction. PPB understands that the Directors have been advised by legal, accounting, and other appropriate advisors in relation to such matters, as necessary.

PPB does not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the directors and/or their advisors.

An opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that PPB advises that it is not in a position, nor is it practical for PPB, to undertake a detailed investigation or extensive verification exercise.

It is understood that, except where noted, the accounting information provided to PPB was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by JustKapital in previous accounting periods.

In accordance with normal practice, prior to finalising the Report, we confirmed facts with JustKapital. This was undertaken by means of providing JustKapital with a draft report. PPB obtained a representation letter from JustKapital confirming that, to the best knowledge of JustKapital, the information provided to, and relied upon by, PPB was complete and accurate, and that no significant information essential to the Report was withheld.

JustKapital has agreed to indemnify PPB, including its related entities and their partners, directors, employees, officers, and agents (as applicable) against any claim, liability, loss or expense, costs, or damage, arising out of reliance on any information or documentation provided to PPB by JustKapital, which is false and misleading or omits any material, or arising from failure to supply relevant documentation or information.

11.8. Prospective financial information

In preparing the Report, PPB may have regard to prospective financial information for FY2017 and FY2018 in relation to JustKapital and the Trust ('Prospective Financial Information'). PPB understands that the Prospective Financial Information has been prepared as part of the ongoing management processes of the respective companies.

For the purposes of our Report, PPB understands and will assume that the Prospective Financial Information:

- will be prepared fairly and honestly, on a reasonable basis and is based on the best information available to the Management and directors of JustKapital
- within the practical constraints and limitations of such information; and will not reflect any material bias, either positive or negative.

We understand that the Prospective Financial Information will be based on assumptions concerning future events and market conditions and while prepared with due care and attention and the directors of JustKapital consider the assumptions to be reasonable, future events and conditions are not accurately predictable and the assumptions and outcomes are subject to significant uncertainties. Actual results are likely to vary from the Prospective Financial Information and any variation may be materially positive or negative. Accordingly, neither the Directors, JustKapital, nor PPB will guarantee that the Prospective Financial Information or any other prospective statement contained in the Report or otherwise relied upon will be achieved.

PPB has not been engaged to undertake an independent review of the Prospective Financial Information in accordance with Australian Auditing Standards, and has not undertaken such a review. However, in order to disclose and to rely on the Prospective Financial Information in the Report, PPB is required to satisfy itself that the Prospective Financial Information has a reasonable basis.

Set out below are some of the indicative factors that would support a conclusion that the Prospective Financial Information has a reasonable basis:

- a material portion of the Prospective Financial Information incorporates established trends in the businesses and current arrangements in place, for example:
  - Prospective Financial Information largely reflects an established history of operations, sales and profitability of the businesses; and/ or
  - Prospective Financial Information reflects contractual or other forms of written arrangements in place to establish some surety as to future revenues
- Prospective Financial Information is not based on business models that have yet to be proven and/or anticipated arrangements with customers, suppliers, or other parties that have yet to be confirmed
- the reporting and budgeting processes of JustKapital have been in place for some time and involve regular reporting of actual performance to budget variances, management follow up, input from senior management and that process itself is under continuous review
- Prospective Financial Information is based on detailed models that are designed to be driven by specific key inputs such as unit sales, unit price movements, etc
- Prospective Financial Information has been endorsed by the Management and directors of JustKapital
- Prospective Financial Information makes appropriate allowance for known contingencies.

To ascertain the above, the scope of PPB work in this regard comprised the following:

- obtained details of the Prospective Financial Information and the process by which this information was prepared
- determined the composition of the Prospective Financial Information
- discussions with Management of JustKapital regarding the basis on which the Prospective Financial Information was formulated and where possible on a "desktop" level, undertaking evaluation of such information, by reference to past trading performance, available evidence and/or other documentation provided
- reviewed any assumed growth over historical earnings, determining the source of growth e.g. price, customer acquisition, customer volume purchase increase and investigate any new key contracts
- enquired if the Prospective Financial Information is adopted by the directors of JustKapital
- investigated previous forecasting history and experience
- reviewed the most recently available monthly management accounts
- considered the relevant industry trends and the position of JustKapital and the Trust within their respective industries.

Appendices

Appendix A. Glossary of terms

Abbreviation	Definition
AFSL	Australian Financial Services Licence
APES 225	Accounting Professional & Ethics Standard 225 Valuation Services
Acquisition Deed	An acquisition agreement for JKL dated 8 December 2017 between JustKapital, JKL and the Trustee for the Trust and associated agreements as annexed to the Acquisition Deed
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
$ or AUD	Australian Dollars
AUS	Australian
CAPM	Capital Asset Pricing Model
CFME	Capitalisation of future maintainable earnings
Completion	Completion occurs when completion Proposed Transaction under the Acquisition Deed occurs
Company Management Costs	Comprising the assumed remuneration of the consultant and senior management under the Company Structure to manage the Portfolio
Company Structure	The assumed cost structure of JustKapital immediately before the Proposed Transaction
Comparable Companies	IMFB and LCM
Confidential Case	One of the litigation matters funded by JustKapital that is to be retained by the Company as part of the Proposed Transaction. It is to be managed by Kapp Consulting under the Consultancy Agreement
Consideration	Issue of 14.25 million units in the Trust to JustKapital (all units outstanding in the Trust at the Valuation Date)
Consultancy Agreement	A consultancy agreement in respect of a confidential case between JustKapital, Kapp Consulting and Phillip Kapp
Consulting Fee	Consulting Fee of $807,000 under the Consultancy Agreement in relation to the Confidential Case
Corporations Act or Act	Corporations Act 2001 (Cth)
D/V ratio	Debt to Value
DCF	Discounted Cash Flow
Directors	Directors of JustKapital Ltd
Equivalent Company Management Costs	Comprising the assumed remuneration of the consultant and senior management under the Company Structure to manage the Confidential Case
Fees	Fees payable under the Acquisition Deed comprising the Management Fee, Performance Fee and Trustee Fee
FCFF	Free cashflow to firm

Abbreviation	Definition
FOS	Financial Ombudsman Service Limited
FSG	Financial Services Guide
FY	Financial Year ended or ending 30 June
FY2016 or FY16	Financial year ended 30 June 2016
FY2017 or FY17	Financial year ended 30 June 2017
FY2018 or FY18	Financial year ended 30 June 2018
FY2019 or FY19	Financial year ended 30 June 2019
FY2020 or FY20	Financial year ended 30 June 2020
IER or Report	This Independent Expert's Report
IMFB	IMF Bentham Limited
Industry	Litigation Funding industry in Australia
JKL	JustKapital Litigation Pty Ltd
JustKapital or the Company	JustKapital Limited (ACN 088 749 008)
Kapp Consulting	Kapp Consulting Pty Ltd
Ke	Cost of equity
LCM	Litigation Capital Management Limited
Licence	PPB's Australian Financial Services Licence (No. 344626)
Listing Rules	The official listing rules of ASX
Longford	Longford Capital Management, LP
LR 10 or LR 10.1	ASX Listing Rule 10 or ASX Listing Rule 10.1
M	Million
Management	Management of JustKapital
Management Agreement	Trustee will appoint Twin Management as the manager of the Trust under a management agreement and Twin Management will receive a management fee, a performance fee and a trustee fee
Management Fee	The Management Fee payable to Twin Management under Clause 3 of the Trust Litigation Management Agreement. The payment of this fee is not contingent on the success of the Portfolio Cases. It is equal to 2% per annum of Net Invested Capital, i.e. if a case is resolved, the Net Invested Capital amount on which the 2% fee is calculated will be adjusted to remove the Net Invested Capital amount of that case
MOIC	Multiple of invested capital
MML	Macquarie Medico Legal
MRP	Market Risk Premium
NA	Net assets or net asset value

Abbreviation	Definition
Net Invested Capital	The total amount of funds that JustKapital has invested in the Portfolio Cases that are in progress
NHF	National Health Finance
Non-Associated Shareholders	Shareholders of JustKapital that are not associated with the Proposed Transaction
Notice of Meeting and Explanatory Memorandum	The notice of extraordinary general meeting including the explanatory memorandum, schedules and annexures to it and Proxy Form prepared by the Directors of JustKapital
NPAT	Net Profit After Tax
NPBT	Net Profit Before Tax
Option	An option to acquire a share in accordance with the terms and conditions determined at the time of the issue
Performance Fee	The Performance Fee payable to Twin Management under Clause 3 of the Trust Litigation Management Agreement. The payment of this fee is contingent on the success of the Portfolio cases. It is equal to 20% of the amount (if any) by which the Net Return of the case attributable to JustKapital exceeds 8% of the total case costs funded by JustKapital
Phillip Kapp	Phillip Kapp, former Chairman and Managing Director of JustKapital
PPB	PPB Corporate Finance Pty Ltd
PPB Advisory	PPB Pty Ltd
Portfolio	JustKapital's current litigation funding portfolio (for cases) comprising funding agreements that have been executed by JustKapital Litigation or its subsidiaries with third parties (excluding any interest in three cases), to be transferred to the Trust under the terms of the Proposed Transaction
Portfolio Cases	The eight funded litigation funding agreements for cases that form the Portfolio which are being transferred as part of the Proposed Transaction
Portfolio Consideration	14 million units in the Trust at an issue price of $1.00 per unit
Portfolio Model	The forecast financial performance for the Portfolio for the period ending 30 June 2020 (the forecast resolution date of all cases in the Portfolio), prepared by Management
Portfolio Transfer	Proposed transfer of the Portfolio to the Trust
Proposed Transaction	Comprising the Portfolio Transfer and the Consultancy Agreement, per resolution 1 and 2 of the Notice of Meeting and Explanatory Memorandum
Prospective Financial Information	Prospective financial information for FY2018 to FY2020 in relation to the Portfolio
QMP	Quoted Market Price
RBA	Reserve Bank of Australia
Related Parties	Trustee, the Trust, Twin Management, Kapp Consulting and Phillip Kapp
Report or IER	This Report
Rf	Risk free rate
RG	ASIC Regulatory Guide

Abbreviation	Definition
RG 76	ASIC Regulatory Guide 76 Related party transactions
RG 111	ASIC Regulatory Guide 111 *Content of experts reports*
RG 112	ASIC Regulatory Guide 112 *Independence of experts*
Share	Issued ordinary share in JustKapital
Shareholders	Shareholders of JustKapital
Trust	Litigation Finance Trust
Trustee	Litigation Finance Pty Ltd
Trustee Fee	The Trustee Fee of $200,000 per annum, payable to the Trustee under clause 2.6 of the Constitution of the Master Litigation Finance Unit Trust
Trust Structure	The assumed cost structure of the Trust immediately after the Proposed Transaction
Twin Management	Twin Management Pty Ltd
Valuation Date	31 October 2017
VWAP	Volume weighted average share price
WACC	Weighted average cost of capital

Appendix B. List of sources of information

In preparing this report we have been provided with and considered the following sources of information:

- ASIC Current Organisation Extract for JustKapital
- audited annual reports of JustKapital for years ending 30 June 2016 and 30 June 2017
- various Company ASX announcements
- www.justkapital.com.au
- financial information from S&P Capital IQ
- IBISWorld Litigation Funding in Australia report dated February 2017
- Reserve Bank Australia website
- IMFB investor presentation dated 24 August 2017
- LCM investor presentation dated 31 August 2017
- Draft Notice of Meeting and Explanatory Statement prepared by JustKapital for the general meeting
- Settlement Term Sheet dated 31 October 2017
- Acquisition Deed and associated and associated agreements as annexed to the Acquisition Deed dated 8 December 2017
- Settlement and Release Deed dated 8 December 2017
- Discussions with JustKapital Management - Diane Jones (CEO) and Anthony Hersch (COO)
- Discussions with JustKapital Board of Directors
- JustKapital Management accounts at 31 October 2017
- Portfolio Model
- JustKapital senior management historical remuneration information
- Return calculations for the Confidential Case
- JustKapital capitalised remuneration calculations
- Case cost summary as at 31 October 2017
- Company and independent expert assessments of the Portfolio cases
- Draft LeadenHall Independent Valuation Report dated 10 October 1017.

Appendix C. Valuation methodologies

To estimate the fair value of the Portfolio and the Consideration, we have considered the common market practice and the valuation approaches recommended by RG 111, that provide guidance in respect of the content of independent expert's reports. The common valuation approaches are as follows:

- market based approach
- income based approach
- asset or cost based approach.

Each approach is appropriate in certain circumstances. The decision as to which approach and specific methodology to apply generally depends on the nature of the company or asset being valued, the methodology most commonly adopted in valuing such companies or assets and the availability of appropriate information.

These approaches are summarised below:

Market based approach

Market based approach estimates the fair value by considering the market price of transactions in its shares or the market value of comparable companies. The market based approach includes the following methods:

- capitalisation of earnings method
- analysis of a company's recent share trading history ('QMP')
- industry specific methods and rules of thumb.

The capitalisation of earnings method estimate the fair value based on a company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings is appropriate where a company's earnings are relatively stable and it is assumed that the business will continue trading as a going concern indefinitely.

The most recent share trading history provides evidence of the market value of the shares of the company where they are publicly traded in an informed market.

Industry specific methods estimate the fair value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods, because they do not account for company specific factors. Industry specific methods are typically used as cross checks in specific industries.

Income based approach

Under the income approach, the discounted cash flow method estimates the fair value by dis-counting a company's future cash flows to a net present value using an appropriate discount rate. The DCF method is appropriate where there are long term projections of future cash flows of at least five to ten years and the projections can be made with a reasonable level of confidence. DCF method is typically used where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy
- earnings or cash flows are expected to fluctuate significantly from year to year
- the business or asset has a finite life
- the business is in a 'start up' or in early stages of development
- the business has irregular capital expenditure requirements
- the business involves infrastructure projects with major capital expenditure requirements
- the business is currently making losses but is expected to recover.

Asset or cost based approach

Asset or cost based approach estimates the fair value of a company's shares based on the realisable value of its identifiable net assets. The asset based approach includes the following methods:

- orderly realisation of assets
- liquidation of assets
- net assets on a going concern basis.

Asset or cost approach provides an indication of value using the principle that a buyer will pay no more that the cost to obtain an asset or equal utility whether by purchase or by construction. Cost based methodologies may not reflect future economic benefit.

The historical cost considers the costs associated with creating (accumulated costs expended to date) the business.

Replacement cost determines what would need to be invested today to replace the asset with a modern equivalent that offers the same utility or functionality as the subject asset.

Reproduction cost is the costs that would be incurred in replicating the asset, reflecting time, investment, processes in creating the subject asset at costs prevailing at the valuation date.

Net asset value usually provides an indicator of the minimum value attributable to the asset

The orderly realisation of assets method estimates the fair value of the net assets by estimating the amount that would be distributed to its shareholders after the payment of all liabilities are satisfied including realisation costs and taxation, assuming that the company is wound up in an orderly manner.

The liquidation of assets method is similar to the orderly realisation of assets method except that the liquidation method assumes that the assets are sold in a shorter timeframe. Since wind up or liquidation of the company may or may not be contemplated, this method in its strictest form may not necessarily appropriate.

The net assets on a going concern basis estimates the market value of the net assets of the company but does not take into account realisation costs.

The net asset value of a trading will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The assets based methods are relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business.

The net realisable assets method is also used as a cross check for the values derived using other methods.

Quoted market price

The market based approach includes the guideline public company method to determine the earnings multiple. This method uses the implied multiples of comparable public companies (based on trading prices for minority shareholdings at the valuation date) as a reference point. Accordingly, the valuer needs to allow for the inherent differences between publicly listed entities and privately held businesses. In addition, the relative risk profile specifically of the subject business should be reconciled to those selected guideline companies in the comparable basket.

In essence, this methodology requires the following steps:

- identify "comparable" listed companies
- for each selected company calculate the implied enterprise value (market capitalisation based on trading in minority interests plus an allowance for notional control premium together with adjustment for net interest bearing debt and cash or cash equivalents)

- determine an earnings base (subject to normalisation adjustments)
- calculate the implied capitalisation rate for each selected company in the basket
- adjust for differences between the basket of comparable companies and the subject business. Given the expected or required rate of return on capital in the public company market is significantly lower than the required return to private capital markets; this supports the application of a discount. The nature and extent of the discounts applied are based on the judgement of the expert.

Typically, the discounts applied include:

- size and scale
- infrastructure and management including key person risk
- access to capital markets (debt and equity)
- liquidity or negotiability of interests in public companies compared to private companies.

Liquidity or negotiability discounts of private companies (wholly owned 100% equity interests) is not to be confused with discounts required to reflect ownership structure and transfer restrictions (which limit the conditions under which specific equity interests can be transferred). Ownership restraints relating to minority interest discount (via discounts for lack of marketability) are not included in the discounts required to convert multiples for public companies to multiples for private companies.

Industry rules of thumb

Generally, industry rules of thumb are not considered a fundamental valuation approach as they ignore the specific characteristics of the subject business. They are typically used as a benchmark to test reasonableness. However, in certain industries, rules of thumb have been developed over a long period of time reflecting a volume of transactions. In these industries transactions are commonly based on rules of thumb particularly SMEs and for bolt on acquisitions (as opposed to acquisition of the subject business in its entirety).

Appendix D. Discount rate calculation

The discount rate used to equate future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor.

Discount rates are determined based on the cost of its debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital ('WACC'). The WACC can be derived using the following formula:

WACC = ((E/V) * Ke) + (((D/V) * Kd)*(1-tc))

The components of the formula are:

Ke	cost of equity capital
Kd	cost of debt
tc	corporate tax rate
E/V	proportion of company funded by equity
D/V	proportion of company funded by debt

The adjustment of Kd by (1-tc) reflects the tax deductibility of interest payments on debt funding. The corporate tax rate has been assumed to be 30%.

The calculation of a WACC is inherently subjective and requires a significant degree of professional judgment.

Cost of Equity

The cost of equity (Ke) is the rate of return that investors require to make an equity investment in a firm.

We have used the Capital Asset Pricing Model ('CAPM') to estimate the Ke for the Portfolio. CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital.

Under the "classical" system of double taxation of dividends which existed in Australia until the introduction of dividend imputation in 1987 (and which still applies in many countries), the cost of equity capital under CAPM is determined using the following formula:

$$Ke = R_f + \beta (R_m - R_f) + a$$

Where:

K_e	required return on equity
R_f	the risk free rate of return
R_m	the expected return of the market portfolio
β	beta, the systematic risk of a stock can be objectively measured by the responsiveness of company returns to movements in returns earned on the market portfolio
a	specific company risk premium

Each of the components in the above question is discussed below.

Risk free rate

Since the cash flows are denominated in Australian dollars, we have used the yield on the 10 year Australian Government bond on the Valuation Date of 2.67% as a proxy for the risk free rate ('Rf'').

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term government bond rate.

The table below illustrates that the current yield on 10 year Australian bonds is in line with average yields over the past five years. The bonds include inflation, and therefore provide a proxy for the nominal Rf.

Analysis of AUS 10 Year Government Bonds as at Valuation Date

Time Period	Yield (%)
Spot rate	2.67
5 day prior average	2.73
30 day prior average	2.78
12 month prior average	2.65

Source: RBA

Corporate tax rate

There is some contention as to whether the statutory corporate tax rate or an effective tax rate should be used when calculating the discount rate.

In practice, the statutory corporate tax rate is often used given the difficulties of estimating an effective rate of tax, particularly in future years.

Market risk premium

We have selected a Market Risk Premium ('MRP') of 6.0%.

The MRP is calculated as the expected return of holding a market portfolio of investments (Rm) less the expected return of holding a risk free asset. It represents the additional risk of the market portfolio above the risk free rate.

Whilst in the short term, MRPs are known to change as investors seek to price the overall equity market, based on the perceived risks associated with it at the time, the long term MRP has generally been found to be quite stable.

Our assessment of the MRP is based on various studies on historic returns and market research.

Equity Beta

We have calculated an equity beta range of 0.9 to 1.0.

The beta coefficient is a measure of the expected volatility, and is therefore the risk of a company's stock relative to the market portfolio. The expected beta cannot be observed; therefore the historical beta is usually used as a proxy for the expected beta. A beta can be estimated by regressing the excess returns of the stock against the excess returns of the index representing the market portfolio.

There are significant measurement issues with beta, which means that only limited reliance can be placed on such statistics. Even measurement of historical betas is subject to considerable variation and requires a considerable degree of judgement.

Unlevered and Re-levered Beta

The beta is measured on the cash flows returned to equity holders and is therefore after interest. Accordingly, a firm's beta also reflects its capital structure. Since financial leverage is likely to alter between firms it is generally erroneous to make comparison of betas between firms without regard to each firm's leverage.

The betas can all be de-geared (or 'de-levered') to remove the impact of leverage. The method is set out below:

$$\beta \text{ (ungeared)} = \beta \text{ (geared)}/(1 + (D/E) \times (1\text{-}t))$$

The un-levered or 'asset' betas can then be analysed to determine an appropriate asset beta for the subject of the valuation, and it can be re-geared (or 're-levered') to reflect the appropriate capital structure. The re-levered betas are also known as 'equity' betas. In the case of our assessment of the Portfolio, because we have assumed debt funding of nil, there is no need to re-lever the asset beta. Accordingly, the equity beta is the same as the asset beta.

The following formula calculates the equity beta:

$$\beta \text{ (geared)} = \beta \text{ (ungeared)} \times (1 + (D / E) \times (1 - t))$$

As limited reliance can be placed on the historical betas measured for comparable companies, at best the data may be regarded as relevant and informative, but not determinate.

Comparable Company Betas

We have selected an asset beta range of 0.9 to 1.0.

To estimate an appropriate beta for the Portfolio, we analysed the historical equity betas and capital structures for selected companies with broadly comparable operations to the Portfolio. Our analysis was over a five year period prior to the Valuation Date and included consideration of:

- the betas for litigation financing, receivables finance and professional services companies generally and, where appropriate, given greater weighting to the companies we considered most comparable to the Portfolio and the longer term betas (eg five years)
- the differences between the broadly comparable companies and the Portfolio when calculating a specific risk premium (discussed below).

We note that the most comparable companies are the two litigation funding companies, Burford Capital Limited and IMF Bentham Limited. Our beta range has been selected primarily based on IMF Bentham, our most comparable company to the Portfolio that has enough meaningful data (compared to Burford Capital). The other receivables financing and legal & professional services companies were taken into consideration and used as a cross check as we expect that the beta data would less accurately reflect the nature of a litigation funding business (ie the Portfolio would have a higher beta).

Our comparable company beta analysis is summarised in the table below (refer to Appendix H for further detail on the broadly comparable companies and the historic betas).

Analysis of betas of potentially comparable companies as at Valuation Date

Time Period Beta Type	1 Year Asset Beta	2 Year Asset Beta	3 Year Asset Beta	4 Year Asset Beta	5 Year Asset Beta
IMF Bentham Limited	0.71	0.61	0.97	0.93	0.87
Burford Capital	0.21	0.38	0.51	0.47	0.47
All comparable companies - Median Excl Outliers	0.37	0.38	0.53	0.52	0.47
All comparable companies - Mean Excl Outliers	0.13	0.41	0.55	0.50	0.51

Source: Source: S&P Capital IQ & PPB Analysis.

Debt to Value Ratio (D/V)

We have assumed a D/V ratio of 10%.

The D/V ratio represents the debt funding of the company as a proportion of total value of the company. We have selected a capital structure of minimal debt based on discussions with Management due to the high risk nature of a litigation funding business. We note that IMF Bentham, the most comparable company has no debt and Burford Capital has about 10% D/V (refer Appendix E for further detail on the broadly comparable companies and our D/V analysis).

Time Period %	1 Year D/V	2 Year D/V	3 Year D/V	4 Year D/V	5 Year D/V
IMF Bentham Limited	0.00	0.00	0.00	0.00	0.00
Burford Capital	0.10	0.11	0.11	0.09	0.09
All comparable companies - Median Excl Outliers	0.37	0.30	0.26	0.25	0.31
All comparable companies - Mean Excl Outliers	0.37	0.33	0.30	0.28	0.30

Source: S&P Capital IQ & PPB Analysis.

Cost of debt

The required rate of return on debt is estimated based on a credit spread over a base rate.

We have estimated the cost of debt for the Company as at the Valuation Date to be 20%, which has been indicated by Management as the interest charge indicated by potential funders to the Portfolio.

Specific risk premium (SRP or a or alpha)

The specific risk premium adjusts the cost of equity for company specific factors. The CAPM assumes, amongst other things, that rational investors seek to hold efficient portfolios, that is, portfolios that are fully diversified. One of the major conclusions of the CAPM is that investors do not have regard to specific company risks (often referred to as unsystematic risk).

We have included an alpha range for the Portfolio primarily based on our high level review and assessment of the associated risks relating to relative maturity, perceived operating, financial and geographic risks of the Portfolio compared to the potentially comparable listed companies.

We have assumed a SRP of 4% to 5%.

Summary

Based on the above factors we have derived a discount rate based on WACC of between 12.5% and 14.5%, summarised as follows:

Discount Rate Assessment

Weighted Average Cost of Capital (WACC)	Low	High
Cost of Equity (CAPM)		
Risk Free Rate of Return (Rf)	2.67%	2.67%
Equity Market Risk Premium (MRP)	6.00%	6.00%
Geared Beta Estimate (βL)	1.42	1.58
Asset Beta (βU)	0.90	1.00
CAPM Based Cost of Equity	**8.49%**	**9.14%**
Specific Risk Premium (α)	4.0%	6.0%
Cost of Equity (Ke)	**12.49%**	**14.14%**
Cost of Debt		
Risk Free Rate of Return (Rf)	2.67%	2.67%
Company Credit Spread	17.3%	17.3%
Cost of Debt	**20.0%**	**20.0%**
Capital Structure		
Debt / Enterprise Value	10.0%	10.0%
Equity / Enterprise Value	90.0%	90.0%
Debt-to-Equity Ratio	**11.1%**	**11.1%**
WACC		
Local Corporate Tax Rate (tc)	30.0%	30.0%
Post Tax Cost of Equity (Ke)	11.2%	12.7%
Post Tax Cost of Debt (Kd)	1.4%	1.4%
WACC (Post Tax, Nominal)	**12.6%**	**14.1%**
WACC selected (rounded)	**12.5%**	**14.5%**

Appendix E. Comparable company analysis

Comparable Company Analysis – Debt to Equity Ratios

Beta Type	**Adjusted Weekly**	**Adjusted Weekly**	**Adjusted Weekly**	**Adjusted Weekly**	**Adjusted Weekly**	**Adjusted Weekly**	**Adjusted Weekly**	**Adjusted Weekly**	**Adjusted Weekly**	**Adjusted Weekly**	**Adjusted Weekly**	**Adjusted Weekly**
Time Period	1 Year	2 Year	3 Year	4 Year	5 Year	1 Year	2 Year	3 Year	4 Year	5 Year	5 Year	5 Year
Average Gearing	Debt-to-Equity	Debt-to-Equity	Debt-to-Equity	Debt-to-Equity	Debt-to-Equity	Debt-to-Value	Debt-to-Value	Debt-to-Value	Debt-to-Value	Debt-to-Value	R-Squared	T-Test
End Date	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17
IMF Bentham Limited	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0.12	Positive
Burford Capital Limited	11%	12%	12%	10%	9%	10%	11%	11%	9%	9%	0.01	Negative
JustKapital Limited	119%	69%	57%	56%	53%	54%	41%	36%	36%	35%	0.00	Negative
Credit Corp Group Limited	23%	22%	20%	18%	16%	18%	18%	16%	15%	14%	0.10	Positive
FlexiGroup Limited	267%	204%	170%	139%	126%	73%	67%	63%	58%	56%	0.21	Positive
Thorn Group Limited	133%	95%	68%	53%	45%	57%	49%	41%	35%	31%	0.02	Positive
FSA Group Limited	173%	166%	169%	169%	186%	63%	62%	63%	63%	65%	0.03	Positive
Shine Corporate Limited	24%	15%	10%	9%		19%	13%	9%	9%			
Median	71%	46%	38%	35%	45%	37%	30%	26%	25%	31%	0.03	
Mean	94%	73%	63%	57%	62%	37%	33%	30%	28%	30%	0.07	
Min	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0.00	
Max	267%	204%	170%	169%	186%	73%	67%	63%	63%	65%	0.21	
Median Excl Outliers	24%	19%	16%	14%	31%	37%	30%	16%	12%	31%	0.03	
Mean Excl Outliers	69%	36%	28%	24%	42%	37%	32%	23%	17%	29%	0.05	

Source: S&P Capital IQ & PPB Analysis. Outliers shaded in grey are based on 80% deviation confidence level, R-Squared < 0.05, and negative T-tests with 95.0% confidence

Comparable Company Analysis – Betas

Beta Type	Adjusted Weekly	Adjusted Weekly	Adjusted Weekly	Adjusted Weekly	Adjusted Weekly	Adjusted Weekly	Adjusted Weekly	Adjusted Weekly	Adjusted Weekly	Adjusted Weekly	Adjusted Weekly	Adjusted Weekly
Time Period	1 Year	2 Year	3 Year	4 Year	5 Year	1 Year	2 Year	3 Year	4 Year	5 Year	1 Year	1 Year
Average Gearing	Equity Beta	Equity Beta	Equity Beta	Equity Beta	Equity Beta	Asset Beta	Asset Beta	Asset Beta	Asset Beta	Asset Beta	R-Squared	T-Test
End Date	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	30-Jun-14	30-Jun-14	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17
IMF Bentham Limited	1.09	1.06	0.97	0.93	0.87	0.71	0.61	0.97	0.93	0.87	0.17	Positive
Burford Capital Limited	1.54	0.71	0.58	0.52	0.51	0.21	0.38	0.51	0.47	0.47	0.11	Positive
JustKapital Limited	0.28	0.37	0.29	-0.10	0.16	-2.13	-0.27	0.21	-0.07	0.12	0.00	Negative
Credit Corp Group Limited	0.80	0.85	0.86	0.83	0.86	0.66	0.83	0.76	0.74	0.77	0.09	Positive
FlexiGroup Limited	1.36	1.18	1.19	1.17	1.17	0.67	0.72	0.54	0.59	0.62	0.18	Positive
Thorn Group Limited	0.49	0.71	0.67	0.66	0.60	0.53	0.36	0.46	0.48	0.46	0.00	Negative
FSA Group Limited	0.59	0.76	0.65	0.62	0.63	0.21	0.23	0.30	0.29	0.28	0.04	Negative
Shine Corporate Limited	-0.03	0.78	0.68	0.60		0.16		0.64	0.56		0.01	Negative
Median	0.70	0.77	0.68	0.64	0.63	0.37	0.38	0.53	0.52	0.47	0.06	
Mean	0.77	0.80	0.74	0.66	0.69	0.13	0.41	0.55	0.50	0.51	0.07	
Min	-0.03	0.37	0.29	-0.10	0.16	-2.13	-0.27	0.21	-0.07	0.12	0.00	0.00
Max	1.54	1.18	1.19	1.17	1.17	0.71	0.83	0.97	0.93	0.87	0.18	0.00
Median Excl Outliers	0.70	0.77	0.68	0.64	0.63	0.53	0.49	0.53	0.52	0.47	0.02	
Mean Excl Outliers	0.77	0.81	0.74	0.70	0.69	0.45	0.52	0.53	0.52	0.52	0.04	

Source: S&P Capital IQ & PPB Analysis. Outliers shaded in grey are based on 80% deviation confidence level, R-Squared < 0.05, and negative T-tests with 95.0% confidence

Comparable Company Analysis – Company Descriptions

Company	Country	Market Cap (AUSm)	Description
IMF Bentham Limited	Australia	403	IMF Bentham Limited investigates, manages, and funds litigation claims in Australia, the United States, Canada, Singapore, Hong Kong, New Zealand, and Europe. The company's practice areas include commercial litigation, funding for insolvency, class actions, and arbitration. Its services include funding for litigations; factual investigations preliminary to litigations; appeal funding; payment of adverse costs orders; strategic planning, monitoring, and managing of litigation; and assistance in facilitating settlements and maximizing the value of claim. The company was formerly known as Bentham IMF Limited and changed its name to IMF Bentham Limited in November 2014. IMF Bentham Limited was incorporated in 2017 and is based in Sydney, Australia.
Burford Capital Limited	Channel Islands	4,476	Burford Capital Limited, together with its subsidiaries, provides investment capital, investment management, financing, and risk solutions with a focus on the litigation and arbitration sector in the United States, the United Kingdom, Singapore, Hong Kong, Australia, Germany, and Brazil. The company provides commercial litigation finance, portfolio and complex financing, risk management, international arbitration, insolvency and bankruptcy, competition and antitrust, intellectual property, judgment enforcement, and post-settlement and monetization solutions. It serves lawyers and clients. The company was founded in 2009 and is based in St Peter Port, the Channel Islands.
JustKapital Limited	Australia	19	JustKapital Limited engages in the disbursement funding and short-term funding business in Australia and the United States. It operates through JustKapital Finance, Litigation Funding, and Other segments. The company offers finance to corporate and individual plaintiffs with meritorious claims; and provides investigation and management services, and finance to claimants to progress their claim. It also offers disbursement funding solutions for law firms; and broking and advisory services for the placement of after the event insurance. The company was formerly known as JustKapital Litigation Partners Limited and changed its name to JustKapital Limited in December 2016. JustKapital Limited is headquartered in Sydney, Australia.
Credit Corp Group Limited	Australia	950	Credit Corp Group Limited provides debt purchase and collection, and consumer lending services. It operates two segments, Debt Ledger Purchasing and Consumer Lending. The Debt Ledger Purchasing segment purchases consumer debts from Australian and New Zealand banks, financial services utility, and telecommunication companies. The Consumer Lending segment provides various financial products to credit-impaired consumers. The company's products include Wallet Wizard, an online application to apply loans; CarStart Finance, which offers financial services to purchase and finance a car; ClearCash, a lending application; Credit 2U, a car finance broker, which provides a range of solutions, including leases and personal loans; and Trove Capital that offers online business loans. Credit Corp Group Limited is headquartered in Sydney, Australia.

Company	Country	Market Cap (AUSm)	Description
FlexiGroup Limited	Canada	550	FlexiGroup Limited provides consumer revolving financing, leasing, and rental financing services in Australia, New Zealand, and Ireland. The company operates through Certegy, Australia Cards, Australia Leasing, New Zealand Leasing, and New Zealand Cards segments. It offers leasing services to consumers, businesses, and corporations under the FlexiRent, FlexiWay, FlexiCommercial, FlexiEnterprise, and SmartWay brands; and interest free finance to enable customers to facilitate purchases at participating retailer's point of sale and online. The company also provides no interest ever, interest free and Visa cards, vendor finance programs, buy now pay later, and other finance solutions to consumers and businesses. In addition, it offers non-bank consumer credit services. The company serves various industries, including travel and home improvement, jewelry, technology, furniture, education, government, solar, and point of sale systems; and business to consumer, business to business, retail to consumers, and online markets through a network of 24,000 merchant, vendor, and retail partners. FlexiGroup Limited was founded in 1988 and is headquartered in Sydney, Australia.
Thorn Group Limited	Australia	127	Thorn Group Limited, together with its subsidiaries, provides a range of financial solutions to consumers and businesses in Australia. The company's Consumer Leasing segment engages in the operating and financial leasing of household products under the Radio Rentals and RR brand names. Its Equipment Finance segment offers financial products to small and medium enterprises, including equipment leasing. The company's Trade & Debtor Finance segment provides invoice discounting. Thorn Group Limited was founded in 1937 and is based in Chullora, Australia.
FSA Group Limited	Australia	188	FSA Group Limited, together with its subsidiaries, engages in the provision of debt solutions and direct lending services to individuals in Australia. The company's Services segment offers debt agreement, personal insolvency agreement, bankruptcy, and easy bill debt management services. Its Consumer Lending segment is involved in the home loan lending and broking, and personal loan lending activities. The company also provides accounting and taxation services. FSA Group Limited is based in Sydney, Australia.
Shine Corporate Limited	Australia	113	Shine Corporate Limited provides damages based plaintiff litigation legal services in Australia; and insurance recovery consulting services in New Zealand. It operates through two segments, Personal Injury and Emerging Practice Areas. The company offers legal services related to personal injuries practice area, including medical negligence, public liability, catastrophic injuries, workers' compensation, and motor vehicle accidents; and other practice areas, such as disability insurance and superannuation claims, professional negligence, social justice, class actions, first party insurance recovery claims, landowners' rights, aviation, product liability, family law, and asbestos compensation. Shine Corporate Limited was founded in 1976 and is based in Brisbane, Australia.

Appendix F. Cash flow projections

Included in this Appendix are the following cash flow forecasts:

- Management's projected cash flows for the Portfolio under the Trust structure (Table 41)
- Management's projected cash flows for the Portfolio under the Trust structure adjusted for the Trustee Fee and tax (Table 42)
- Valuation cash flows for the Portfolio (Company structure) – Portfolio cases with lowest and highest return assumed unsuccessful (Table 43)
- Valuation cash flows for the Portfolio (Trust structure) – Portfolio cases with lowest and highest return assumed unsuccessful (Table 44)

Table 41: Management's projected cash flows for the Portfolio under the Trust structure

Case $000	Adjusted JustKapital expected total revenue from the case (with Litigation Trust making future investment)	31-Oct-17	Forecast 31-Dec-17	Forecast 31-Mar-18	Forecast 30-Jun-18	Forecast 30-Sep-18	Forecast 31-Dec-18	Forecast 31-Mar-19	Forecast 30-Jun-19	Forecast 30-Sep-19	Forecast 31-Dec-19	Forecast 31-Mar-20	Forecast 30-Jun-20	Forecast Total
Total revenue	**23,216**		**0**	**0**	**0**	**0**	**3,412**	**3,557**	**14,550**	**0**	**0**	**1,041**	**656**	**23,216**
														0
Less: management fees			(20)	(30)	(30)	(30)	(30)	(23)	(18)	(3)	(3)	(3)	(1)	
Less: performance fees			0	0	0	0	(333)	(472)	(1,929)	0	0	(58)	(66)	(2,858)
														0
NPBT			**(20)**	**(30)**	**(30)**	**(30)**	**3,048**	**3,062**	**12,603**	**(3)**	**(3)**	**980**	**589**	**20,167**

Note: Management has advised that the $250,000 working capital facility provided to the Trust would be available to fund the negative cashflows shown above.

Source: JustKapital

Table 42: Management's projected cash flows for the Portfolio adjusted for the Trustee Fee and tax

$'000 Period ended	31-Oct 2017	Forecast 31-Dec 2017	Forecast 31-Mar 2018	Forecast 30-Jun 2018	Forecast 30-Sep 2018	Forecast 31-Dec 2018	Forecast 31-Mar 2019	Forecast 30-Jun 2019	Forecast 30-Sep 2019	Forecast 31-Dec 2019	Forecast 31-Mar 2020	Forecast 30-Jun 2020	Forecast Total
Total revenue		**0**	**0**	**0**	**0**	**3,412**	**3,557**	**14,550**	**0**	**0**	**1,041**	**656**	**23,216**
Less: Management fees		(20)	(30)	(30)	(30)	(30)	(23)	(18)	(3)	(3)	(3)	(1)	**(191)**
Less: Performance fees		0	0	0	0	(333)	(472)	(1,929)	0	0	(58)	(66)	**(2,858)**
Less: Trustee fees		(33)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	**(533)**
NPBT		**(54)**	**(80)**	**(80)**	**(80)**	**2,998**	**3,012**	**12,553**	**(53)**	**(53)**	**930**	**539**	**19,633**
Less: tax expense		16	24	24	24	124	(904)	(3,766)	16	16	(279)	(162)	**(4,867)**
Forecast free cash flow		**(38)**	**(56)**	**(56)**	**(56)**	**3,122**	**2,108**	**8,787**	**(37)**	**(37)**	**651**	**378**	**14,767**

Note: Management has advised that the $250,000 working capital facility provided to the Trust would be available to fund the negative cashflows shown above.

Source: JustKapital, PPB analysis

Table 43: Valuation cash flows for the Portfolio (Company structure) – Portfolio cases with lowest and highest return assumed unsuccessful

$'000 Period ended	31-Oct 2017	Forecast 31-Dec 2017	Forecast 31-Mar 2018	Forecast 30-Jun 2018	Forecast 30-Sep 2018	Forecast 31-Dec 2018	Forecast 31-Mar 2019	Forecast 30-Jun 2019	Forecast 30-Sep 2019	Forecast 31-Dec 2019	Forecast 31-Mar 2020	Forecast 30-Jun 2020	Forecast Total
Total revenue		**0**	**0**	**0**	**0**	**3,412**	**3,557**	**7,757**	**0**	**0**	**1,041**	**0**	**15,767**
Less: Consultant salary		(34)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	**(540)**
Less: CEO apportioned salary		(20)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	**(315)**
NPBT		**(53)**	**(80)**	**(80)**	**(80)**	**3,331**	**3,477**	**7,677**	**(80)**	**(80)**	**961**	**(80)**	**14,912**
Less: tax expense		16	24	24	24	24	(1,043)	(2,303)	24	24	(288)	24	**(3,450)**
Forecast free cash flow		**(37)**	**(56)**	**(56)**	**(56)**	**3,355**	**2,434**	**5,374**	**(56)**	**(56)**	**673**	**(56)**	**11,462**

Note: Management has advised that the $250,000 working capital facility provided to the Trust would be available to fund the negative cashflows shown above.

Source: JustKapital, PPB analysis

Table 44: Valuation cash flows for the Portfolio (Trust structure) – Portfolio cases with lowest and highest return assumed unsuccessful

		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
$'000	**31-Oct**	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Mar**	**30-Jun**	
Period ended	**2017**	**2017**	**2018**	**2018**	**2018**	**2018**	**2019**	**2019**	**2019**	**2019**	**2020**	**2020**	**Total**
Total revenue		**0**	**0**	**0**	**0**	**3,412**	**3,557**	**7,757**	**0**	**0**	**1,041**	**0**	**15,767**
Less: Management Fee		(20)	(30)	(30)	(30)	(30)	(23)	(18)	(3)	(3)	(3)	(1)	(191)
Less: Performance Fee		0	0	0	0	(333)	(472)	(928)	0	0	(58)	0	(1,792)
Less: Trustee Fee		(33)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(533)
NPBT		**(54)**	**(80)**	**(80)**	**(80)**	**2,998**	**3,012**	**6,761**	**(53)**	**(53)**	**930**	**(51)**	**13,251**
Less: tax expense		16	24	24	24	124	(904)	(2,028)	16	16	(279)	15	(2,952)
Forecast free cash flow		**(38)**	**(56)**	**(56)**	**(56)**	**3,122**	**2,108**	**4,733**	**(37)**	**(37)**	**651**	**(36)**	**10,299**

Note: Management has advised that the $250,000 working capital facility provided to the Trust would be available to fund the negative cashflows shown above.

Source: JustKapital, PPB analysis

Appendix G. DCF valuation calculations

Table 45: DCF valuation summary – Company Structure – low value

$'000 Period ended	31-Oct 2017	Forecast 31-Dec 2017	Forecast 31-Mar 2018	Forecast 30-Jun 2018	Forecast 30-Sep 2018	Forecast 31-Dec 2018	Forecast 31-Mar 2019	Forecast 30-Jun 2019	Forecast 30-Sep 2019	Forecast 31-Dec 2019	Forecast 31-Mar 2020	Forecast 30-Jun 2020	Forecast Total
Total revenue		**0**	**0**	**0**	**0**	**3,412**	**3,557**	**7,757**	**0**	**0**	**1,041**	**0**	**15,767**
Less: Consultant salary		(34)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	**(540)**
Less: CEO apportioned salary		(20)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	**(315)**
NPBT		**(53)**	**(80)**	**(80)**	**(80)**	**3,331**	**3,477**	**7,677**	**(80)**	**(80)**	**961**	**(80)**	**14,912**
Less: tax expense		16	24	24	24	24	(1,043)	(2,303)	24	24	(288)	24	**(3,450)**
Forecast free cash flow		**(37)**	**(56)**	**(56)**	**(56)**	**3,355**	**2,434**	**5,374**	**(56)**	**(56)**	**673**	**(56)**	**11,462**
Discount factor	**14.5%**	**0.9888**	**0.9613**	**0.9293**	**0.8984**	**0.8684**	**0.8395**	**0.8116**	**0.7846**	**0.7585**	**0.7332**	**0.7088**	
Discounted cashflows	**9,492**	**(37)**	**(54)**	**(52)**	**(50)**	**2,914**	**2,043**	**4,361**	**(44)**	**(43)**	**493**	**(40)**	**9,492**

Note: Management has advised that the $250,000 working capital facility provided to the Trust would be available to fund the negative cashflows shown above.

Source: JustKapital, PPB analysis

Table 46: DCF valuation summary – Company Structure – high value

$'000 Period ended	31-Oct 2017	Forecast 31-Dec 2017	Forecast 31-Mar 2018	Forecast 30-Jun 2018	Forecast 30-Sep 2018	Forecast 31-Dec 2018	Forecast 31-Mar 2019	Forecast 30-Jun 2019	Forecast 30-Sep 2019	Forecast 31-Dec 2019	Forecast 31-Mar 2020	Forecast 30-Jun 2020	Forecast Total
Total revenue		**0**	**0**	**0**	**0**	**3,412**	**3,557**	**7,757**	**0**	**0**	**1,041**	**0**	**15,767**
Less: Consultant salary		(34)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	(51)	**(540)**
Less: CEO apportioned salary		(20)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	(30)	**(315)**
NPBT		**(53)**	**(80)**	**(80)**	**(80)**	**3,331**	**3,477**	**7,677**	**(80)**	**(80)**	**961**	**(80)**	**14,912**
Less: tax expense		16	24	24	24	24	(1,043)	(2,303)	24	24	(288)	24	**(3,450)**
Forecast free cash flow		**(37)**	**(56)**	**(56)**	**(56)**	**3,355**	**2,434**	**5,374**	**(56)**	**(56)**	**673**	**(56)**	**11,462**
Discount factor	**12.5%**	**0.9902**	**0.9662**	**0.9382**	**0.9110**	**0.8845**	**0.8589**	**0.8339**	**0.8098**	**0.7863**	**0.7634**	**0.7413**	
Discounted cashflows	**9,727**	**(37)**	**(54)**	**(53)**	**(51)**	**2,968**	**2,090**	**4,482**	**(45)**	**(44)**	**514**	**(42)**	**9,727**

Note: Management has advised that the $250,000 working capital facility provided to the Trust would be available to fund the negative cashflows shown above.

Source: JustKapital, PPB analysis

Table 47: DCF valuation summary – Trust Structure – low value

$'000 Period ended	31-Oct 2017	Forecast 31-Dec 2017	Forecast 31-Mar 2018	Forecast 30-Jun 2018	Forecast 30-Sep 2018	Forecast 31-Dec 2018	Forecast 31-Mar 2019	Forecast 30-Jun 2019	Forecast 30-Sep 2019	Forecast 31-Dec 2019	Forecast 31-Mar 2020	Forecast 30-Jun 2020	Forecast Total
Total revenue		**0**	**0**	**0**	**0**	**3,412**	**3,557**	**7,757**	**0**	**0**	**1,041**	**0**	**15,767**
Less: Management fees		(20)	(30)	(30)	(30)	(30)	(23)	(18)	(3)	(3)	(3)	(1)	**(191)**
Less: Performance fees		0	0	0	0	(333)	(472)	(928)	0	0	(58)	0	**(1,792)**
Less: Trustee fees		(33)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	**(533)**
NPBT		**(54)**	**(80)**	**(80)**	**(80)**	**2,998**	**3,012**	**6,761**	**(53)**	**(53)**	**930**	**(51)**	**13,251**
Less: tax expense		16	24	24	24	124	(904)	(2,028)	16	16	(279)	15	**(2,952)**
Forecast free cash flow		**(38)**	**(56)**	**(56)**	**(56)**	**3,122**	**2,108**	**4,733**	**(37)**	**(37)**	**651**	**(36)**	**10,299**
Discount factor	**14.5%**	**0.9888**	**0.9613**	**0.9293**	**0.8984**	**0.8684**	**0.8395**	**0.8116**	**0.7846**	**0.7585**	**0.7332**	**0.7088**	
Discounted cashflows	**8,524**	**(37)**	**(54)**	**(52)**	**(51)**	**2,711**	**1,770**	**3,841**	**(29)**	**(28)**	**478**	**(25)**	**8,524**

Note: Management has advised that the $250,000 working capital facility provided to the Trust would be available to fund the negative cashflows shown above.

Source: JustKapital, PPB analysis

Table 48: DCF valuation summary – Trust Structure – high value

$'000 Period ended	31-Oct 2017	Forecast 31-Dec 2017	Forecast 31-Mar 2018	Forecast 30-Jun 2018	Forecast 30-Sep 2018	Forecast 31-Dec 2018	Forecast 31-Mar 2019	Forecast 30-Jun 2019	Forecast 30-Sep 2019	Forecast 31-Dec 2019	Forecast 31-Mar 2020	Forecast 30-Jun 2020	Forecast Total
Total revenue		**0**	**0**	**0**	**0**	**3,412**	**3,557**	**7,757**	**0**	**0**	**1,041**	**0**	**15,767**
Less: Management fees		(20)	(30)	(30)	(30)	(30)	(23)	(18)	(3)	(3)	(3)	(1)	**(191)**
Less: Performance fees		0	0	0	0	(333)	(472)	(928)	0	0	(58)	0	**(1,792)**
Less: Trustee fees		(33)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	**(533)**
NPBT		**(54)**	**(80)**	**(80)**	**(80)**	**2,998**	**3,012**	**6,761**	**(53)**	**(53)**	**930**	**(51)**	**13,251**
Less: tax expense		16	24	24	24	124	(904)	(2,028)	16	16	(279)	15	**(2,952)**
Forecast free cash flow		**(38)**	**(56)**	**(56)**	**(56)**	**3,122**	**2,108**	**4,733**	**(37)**	**(37)**	**651**	**(36)**	**10,299**
Discount factor	**12.5%**	**0.9902**	**0.9662**	**0.9382**	**0.9110**	**0.8845**	**0.8589**	**0.8339**	**0.8098**	**0.7863**	**0.7634**	**0.7413**	
Discounted cashflows	**8,736**	**(37)**	**(54)**	**(53)**	**(51)**	**2,762**	**1,811**	**3,947**	**(30)**	**(29)**	**497**	**(26)**	**8,736**

Note: Management has advised that the $250,000 working capital facility provided to the Trust would be available to fund the negative cashflows shown above.

Source: JustKapital, PPB analysis