SHINE JUSTICE

# ASX ANNOUNCEMENT

28 August 2020

## Shine Justice Ltd (SHJ)
## 2020 Annual Report

Attached for immediate release to the market is Shine Justice Ltd's 2020 Annual Report.

Authorised for release by the Board

Annette O'Hara
Company Secretary

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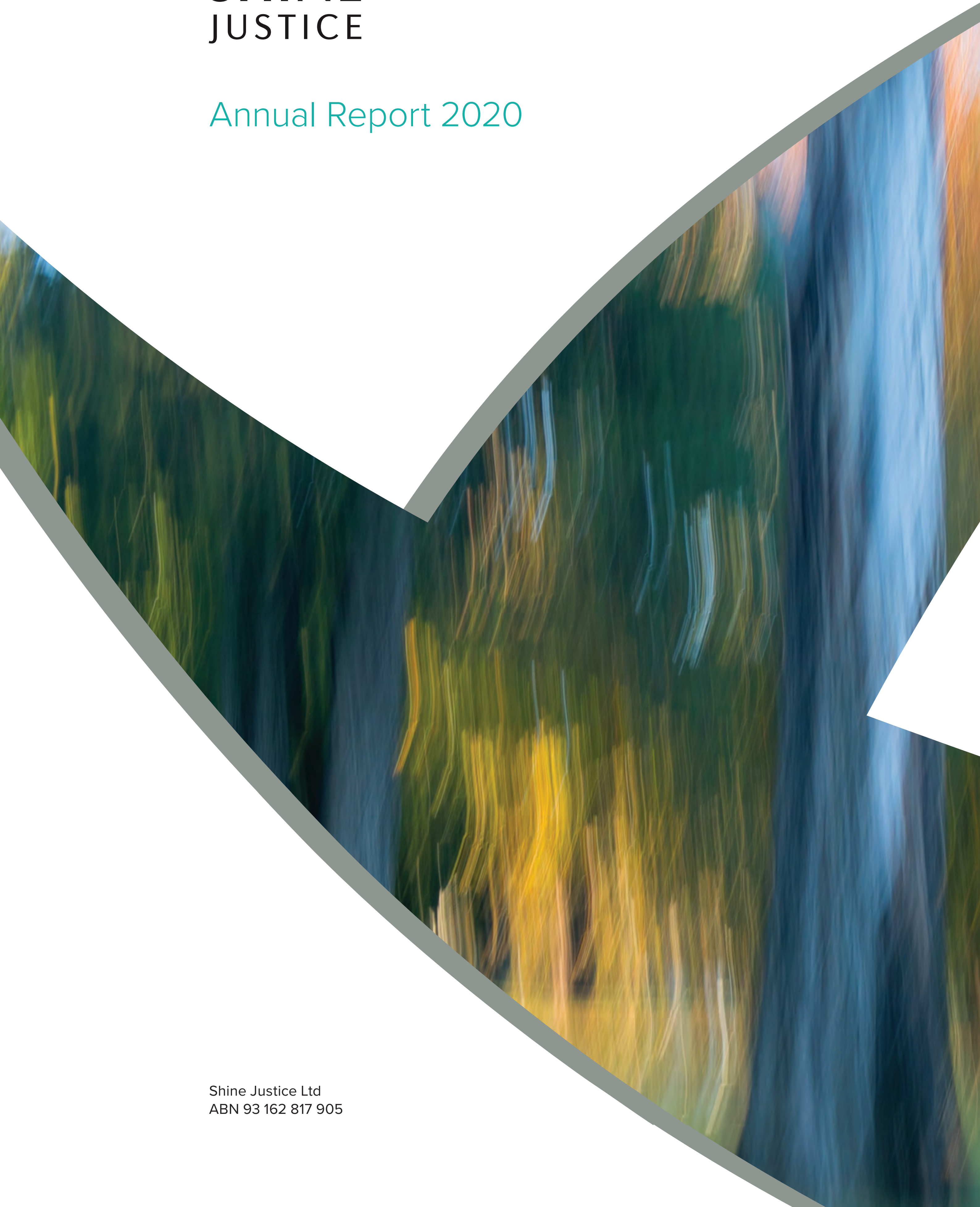
**For more information**

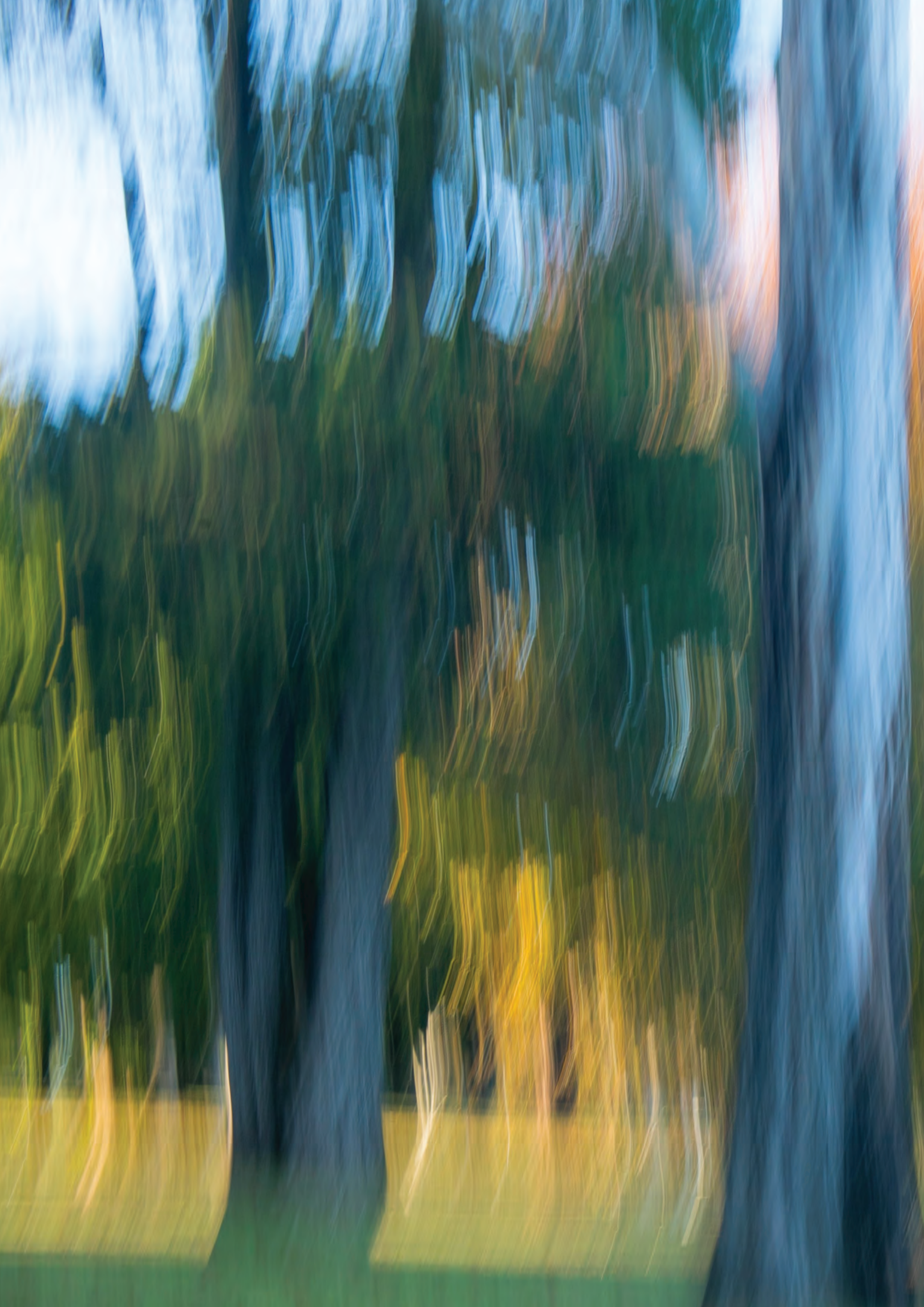
Simon Morrison, Managing Director & CEO - Shine Justice Ltd 07 3837 9435
Ravin Raj, Chief Financial Officer - Shine Justice Ltd 07 3006 6050

SHINE JUSTICE

# Annual Report 2020



Shine Justice Ltd
ABN 93 162 817 905



# OUR PURPOSE

Shine a light on injustice and make the world a better place, one client at a time

COVER IMAGE

*Trees at Tiddalac* – the qualities of Tiddalac encapsulate Shine's country heritage. It's tranquil, peaceful and a natural habitat with birds, wildlife, walking trails and trees. The trees at Tiddalac include macadamia, grape vines, passionfruit, pecan, oranges, mandarins, olives, pawpaw, bananas, avocados and cherry guavas.

Wendy Roche is an Australian impressionist photographer who captures images that invoke use of movement, colour and light to mesmerise and magnetise. She is also the wife of one of our founders, Stephen Roche.

# OUR VALUES

### Always Stand Up for the Little Guy

- We stand up for the underdog, giving a voice to those who would otherwise be unheard
- We are tenacious and never, ever give up
- We pride ourselves on not shying away from the tough cases

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### Dare to be different

- We are not your typical law firm, we challenge the ‘norms’ of traditional law firms
- We treat the impossible as an opportunity
- We think beyond the legal industry

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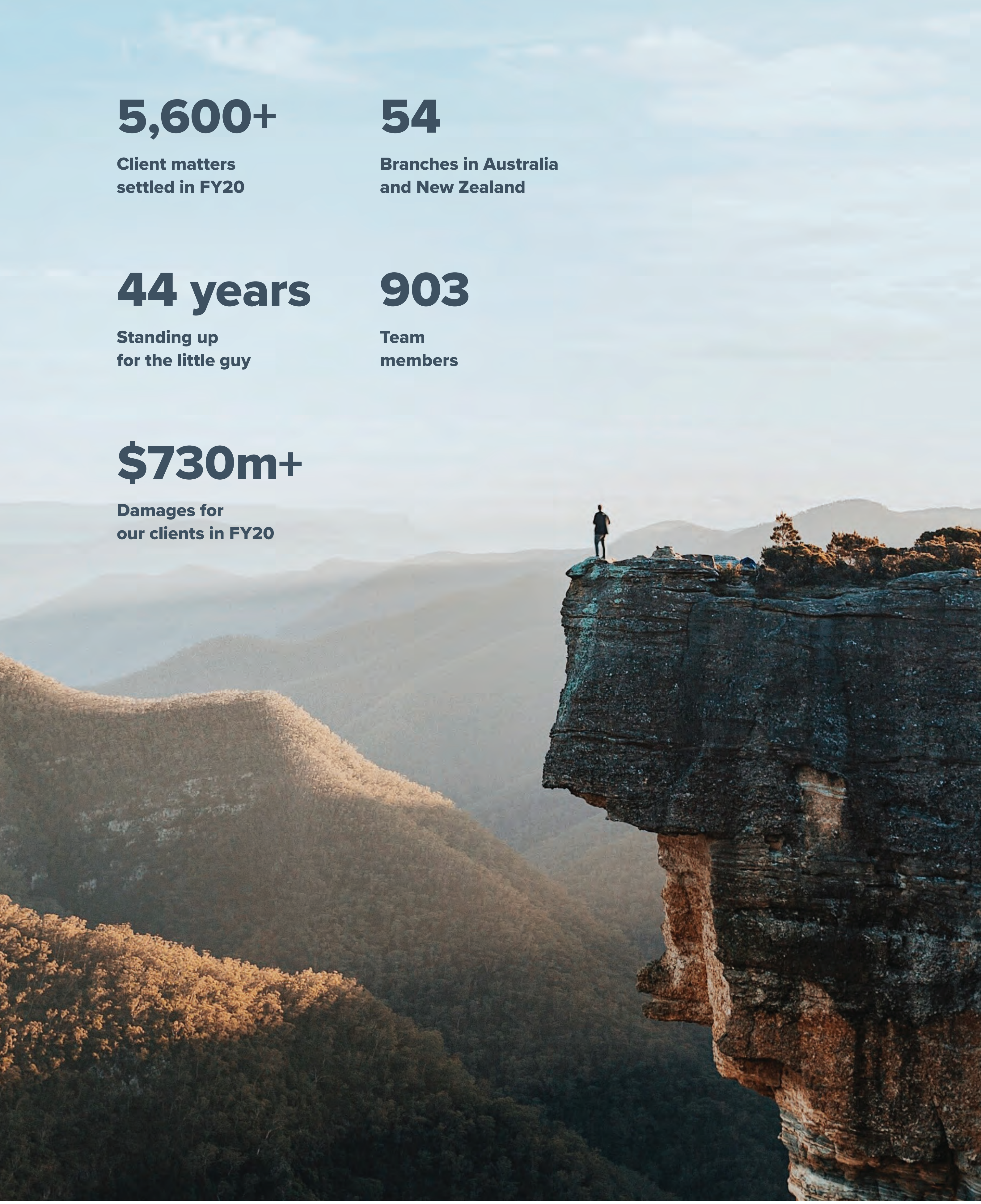
### Ahead of the pack

- We challenge the status quo and always ask ‘why’?
- We are not afraid to pioneer new ways
- We always look to the future for tomorrow’s opportunities



**5,600+**

**Client matters settled in FY20**

**54**

**Branches in Australia and New Zealand**

**44 years**

**Standing up for the little guy**

**903**

**Team members**

**$730m+**

**Damages for our clients in FY20**

# CONTENTS

# FY20 IN REVIEW

| | FY20 | FY19 | Variance % |
|---|---|---|---|
| Total Revenue | $183.03m | $177.90m | ↑ 2.9% |
| Net Profit After Tax (NPAT) (including impairment[1] in FY19) | $21.55m | $14.03m | ↑ 53.6% |
| NPAT (pre-impairment in FY19, like-for-like) | $21.55m | $19.03m | ↑ 13.2% |
| Net Profit Before Tax (NPBT) | $32.19m | $22.58m | ↑ 42.6% |
| Earnings Before Interest and Tax (EBIT)[2] | $39.10m | $30.01m | ↑ 30.3% |
| Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment (EBITDAI)[3] | $51.15m | $47.44m | ↑ 7.8% |
| Net Operating Cash Flow (NOCF) | $24.75m | $20.64m | ↑ 19.9% |
| Gross Operating Cash Flow (GOCF)[4] | $34.56m | $31.25m | ↑ 10.6% |
| Final Dividend (cents per Share) | 2.75 | 2.50 | ↑ 10.0% |
| Interim Dividend (cents per Share) | 1.50 | 1.25 | ↑ 20.0% |
| Total Dividend (cents per Share) | 4.25 | 3.75 | ↑ 13.3% |
| Earnings Per Share (EPS – cents) | 12.40 | 8.06 | ↑ 53.8% |

[1] $5 million impairment in the Land, Energy and Resources practice in FY19, announced on 27 February 2019.

[2] EBIT is not an IFRS calculation which appears in the Financial Report and accordingly, has not been audited.

[3] EBITDAI is not an IFRS calculation which appears in the Financial Report and accordingly, has not been audited. The adoption of AASB 16 *Leases* on 1 July 2018 had an impact on EBITDAI and GOCF, resulting in previously reported operating leases now disclosed below EBITDAI as a combination of depreciation and interest. On a like-for-like basis, EBITDAI was $42.52m (an increase of 10.9% from FY19).

[4] GOCF is not an IFRS calculation which appears in the Financial Report and accordingly, has not been audited. GOCF is equal to NOCF with interest, finance costs and income tax cash flows removed. On a like-for-like basis (see footnote 3), GOCF was $25.93m (an increase of 17.1% from FY19).

# LETTER FROM THE CHAIRMAN

*Graham Bradley AM*

"

The tumultuous challenges faced by business and the entire community in 2020 were met by the team at Shine Justice with remarkable resilience and adaptability.

"

Dear Shareholders,

As the recently appointed Chairman of Shine Justice Ltd, I am delighted to present the Annual Report for the financial year to 30 June 2020.

It was a privilege to be invited to join the Board last May and to assume the Chair role on 1 July. I was attracted to Shine as a values-based organisation that champions justice for its clients and for the wider community. I have been inspired by the passion and commitment to these values by Shine management and team members.

The tumultuous challenges faced by business and the entire community in 2020 were met by the team at Shine Justice with remarkable resilience and adaptability. We have continued to produce outstanding outcomes for our clients.

## Milestone achievements

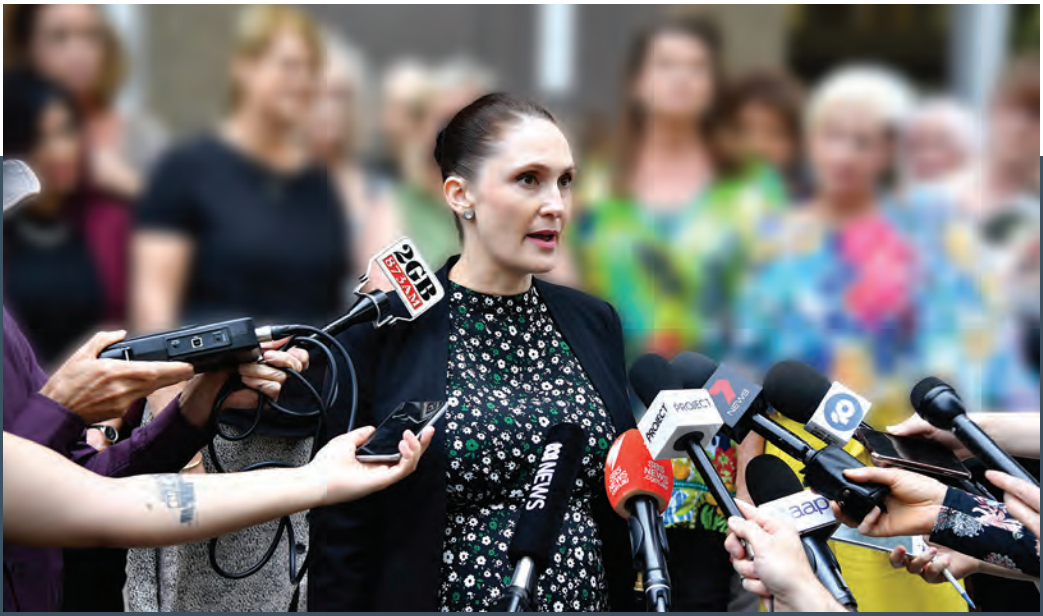
The Group settled or resolved more than 5,600 cases during the year and procured damages in excess of $730 million.

A noteworthy result during the year was the successful outcome in court proceedings in one of Australia's largest product liability class actions, commenced in 2012, relating to faulty prolapse mesh and tape implants. The court decision followed a trial that ran from July 2017 until February 2018. The decision is subject to an appeal which will be vigorously defended. If ultimately successful, the litigation is expected to deliver justice for many thousands of Australian women left with life altering complications from the defective implants.

Settlement was reached in class actions against the Commonwealth Department of Defence for residents in the Queensland town of Oakey and in Katherine in the Northern Territory in relation to claims for property and business losses due to exposure to toxic firefighting chemicals. An action has now been filed for property losses affecting up to 40,000 residents in seven other affected Australian locations similarly exposed to firefighting chemicals.

A class action has also been filed on behalf of passengers and their families affected by the deadly outbreak of coronavirus on board the Ruby Princess cruise ship early this year.

Our work is continuing to compel governments to investigate practices employed in stonemasonry workshops, where dry cutting of artificial stone is exposing workers to the risk of the deadly lung disease, silicosis.




FEDERAL COURT
Successful outcome for victims of faulty prolapse implants.

## Financial performance

The Group achieved earnings before interest, tax, depreciation, amortisation and impairment (EBITDAI) of $51.15 million, compared with $47.44 million in the previous year. Net profit after tax (NPAT) of $21.55 million compared with $14.03 million previously. Gross operating cash flow (GOCF) of $34.56 million represents a solid outcome for the Group and an uplift on the prior year as a percentage of reported revenue.

The adoption of AASB 16 *Leases* on 1 July 2018 had an impact on EBITDAI and GOCF, resulting in previously reported operating leases now disclosed below EBITDAI as a combination of depreciation and interest. On a like-for-like basis, EBITDAI was $42.52 million and GOCF was $25.93 million.

The Directors are pleased to declare a final dividend of 2.75 cents per Share (unfranked). When added to the 1.5 cents per Share unfranked interim dividend declared in February 2020, dividends for the year totalled 4.25 cents per Share. Dividend distribution was 34 percent of NPAT, in line with our stated distribution policy.

## Other significant matters

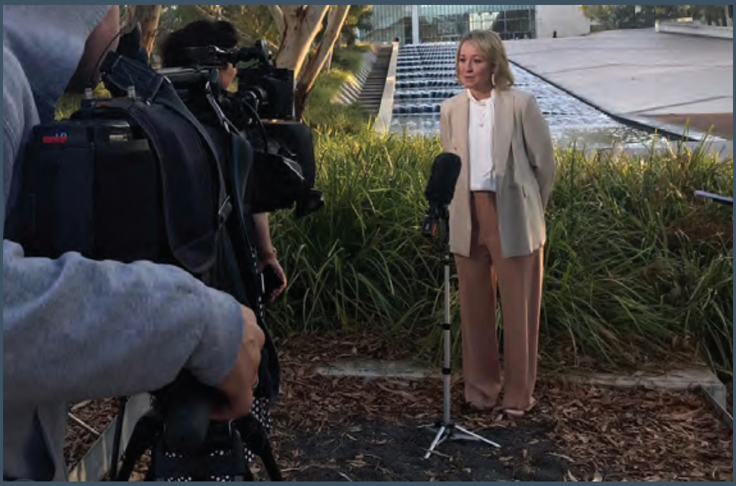
In March 2020, shareholders approved the change of the Company's name to Shine Justice Ltd. The change was proposed as a simple but significant step to reflect the purpose, culture and values which are important to our Group and our strong commitment to justice.

Over the past year, the Group's leadership team has stabilised, strengthening our capability at all levels in the organisation to deliver consistent, high-quality service across all work types and regions.

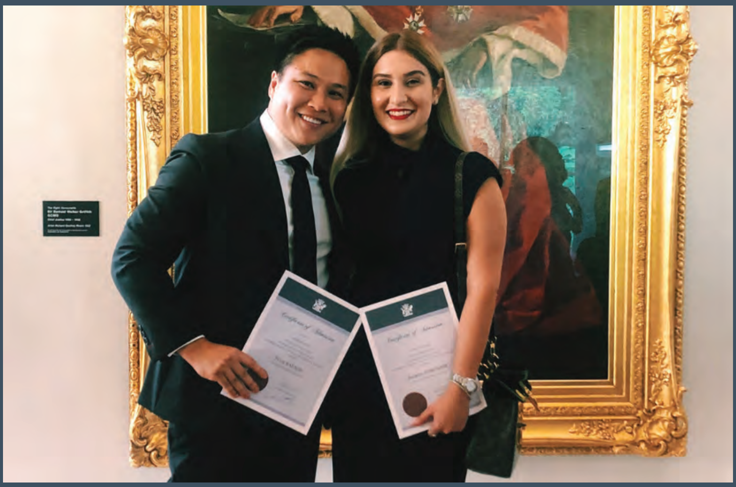
We are refining our corporate structure with the aim of improving efficiencies, as well as further integrating our brands under the Shine Justice banner.

Our leadership embeds a culture within the Group that respects our history, embraces our values and inspires high performance. We are grateful to all our team members for their willingness to adapt and ensure continued delivery of outstanding service throughout a year like no other.

The Group's philanthropic initiative, the Shine A Light Foundation, awarded a $15,000 grant to new charity partner, the Red Rose Foundation, which actively works to end domestic and family violence related deaths in Australia, including homicide, suicide and accidental deaths.



OUR NATIONAL PRACTICE LEADER
Lisa Flynn, outside the High Court after the George Pell appeal



ADMISSION DAY
for two of our team members

## Conclusion

I would like to take this opportunity to thank retiring Directors for their valuable contribution to the Group. Tony Bellas, Carolyn Barker AM and Greg Moynihan have ably guided the business since listing in 2013 and their leadership has left the business with a solid foundation for future growth.

I welcome my new fellow Directors, Teresa Dyson and David Bayes, each of whom brings considerable skills, experience and expertise to the ongoing governance of the Group.

With a strong leadership team, ably led by Managing Director & CEO Simon Morrison, and the dedication of all our people, I am confident that Shine is well placed for future success.

Graham Bradley

Graham Bradley AM

**CHAIRMAN**
*28 August 2020*

“

We are grateful to all our team members for their willingness to adapt and ensure continued delivery of outstanding service throughout a year like no other.

”

SHINE A LIGHT FOUNDATION IS PROUD TO SUPPORT THE RED ROSE FOUNDATION

bestwilsonbuckley
FAMILY LAW

BRADLEY BAYLY LEGAL

Claimify.

CARR & CO
DIVORCE & FAMILY LAWYERS

emanate
LEGAL

my insurance claim

RW RiskWorldwide

Sciaccas
LAWYERS

SHINE LAWYERS
RIGHT WRONG.

STEPHEN BROWNE
PERSONAL INJURY LAWYERS

# DIRECTORS' REPORT

Your Directors present their report for Shine Justice Ltd (formerly Shine Corporate Ltd) for the Financial Year ended 30 June 2020.

The Directors during the Financial Year were:

| Director | Position | Appointment |
|---|---|---|
| Graham Bradley AM | Independent Chairman<br>Non-executive Director | 1 July 2020 to present<br>28 May 2020 to present |
| Teresa Dyson | Non-executive Director | 28 February 2020 to present |
| David Bayes | Non-executive Director | 28 February 2020 to present |
| Simon Morrison | Managing Director & CEO | 13 March 2013 to present |
| Tony Bellas | Independent Chairman and<br>Non-executive Director | 13 March 2013 to 30 June 2020 |
| Carolyn Barker AM | Non-executive Director | 13 March 2013 to 28 February 2020 |
| Greg Moynihan | Non-executive Director | 13 March 2013 to 30 June 2020 |

## Meetings of Board and Committees

The number of Board meetings and meetings of Board Committees held[1] and the number of meetings attended[2] by each Director during the Financial Year are listed below.

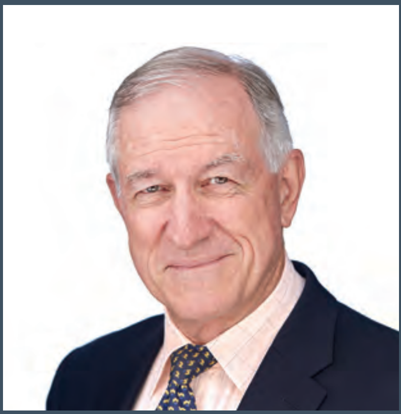
**Table 1**
Board and Committee Meetings

| | Board | | Audit & Risk Management Committee | | Nomination and Remuneration Committee | |
|---|---|---|---|---|---|---|
| Director | Held | Attended | Held | Attended | Held | Attended |
| Graham Bradley AM | 2 | 2 | 1 | 1 | 1 | 1 |
| Teresa Dyson | 4 | 4 | 1 | 1 | 1 | 1 |
| David Bayes | 4 | 4 | 1 | 1 | 1 | 1 |
| Simon Morrison[3] | 9 | 9 | 6 | 6 (invitee) | 5 | 5 (invitee) |
| Tony Bellas | 9 | 9 | 6 | 6 | 5 | 5 |
| Greg Moynihan | 9 | 9 | 6 | 6 | 5 | 5 |
| Carolyn Barker AM | 5 | 5 | 5 | 5 | 4 | 3 |

[1] The number of meetings indicated as held for each Director are those meetings held during the period of their appointment as Director.

[1] Attendance includes attendance as invitee prior to formal appointment to the Board or Committee (one Board meeting for Graham Bradley and one meeting of each of the Committees for each of Teresa Dyson and David Bayes).

[1] Simon Morrison attends Committee meetings as an invitee but does not attend during any discussions concerning his remuneration or other material personal interests.



**Graham Bradley AM**

*BA, LLB (Hons 1), LL.M (Harvard), FAICD*

## Graham joined the Board in May 2020 as a Non-executive Director and was appointed Chairman of Directors on 1 July 2020.

Graham is an experienced company director and chairman. He is currently Non-executive Chairman of United Malt Group Limited, HSBC Bank Australia Limited and EnergyAustralia Holdings Ltd. He is also a Director of The Hongkong & Shanghai Banking Corporation Limited, Non-executive Chairman of Infrastructure NSW and a member of the board of Tennis Australia.

Graham's previous roles include Managing Director of Perpetual Limited, National Managing Partner and CEO of Blake Dawson (now Ashurst), a senior role at McKinsey & Company, Chairman of Stockland Corporation Limited, President of the Business Council of Australia and Deputy President of the Takeovers Panel.

In addition to his role as Chairman of the Board, Graham holds special responsibilities as Chairman of the Nomination and Remuneration Committee and member of the Audit & Risk Management Committee.

**Other Australian listed company directorships held in the past three years:** GrainCorp Limited (March 2017 – March 2020) and United Malt Group Limited (March 2020 – present).

**Teresa Dyson**

*BA, LLB (Hons), MTax, MAppFin, GAICD*

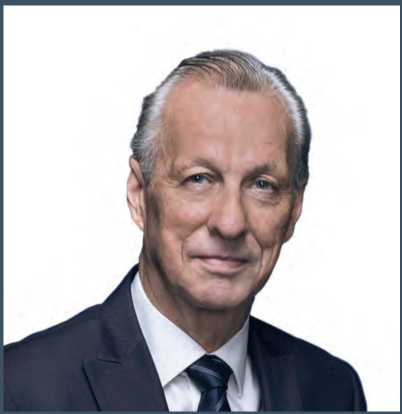
## Teresa joined the Board as a Non-executive Director in February 2020.

Teresa is an experienced company director, whose career has spanned both the public and private sectors. Teresa is an admitted lawyer and has previously been a partner at a global law firm and professional services firm.

Teresa is currently a Director and Chair of the Audit and Risk Committee of Seven West Media Limited, Director and Chair of the Audit & Risk Management Committee of Genex Power Limited, Director of Northern Territory Power and Water Corporation, Energy Queensland, National Housing Finance and Investment Corporation, Gold Coast Hospital and Health Board, Energy Super and the Foundation for Alcohol Research and Education and a member of the Foreign Investment Review Board and the Takeovers Panel. She is a former Director of UN Women National Committee Australia Ltd and Opera Queensland and a former Chair of each of the Board of Taxation and the Business Law Section of the Law Council of Australia.

Special responsibilities include Chair of the Audit & Risk Management Committee and member of the Nomination and Remuneration Committee.

**Other Australian listed company directorships held in the past three years:** Consolidated Tin Mines Ltd (January 2019 – January 2020), Seven West Media Limited (November 2017 – present) and Genex Power Limited (May 2018 – present).



**David Bayes**

*FAICD*

David joined the Board in February 2020 as a Non-executive Director.

David is Chairman of Plarre Foods Pty Ltd (trading as Ferguson Plarre Bakehouses) and Non-executive Director of Sigma Healthcare Limited. He has previously held a variety of board and executive positions, including Chief Executive Officer of Choice Hotels Australasia, Chief Operating Officer of Mortgage Choice Limited, Chief Executive Officer and Director of Bakers Delight, Non-executive Director of Chiquita Brands South Pacific Ltd, Non-executive Director of North Western Healthcare Network and Vice President and Director of McDonald's Australia.

David is a Non-executive Director of the Australian Institute of Company Directors (AICD) and immediate past President of the Victoria Council of the AICD.

Mr Bayes has over 40 years' experience in multi-outlet retail business.

Special responsibilities include member of the Audit and Risk Management Committee and of the Nomination and Remuneration Committee.

**Other Australian listed company directorships held in the past three years:** Sigma Healthcare Limited (June 2007 – present).

**Simon Morrison**

*LLB*

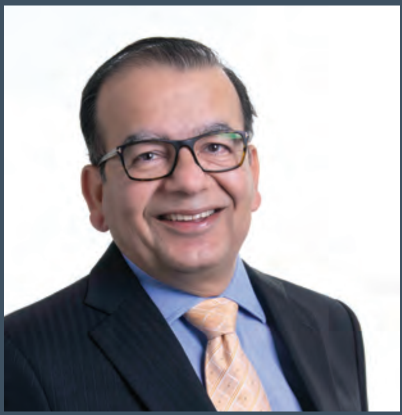
Simon became the Managing Director of Shine in 2012, having joined Shine Lawyers in 1988 and having become a partner of the firm in 1995.

Simon is a former National President of the Australian Lawyers' Alliance (ALA) and chaired the ALA's National Workers Compensation Special Interest Group and sits on the Board of Governors of the American Association of Justice. Simon has particular expertise in and is an acknowledged leader in workers' compensation and is a Queensland Law Society Accredited Specialist in personal injury law. He has given evidence at numerous government inquiries, has assisted in drafting legislation and is a regular speaker at national and state conferences in this field.

Simon contributes skills and expertise to the Board including executive management of a listed company, strategy, industry experience, strategic marketing and policy, regulation and stakeholder management.

Simon is Shine's Managing Director & CEO. Simon has a standing invitation to attend meetings of the Board's Committees, but he does not participate in any discussions in relation to his own remuneration.

**Other Australian listed company directorships held in the past three years:** None other than Shine.



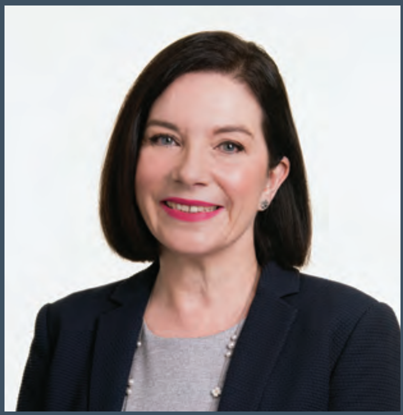
**Ravin Raj**

*BCom, ACA, FFin, GAICD*

**Chief Financial Officer and Company Secretary**

Ravin joined the Group as Chief Financial Officer, with responsibility for the financial direction of the Group, in November 2016.

Ravin has extensive experience in the finance, professional services and construction industries, having commenced his career at accounting firm Touche Ross & Co before joining Watpac Limited, where he held the position of CFO for nearly two decades. Ravin is also experienced in acquisition due diligence and valuation, taxation and debt financing.



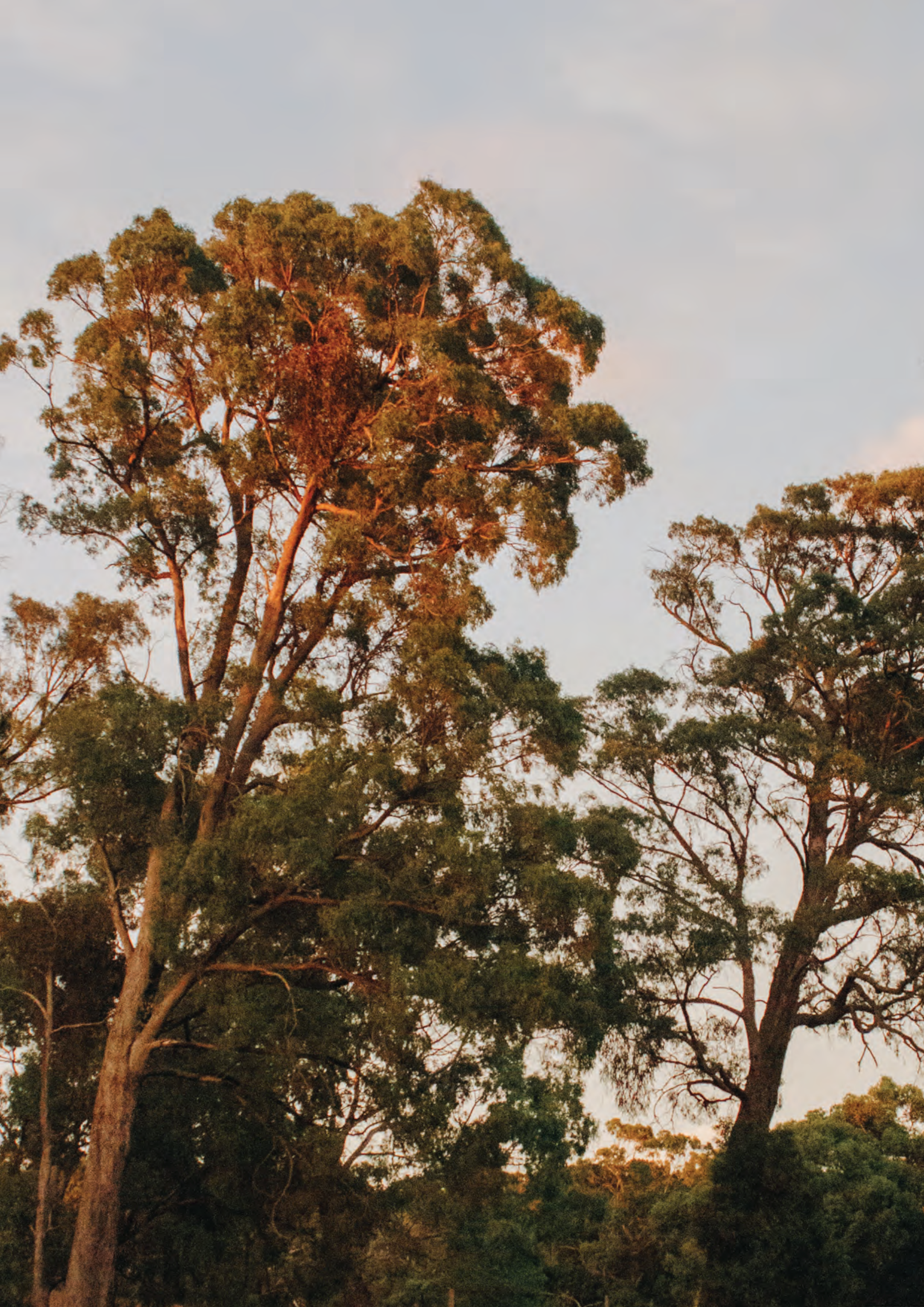
**Annette O'Hara**

*BA, LLB (Hons I), LLM, FGIA*

**General Counsel and Company Secretary**

Annette joined the Group in August 2016 as Senior Legal Counsel and was appointed General Counsel and Company Secretary in February 2017.

Previously, Annette had extensive experience as a senior corporate lawyer at national law firm Corrs Chambers Westgarth, advising a wide range of listed and unlisted companies in relation to regulatory, governance and general commercial matters.



# REMUNERATION REPORT

This Remuneration Report sets out information about the remuneration of Shine's key management personnel **(KMP)** for the Financial Year in accordance with the Corporations Act and its Regulations.

The information in this Remuneration Report has been audited.

**Contents**

## 1 Directors and KMP

The KMP of the Group (whose remuneration must be disclosed in this Report) refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Directors (whether executive or otherwise).

The Non-executive Directors and executives who were KMP for the whole of the Financial Year are identified in Table 2.

**Table 2**
KMP – Full Financial Year

| Name | Position |
|---|---|
| **Non-executive Directors** | |
| Tony Bellas | Independent Chairman and Non-executive Director |
| Greg Moynihan | Independent Non-executive Director |
| **Executive KMP** | |
| Simon Morrison | Managing Director & CEO |
| Ravin Raj | Chief Financial Officer (CFO) and Company Secretary |

Table 3 identifies KMP for part only of the Financial Year.

**Table 3**
KMP – Part Financial Year

| Name | Position | Dates |
|---|---|---|
| **Non-executive Directors** | | |
| Graham Bradley AM | Independent Non-executive Director<br>Independent Chairman and Non-executive Director | 28 May 2020 – present<br>1 July 2020 - present |
| Teresa Dyson | Independent Non-executive Director | 28 February 2020 – present |
| David Bayes | Independent Non-executive Director | 28 February 2020 – present |
| Carolyn Barker AM | Independent Non-executive Director | Retired 28 February 2020 |
| **Executive KMP** | | |
| Cath Evans | Group Chief Operating Officer | Resigned 27 November 2019 |

## 2 Remuneration Framework

Shine Justice's remuneration practices and strategy are designed to attract and retain high calibre talent in order to provide excellent service to, and maximise damages for, our clients and drive the creation of shareholder value.

The remuneration framework includes three potential components:

- **Fixed Remuneration** that comprises base salary and other benefits, including superannuation
- **Short-Term Incentive** that provides a cash component
- **Long-Term Incentive Plan** that provides a deferred equity component

This structure is intended to provide an appropriate mix of fixed and variable remuneration, and a combination of incentives intended to drive performance against the Company's short and long term business objectives.

The Group's KMP remuneration framework is aligned to the reward strategy of the organisation. The key elements of the framework are set out in Table 4.

No remuneration consultants were engaged to provide remuneration recommendations during FY20.

**Table 4**
Key Elements of Remuneration Framework

| | Considerations | Performance Measure | Strategic Objective |
|---|---|---|---|
| **Fixed Remuneration** | — Role responsibility & accountabilities<br>— Experience and qualifications<br>— Market relativities | Financial, People & Values and/or Operational and Strategic measures tailored to the individual role taken into account in annual review | To attract and retain top talent focused on performance and results |
| **Short Term Incentive** | — Market relativities<br>— 12 month performance period<br>— Cash component | Financial, People & Values and/or Operational and Strategic measures tailored to the individual role | Drives focus on delivering key strategic initiatives and outcomes by incentivising over a 12 month period<br>Delivers financial benefits to shareholders and aligns focus to grow the firm through improved capability of systems, processes and people |
| **Long Term Incentive** | — Market relativities<br>— 3 year performance period<br>— Equity component | The Rights granted under the LTI to date include a performance hurdle mix of growth in EPS (70%), and Relative Total Shareholder Return (RTSR) based on the group of companies in the S&P/ASX Small Ordinaries Index, excluding resource, mining and real estate companies (30%) | To align total remuneration package with the creation of shareholder value over the long term. Drives focus on delivering longer term financial outcomes to shareholders and is a key retention tool |

## 3 Fixed Remuneration and Benefits

Fixed remuneration and employee benefits are structured as a total employment cost package, which may be delivered as a combination of cash and non-financial benefits.

KMP are offered a competitive base remuneration package, which is reviewed annually to ensure remuneration remains competitive. There is no guaranteed base remuneration increase included in any contract.

KMP receive non-monetary benefits which may include motor vehicle and car parking benefits. Superannuation contributions are paid in accordance with relevant government legislation, to employee nominated superannuation funds.

## 4 Short-Term Incentives

A Short-Term Incentive Plan (STIP) was in place for Shine Lawyers for the Financial Year.

The STIP was developed to reward short-term performance with the following objectives:

- increase employee motivation by establishing a clear link between pay and performance
- focus our peoples' efforts on exceeding budgeted performance targets and outcomes
- improve business performance, with particular emphasis on outcomes associated with legal operations
- create a desired workplace culture by rewarding teamwork

The plan is reviewed annually. All Shine Lawyers legal staff were eligible, subject to meeting behavioural expectations, to participate in respect of FY20.

The key performance indicators which must be achieved to earn an award under the plan are set at the beginning of each financial year.

### KMP STI

KPIs were agreed with the CFO for FY20, including KPIs based on Group financial performance (40%), operational performance, including funding arrangements and the integration of financial reporting across the Group (40%) and people initiatives, including supporting corporate culture and values (20%) for a maximum award of $100,000, subject to behavioural expectations.

The Board considered these KPIs appropriate in order to drive the delivery of financial benefits to the Group and to achieve key strategic objectives in FY20.

The Board resolved that 75% of the maximum award of $100,000 ($75,000) would be paid to the CFO on the basis that the KPIs were partly, but not fully, achieved, as indicated in the following diagram.

| General Company Performance (40%) | People (20%) | Operational Performance (40%) |
|---|---|---|
| Performance against budget | Department turnover | Disbursement funding processes |
| Rate of cash conversion | Culture and values | Financial integration of brands |
| Meeting banking covenants | | File aquisition support |
| | | Reduction in write-offs |

Not achieved · Achieved in part · Achieved in full

Under Cath Evans' employment contract, the former GCOO was eligible for an annual STI of up to 50% of her base salary, subject to the achievement of KPIs which were due for review, together with the base salary, at the time of her departure from the Group. Due to that departure, no STI is payable to Ms Evans for FY20.

Due to his substantial shareholding in the Company, Managing Director & CEO Simon Morrison does not receive any short-term incentives in addition to his fixed remuneration.

## 5 Long-Term Incentives

The LTIP, approved by shareholders at the 2016 and 2019 AGMs, provides for the offer of Performance Rights to employees and consultants of the Group in order to align remuneration with the creation of shareholder value over the long term.

The LTIP is administered by the Board. The Board determines the terms of offers of Performance Rights. The vesting of each Performance Right results in the issue or transfer of one Share. The Board has a discretion to instead pay a cash amount based on the market value of Shares on the vesting date of vested Performance Rights.

No payment is required for a grant of Performance Rights or for Shares on the vesting of Performance Rights.

The value of a Share resulting from the vesting of a Performance Right will depend on the market price of Shares following vesting.

Performance Rights are not quoted on ASX and confer no voting or dividend rights.

A grant of 2,575,198 Performance Rights was made in December 2019 in relation to the Financial Year (of which 472,526 lapsed during FY20 due to the departure of Plan participants from the Group). FY20 Rights were granted to selected members of the Leadership Team, National Principals and Branch, General and Department Managers, taking into account various criteria, including financial and leadership performance and behavioural expectations, including upholding the Group's values.

The number of FY20 Rights granted to each recipient represented a percentage of base remuneration determined for each role, taking into account the average Share price on the 15 trading days preceding and the 15 trading days following the announcement of the FY19 financial results on 28 August 2019.

The vesting date for FY20 Rights is on or around 31 August 2022. No Performance Rights vested during FY20. FY18 Rights have a vesting date on or about 31 August 2020, with an assessment in relation to the satisfaction of hurdles currently being completed.

The FY20 Rights are subject to the following performance hurdles being met during the three year performance period from 1 July 2019:

- 70% of the Rights will vest if the Company achieves earnings per share growth of an average of 10% per annum during the three year performance period, with partial vesting (straight line vesting between 50% and 100%) if 7-10% growth is achieved; and
- 30% of the Rights will vest if the Company ranks in the 75th percentile or above of total shareholder return achieved by companies in the S&P/ASX Small Ordinaries Index, excluding resource, mining and real estate companies, in the three year performance period, with partial vesting (straight line vesting between 50% and 100%) if the Company ranks in the 50th to 75th percentile.

The hurdles are the same as those for the FY18 and FY19 Rights (except that the performance period for the FY20 Rights is the three year period from 1 July 2019) and were selected following a consideration of appropriate targets to drive Group performance and of market practice. The Board retains a discretion to relax the performance measures if warranted by relevant circumstances at the time of potential vesting.

The fair value of each FY20 Right granted subject to the EPS performance hurdle has been assessed as 84 cents and the fair value of each FY20 Right granted subject to the RTSR performance hurdle has been assessed as 68 cents.

### KMP LTI

A grant of 149,362 FY20 Rights was made to the CFO (representing 30% of base remuneration) during the Financial Year.

The vesting date for the FY20 Rights is on or about 31 August 2022.

A grant of 409,006 FY20 Rights was made to Cath Evans (representing 50% of base remuneration) during the Financial Year. As a consequence of her departure, all Rights granted to Ms Evans have lapsed and will not vest.

In accordance with Ms Evans' employment contract, 100,000 Shares were issued to her in November 2019. The contract provided for a further issue of 100,000 Shares in November 2020, subject to continued employment with the Group. The second tranche of Shares will not be issued.

Due to his substantial shareholding in the Company, Managing Director & CEO Simon Morrison does not participate in the LTIP.

Non-executive Directors do not participate in the LTIP.

A summary of the percentages of fixed and variable remuneration for executive KMP is included in Table 5.

Non- executive Directors do not receive any performance based remuneration, so their remuneration is fixed as to 100%.

**Table 5**
Proportional Remuneration Summary

| | Fixed remuneration | | Remuneration linked to performance – maximum potential award | |
|---|---|---|---|---|
| | FY20 | FY19 | FY20 | FY19 |
| Simon Morrison | 100% | 100% | 0% | 0% |
| Ravin Raj | 66% | 68% | 34%[1] | 32% |
| Cath Evans | 54%[2] | 57% | 46%[3] | 43% |

[1] Includes maximum STI and LTI described on pages 21 and 22.

[2] Includes salary, superannuation and car parking value for full Financial Year and value of 100,000 Shares issued on 14 November 2019, based on the closing price of Shares on ASX that day

[3] Includes maximum STI and LTI as a percentage of base remuneration for the full Financial Year


SHINE JUSTICE'S CENTRE OF LEARNING
Tiddalac in the Upper Lockyer Valley, Queensland.

## 6 Company Performance

Tables 6 and 7 set out summary information about the Group's earnings and movements in shareholder wealth for the five financial years to 30 June 2020.

**Table 6**
Group Earnings

| | FY20 $M | FY19 $M | FY18 $M | FY17 $M | FY16 $M |
|---|---|---|---|---|---|
| Revenue | 183.0 | 177.9 | 179.4 | 165.0 | 151.5 |
| Net Profit Before Tax | 32.2 | 22.6 | 28.8 | 25.5 | 18.4 |
| Net Profit After Tax | 21.6 | 14.0 | 19.1 | 20.2 | 14.8 |
| Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment (EBITDAI)[1] | 51.2 | 47.4 | 37.7 | 36.5 | 25.0 |
| Gross Operating Cash Flow (GOCF)[2] | 34.5 | 31.3 | 21.9 | 19.2 | 18.8 |

[1] EBITDAI is not an IFRS calculation which appears in the Financial Report and accordingly, has not been audited.

[2] GOCF is not an IFRS calculation which appears in the Financial Report and accordingly, has not been audited.

**Table 7**
Movement in Shareholder Wealth

| | FY20 | FY19 | FY18 | FY17 | FY16 |
|---|---|---|---|---|---|
| Share price at start of Financial Year* (cents) | 0.68 | 0.89 | 0.58 | 1.05 | 2.55 |
| Share price at end of Financial Year* (cents) | 0.77 | 0.67 | 0.97 | 0.55 | 1.07 |
| Interim Dividend (cents per Share) | 1.50 | 1.25 | 1.0 | 0.6 | Nil |
| Final Dividend (cents per Share) | 2.75 | 2.5 | 2.25 | 2.0 | 2.5 |
| Earnings Per Share (cents) | 12.4 | 8.1 | 11.0 | 11.6 | 8.6 |

* Unless indicated otherwise, all Share price values set out in the above table are taken as at the close of trading and sourced from the ASX website.

## 7 KMP Contractual Arrangements

Remuneration and other terms of employment for all Directors and executives are formalised in employment agreements.

Non-executive Directors are appointed subject to election and re-election by shareholders, in accordance with the Constitution and the Listing Rules.

Details of the standard termination provisions for each executive KMP contractual arrangement are summarised in Table 8.

Base remuneration (annual salary and superannuation) is included in Table 10.

**Table 8**
Summary of KMP Contractual Arrangements

| | Non-executive Directors | | Managing Director & CEO | | CFO | | Former GCOO | |
|---|---|---|---|---|---|---|---|---|
| | Notice period | Payment in lieu of notice | Notice period | Payment in lieu of notice | Notice period | Payment in lieu of notice | Notice period | Payment in lieu of notice |
| Resignation | None | None | 6 months | 6 months | 6 months | 6 months | 6 months | 6 months |
| Termination for cause | None | None | None | None | None | None | None | None |
| Termination without cause | Statutory | Statutory | 6 months | 6 months | 3 months | 3 months | 3 months | 3 months |

Details of the number of Shares or Rights held directly, indirectly or beneficially by each member of KMP as at 30 June 2020 are set out in Table 9.

**Table 9**
KMP Holdings

| Name | Balance at start of FY20 | Acquired during FY20 | Disposed during FY20 | Balance at end of FY20 |
|---|---|---|---|---|
| **Non-executive Directors** | | | | |
| Graham Bradley AM | Nil | 104,123 Shares | – | 104,123 Shares |
| Teresa Dyson | Nil | 19,000 Shares | – | 19,000 Shares |
| David Bayes | Nil | 31,104 Shares | – | 31,104 Shares |
| Tony Bellas | 140,000 Shares | – | – | 140,000 Shares |
| Greg Moynihan | 190,151 Shares | – | – | 190,151 Shares |
| **Executive KMP** | | | | |
| Simon Morrison | 43,313,704 Shares | – | – | 43,313,704 Shares |
| Ravin Raj | 153,498 FY18 Rights<br>126,541 FY19 Rights | 149,362 FY20 Rights | – | 153,498 FY18 Rights<br>126,541 FY19 Rights<br>149,362 FY20 Rights |

# 8 Executive KMP Remuneration

**Table 10**
Executive KMP Remuneration

| | | Short-term employment benefits $ | | | | Long-term employment benefits $ | | Post emp. benefits $ | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name | Year | Salary/ fees | Cash incentives | Non-monetary benefits[1] | Share based payments | Long service leave | Share based payments | Super-annuation | Other | Total rem–uneration |
| Simon Morrison | FY20 | 489,288[2] | – | 25,324 | – | 75,581 | – | 21,003 | | 611,196 |
| | FY19 | 489,288 | – | 31,195 | – | 15,325 | – | 20,531 | | 556,339 |
| Ravin Raj | FY20 | 401,475[3] | 75,000[4] | 10,882 | – | 24,142 | 68,583[5] | 21,003 | | 601,085 |
| | FY19 | 389,475 | 58,000[6] | 11,170 | – | 1,701 | 56,148 | 20,531 | | 537,025 |
| Cath Evans | FY20 | 600,080[7] | – | 5,003 | 73,000[8] | – | (843,093)[9] | 21,003 | 37,807[10] | (106,200) |
| | FY19 | 406,155 | 100,000 | 6,874 | 45,600 | 1,070 | 122,430 | 12,636 | | 694,765 |

[1] Short-term non-monetary benefits include motor vehicle and car parking benefits
[2] Annual salary of $489,288, subject to annual review, with no increase since 2016
[3] Annual salary of $401,475 subject to annual review
[4] STI award for FY20, to be paid in FY21
[5] 153,498 FY18 Rights (cost of $16,929 for FY20), 126,541 FY19 Rights (cost of $27,601 for FY20) and 149,362 FY20 Rights (cost of $24,053 for FY20)
[6] STI award for FY19, paid in FY20, including an additional $8,000 awarded for FY19 performance
[7] $600,080 in total salary paid, $270,080 in her role as GCOO until resignation on 27 November 2019, and $330,000 relating to the contractual six month notice period, which represents a termination benefit in accordance with AASB 119
[8] 100,000 Shares issued on 14 November 2019
[9] Cath Evans resigned on 27 November 2019. This amount represents the forfeiture of Performance Rights on termination
[10] Leave balance paid following end of notice period

## 9 Non-executive Director Remuneration

Non-executive Directors do not receive any performance-based remuneration. All remuneration is fixed and there are no additional fees payable for being a member of a Board committee.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which must be approved by shareholders. The maximum fee pool currently stands at $700,000 per annum.

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of the Non-executive Directors. The Chairman is not present at any discussions relating to the determination of his own remuneration.

The remuneration of the non-executive Directors of the Group in FY20 is summarised in Table 11.

**Table 11**
Non-Executive Directors' Remuneration

| | | Short-term employment benefits $ | | Post employment benefits $ | |
|---|---|---|---|---|---|
| Name | Year | Fees | Non-monetary benefits | Superannuation | Total remuneration $ |
| Graham Bradley AM | FY20 | 11,147 | – | 1,059 | 12,206 |
| Teresa Dyson | FY20 | 40,656 | – | 3,862 | 44,518 |
| David Bayes | FY20 | 40,656 | – | 3,862 | 44,518 |
| Tony Bellas | FY20 | 180,000 | – | 17,100 | 197,100 |
| | FY19 | 120,000 | – | 11,400 | 131,400 |
| Carolyn Barker AM | FY20 | 80,000 | – | 7,600 | 87,600 |
| | FY19 | 80,000 | – | 7,600 | 87,600 |
| Greg Moynihan | FY20 | 120,000 | – | 11,400 | 131,400 |
| | FY19 | 80,000 | – | 7,600 | 87,600 |

## 10 Transactions with KMP and Related Parties

During the Financial Year amounts totalling $1,071,476 (FY19 $1,177,735) were paid to entities controlled or influenced by Simon Morrison, primarily for leases over and fitouts of commercial properties occupied by parts of the Group. Entities controlled or influenced by Simon Morrison paid for rent and services to Group entities totalling $1,544,393 (FY19 $1,412,902) and paid interest to Group entities totalling $311,717 (FY19 $254,889).

During the Financial Year, net funds totalling $667,970 (FY19 $277,621) were lent to a New Zealand company affiliated with Shine, of which Simon Morrison is a director and shareholder. Interest of $311,717 (FY19 $254,889) was recognised on the loan during the year. The amount (net of expected credit loss provisioning under AASB 9) outstanding at the commencement of the Financial Year was $3,404,395 and at the end of the Financial Year was $4,384,082 (the highest amount of indebtedness during the Financial Year). The loan attracts interest at the rate equivalent to Shine Justice's Australian working capital facility loan rate plus 2%.

All transactions were on arm's length, commercial terms.

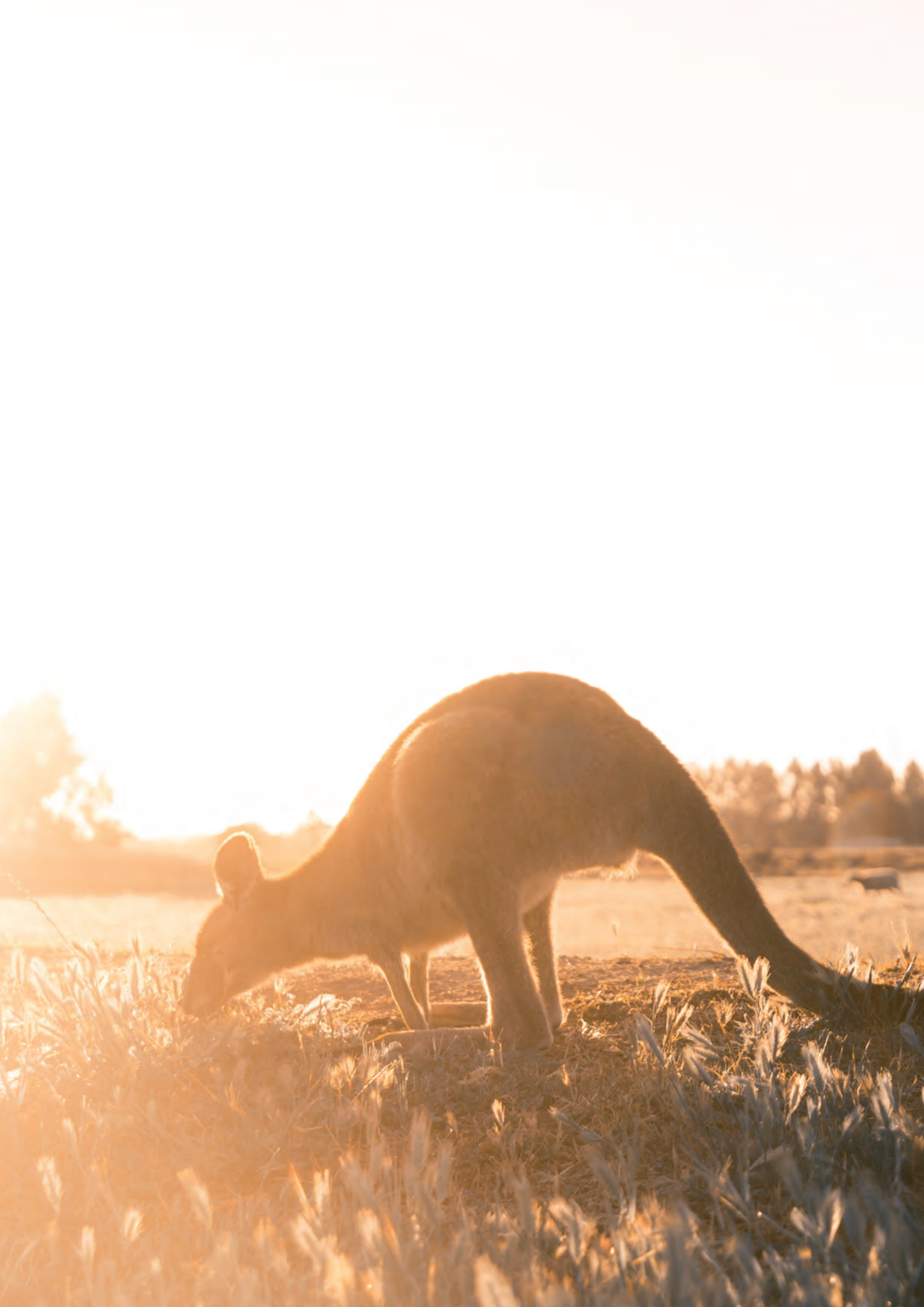
### Directors' Interests

The following table sets out the Directors' relevant interests in the Company or a related body corporate as at the date of this Report.

**Table 12**
Directors' Relevant Interests

| Director | Number of Shares |
|---|---|
| Graham Bradley AM | 104,123 |
| Teresa Dyson | 19,000 |
| David Bayes | 31,104 |
| Simon Morrison | 43,313,704 |

**End of Remuneration Report**



## Officers' Indemnities and Insurance

The Constitution provides that the Company must indemnify any person who is, or has been, a Director or executive officer of the Group, and may indemnify other current or former officers and auditors, against liabilities incurred whilst acting as such officers, to the extent permitted by law.

The Company has entered into a Deed of Access, Indemnity and Insurance with each of the Directors and Company Secretaries. The Company has paid a premium for insurance for the Directors and officers of the Group against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Directors and officers of the Group, other than conduct involving a wilful breach of duty in relation to the Group. The total amount of Directors' and officers' insurance contract premiums paid for the Financial Year was $693,841 (2019: $410,192).

## Indemnifying Auditors

To the extent permitted by law, the Group has agreed to indemnify its auditors, PwC, and its former auditors, EY, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify PwC or EY during, or since the end of, the Financial Year.

## No leave to bring proceedings on behalf of the Company

No person has applied to Court for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Group was not a party to any such proceedings during the Financial Year.

## Shareholder Class Action

As announced in September 2017, the Company received a statement of claim (Claim) filed on behalf of representative plaintiffs and members of a group relating to alleged legislative breaches. As announced on 29 May 2019, the Claim was settled on confidential terms without any admission of liability, subject to the approval of the Supreme Court of Queensland, which was given on 21 August 2019. The Company's contribution to the settlement and the costs of completing the matter was not material and had no impact on the Group's earnings, cash position or balance sheet.

## Environmental Regulation

The Group's operations are not subject to any significant environmental regulation under the laws of the Commonwealth or States.

## Dividends

The Board's dividend policy has been structured in order to maintain investor, creditor and market confidence and to sustain future development of the Group's business. The Group manages capital with a view to ensuring that the goals of continuing as a going concern and the provision of acceptable shareholder returns are met.

The amount of dividends declared by the Board at any time will be influenced by underlying financial performance and cash flow, balance sheet, debt and treasury risk management, working capital needs and competing internal and external investment opportunities necessary for growth.

The Company's aim is to pay between 30% and 50% of NPAT as dividends each financial year. To the extent the Company has franking credits, it intends to distribute them to shareholders in the form of franked dividends. The declaration of dividends is at the sole discretion of the Board and no guarantee can be given about the amount of any dividends declared or the level of franking or imputation.

In respect of the Financial Year, an interim dividend of 1.5 cents per Share (unfranked) was declared on 28 February 2020 and paid on 27 March 2020. A final dividend of 2.75 cents per Share (unfranked) was declared on 28 August 2020 and is expected to be paid on 25 September 2020.

In respect of FY19, as detailed in the Directors' Report for that financial year, a final dividend of 2.5 cents per Share (unfranked) was declared on 28 August 2019 and paid on 27 September 2019.

## State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the Financial Year.

The COVID-19 pandemic resulted in many of the Group's services being provided remotely, with the majority of team members working from home for part of the second half of the Financial Year. The transition to remote working occurred with little disruption to the provision of services.

## Events since the end of the Financial Year

The Directors are not aware of any events or developments which are not set out in this Annual Report that have, or would have, a significant effect on the Group's state of affairs, or its expected results in future years.

The continuing COVID-19 pandemic may result in some continued remote working arrangements reflecting government and health authority recommendations.

## Performance Rights and Options

There are currently 1,281,083 FY18 Rights, 1,143,149 FY19 Rights and 2,003,156 FY20 Rights on issue. There are no options on issue.

## Non-Audit Services

During the Financial Year, the Company's former auditor, EY, performed other services in addition to its audit responsibilities. The engagement to perform non-audit services was approved on the basis that it was more cost-effective than engaging a firm without knowledge of the Group. In addition, some of the non-audit services were provided after EY had ceased to act as the Company's auditor.

The Company's current auditor, PwC, did not provide any non-audit services during the Financial Year.

The Board, in accordance with advice from the Audit & Risk Management Committee, is satisfied that the provision of non-audit services by EY (or by another person or firm on its behalf) during the Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act because the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No officer of the Company is a former partner or director of PwC, and a copy of the Auditor's Independence Declaration as required under the Corporations Act is set out in, and forms part of, this Report.

Details of the amounts paid or payable to PwC or EY for non-audit services provided during the Financial Year are set out in Table 13.

**Table 13**
Non-audit Services

| Services | FY20 | FY19 |
|---|---|---|
| EY audit-related services | $64,871 | $755,750 |
| EY non-audit related services | $60,000 | $67,917 |
| **EY Total** | **$124,871** | **$823,667** |
| PwC auditing or reviewing financial reports | $379,338 | – |
| PwC non-audit services | – | – |
| **PwC Total** | **$379,338** | **–** |

## Auditor's Independence Declaration

A copy of the Auditor's independence declaration required under section 307C of the Corporations Act is set out on page 36.

## Declarations

Simon Morrison (as Managing Director & CEO) and Ravin Raj (as Chief Financial Officer) have each provided a declaration to the Board in accordance with section 295A of the Corporations Act that, in their opinion, the financial records of the Group have been properly maintained, the financial statements and notes in this Report comply with the accounting standards and give a true and fair view of the Group's financial position and performance and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## Rounding of Amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191,* amounts in the Directors' Report and the financial statements are rounded to the nearest thousand dollars, unless otherwise indicated.

## Operating and Financial Review

### Principal Activities

The principal activities of the Group during the year were the provision of legal services throughout Queensland, Victoria, Western Australia and New South Wales and the conduct of an insurance recovery consulting business in New Zealand.

No significant changes in the nature of the Company's principal activities occurred during the Financial Year.

The COVID-19 pandemic impacted the manner in which services were provided during the second half of the Financial Year, with many team members working from home and providing services remotely. The transition to remote working was implemented with minimal disruption to the delivery of services.

### Overview and Strategies

The objective of the Board is to create and deliver long-term shareholder value through the provision of a range of diversified legal services, both in terms of service offerings and geographical reach. Whilst each area of the Group's business activities holds significant value and makes a substantial contribution towards achieving this objective, management of the synergies arising from the various business activities is critical to achieving the objective.

Whilst the Company was founded in Queensland, a core element of the Group strategy is to continue to extend its reach into other jurisdictions to mitigate the impact of exposure to a single market. The Group has been successful in achieving this with more than two thirds of its revenue in FY20 earned in markets outside Queensland personal injuries. As the Group's personal injury products operate under state government schemes, diversification into other markets is important in respect of managing exposure to tort reform.

The Group also has a clear objective of diversifying its product range across Australia in plaintiff centric damages based litigation.

The Board believes that the best way to operate in the personal injury markets in Australia is with the benefit of scale and as a listed entity.

Through its critical mass, the Group is able to leverage its investment in technology and provide better training and access to specialisation for staff.

### Review of Operations

The Group specialises primarily in damages based plaintiff litigation legal services, primarily relating to personal injury.

The balance of the Financial Year's revenue was derived from other practice areas, including class actions, family law, medical law, dust diseases and abuse law.

Measures were taken to further the integration of all of our brands into the Group, predominantly in the areas of technology, growth, culture and policy alignment.

#### Personal Injury

Shine Lawyers continued to specialise in damages based plaintiff litigation legal services, primarily relating to personal injuries.

The Group continued to optimise traditional and digital advertising, adapting content to respond to changing emphasis in client concerns as the COVID-19 pandemic evolved. We strengthened our brand presence and recognition across all regions, especially Queensland.

The Group's Western Australian businesses continued to perform well. Stephen Browne Lawyers experienced growth in its personal injury business and commenced work in superannuation and disability insurance. Bradley Bayly experienced strong growth in abuse matters, following law reform removing the limitation period for childhood sexual abuse compensation claims.

Sciacca's Lawyers strengthened and performed steadily during the Financial Year.

#### New Practice Areas

Our class actions division continued to grow in FY20.

We were delighted to announce the successful outcome in court proceedings in one of Australia's largest product liability class actions, commenced in 2012, relating to faulty prolapse mesh and tape implants. The decision is subject to an appeal which will be vigorously defended. If ultimately successful, the litigation is expected to deliver justice for many thousands of Australian women left with life altering complications from the defective implants.

Settlement was reached in class actions against the Commonwealth Department of Defence for residents in the Queensland town of Oakey and in Katherine in the Northern Territory in relation to claims for property and business losses due to exposure to toxic firefighting chemicals. An action has now also been filed for property losses affecting up to 40,000 residents in seven other affected Australian locations similarly exposed to firefighting chemicals.

Class actions have now also been filed on behalf of passengers and their families affected by the deadly outbreak of coronavirus on board the Ruby Princess cruise ship, on behalf of workers subject to “sham” contracting arrangements rather than employment arrangements with incident benefits and on behalf of insurance customers who received unethical financial advice.

Shine Lawyers continued to be a leading voice for the rights of Australians subjected to institutional abuse. We represented more than 1,200 victims in abuse compensation claims (1,000 in FY19).

Through our work in representing stonemasons with dust diseases, we ignited a national conversation about the nationwide silica exposure epidemic sweeping through the stonemason industry. We continue to represent stonemasons whilst at the same time urging ministers in all states and territories, as well as at Federal level, to act by implementing rigorous regulation of the industry to safeguard against deadly silica exposure. In July 2019, the Queensland Government launched a register to record the occurrence of silicosis and other occupational dust diseases.

In May 2019, we launched an innovative new product – an online platform servicing small Queensland motor vehicle claims under a separate brand, Claimify. Building on this technology and the learnings provided, we have now launched Super Online, a streamlined and client-focused superannuation and disability platform which will allow us to expand our areas of practice to include total and permanent disability insurance claims, including assisting clients with small entitlements. Super Online is a digital disruptor in the industry and as far as we are aware is the only one of its kind in Australia. The tool gives clients greater access and flexibility in managing their claims and absolute transparency as to the process. It allows us to be more efficient and thus provide quicker and better outcomes and a user friendly experience for our clients.

Our Queensland family law practice, Best Wilson Buckley, was impacted by personnel departures which affected work levels. A number of measures have now been implemented to right-size the business with a view to improved performance in FY21.

Carr & Co, our family law practice in Perth, was impacted by court closures due to the COVID-19 pandemic, but a return to greater productivity is expected with the easing of restrictions in Western Australia.

Risk Worldwide New Zealand Limited continued to operate in the loss adjusting and insurance policy recovery business in New Zealand, with a focus on residential claims under the brand ‘My Insurance Claim’.

Our Land, Energy and Resources business (Emanate) continued to operate in a challenging sector.

## Future Developments and Prospects

The Group will seek to continue to grow its business by concentrating on the activities and strategies outlined below.

### Damages Based Plaintiff Litigation

The Group continues to execute its strategy to grow all areas of its damages based plaintiff litigation business, but with a focus on growing other specialties at a faster rate than the personal injury practice area. The Group intends to grow in the future organically and through acquisitions.

Whilst personal injury litigation remains a significant part of the strategy, the Group also considers other opportunities to broaden its service offerings, including in response to the business and community impacts of the COVID-19 pandemic.

### Tort Reform

The New South Wales Government passed regulatory reform in relation to the compulsory third party scheme in that State in FY18.

Although tort reform initiatives pose risks for the Group’s business, it has considerable experience adapting its business model to regulatory change. Tort reform presents opportunities, particularly in the acquisition of smaller practices which do not have the systems in place to deal with complex regulatory changes.

### International Opportunities

While the Directors believe there are ample opportunities for the Group to continue to grow domestically, they will continue to monitor opportunities internationally and maintain a 'watching brief' on the UK and US legal markets.

## Consolidated Financial Conditions

The Group seeks to maintain an optimal capital structure by ensuring that there is an appropriate balance of debt and equity. The current target is a maximum interest-bearing debt to equity ratio of 30%. At 30 June 2020, the ratio was 29%. The Group utilises a combination of short and long term debt to ensure that it has an appropriate level of liquidity available throughout the financial year.

The Group's finance facilities with the Commonwealth Bank of Australia (CBA) continued substantially unchanged for the Financial Year. Details of these facilities are set out in the Financial Report.

The finance facilities are subject to financial covenants including a gearing ratio (borrowings cannot exceed 50% of net WIP) and debt to EBITDA ratio (not to exceed 2.25:1). The Group was in compliance with these financial covenants as at 30 June 2020 and has headroom available to increase funding levels if required.

In addition to the CBA facilities, the Group also has disbursement funding providers that can support eligible clients with funds to cover disbursements in relation to their claims. The use of disbursement funding is expected to continue to improve operating cash flow in future years as client disbursements have a diminishing impact on the Group's operating cash flows. Details of the disbursement funding facilities are set out in Note 7(f) in the Financial Report.

The Group will generally only seek to raise new capital for material events. No material events are currently proposed.

## Risk Management and Governance Practices

The Group's business is subject to risk factors, both specific to its business activities and risks of a general nature. The risks the Directors highlight below do not represent all risks associated with the Group, but represent, in the Directors' opinion, the material business risks. The most significant factors relating to future financial performance are set out in the following commentary.

### Conflict of Duties

The Group, through those subsidiaries engaged in the provision of legal services, has a paramount duty to the Court, first, and then to its clients. Those duties prevail over the Group's duty to shareholders. There may be instances where the Group and its lawyers, in fulfilling their duties to the Court or to the client (or both), act other than in the best interests of shareholders.

To mitigate this risk, the Group has strong case management systems and processes to identify such conflicts so that they can be avoided or appropriately managed.

### COVID-19 Pandemic

The Group closely monitored and responded to the potential impacts on its business of the COVID-19 pandemic during the second half of the Financial Year. The Group has at all times acted, and continues to act, in accordance with applicable government and health authority directions and advice in relation to the pandemic in each of the Australian States in which it operates and in New Zealand. The majority of team members transitioned to effective working from home arrangements and remote work practices (including virtual client meetings and court appearances), with consistent support and guidance from a dedicated response team, with team members returning to the office as and when appropriate.

The Group will continue to monitor the evolving pandemic closely.

The Group's strategy of growing all areas of damages based plaintiff litigation helps to diversify the Group's revenue stream and lessen the impact of the pandemic on any particular work type.

### Regulatory Environment

The Group operates in a regulated environment. Its business operations could be adversely affected by actions of State, Territory and Commonwealth governments, including changes in legislation, guidelines and regulations that affect the areas of law in which the Group practises.

To mitigate this risk, the Group's senior legal practitioners seek to meet with policymakers and participate in stakeholder working groups when reform is being considered in the areas of law in which the Group practises. This Financial Year, the Group provided submissions to the Parliamentary Joint Committee on Corporations and Financial Services inquiry into Litigation Funding and the Regulation of the Class Action Industry.

In addition, the Group's strategy of growing all areas of damages based plaintiff litigation, helps to diversify the Group's revenue stream and lessen the impact of individual legislative reform.

The Group's acquisitions in family and class actions in FY19 assist by diversifying into alternative areas of practice and lessening the impact of individual legislative reform.

### WIP Recoverability

Because the Group operates largely on a speculative fee basis and in areas of law where the ultimate recovery of fees is regulated, failure to recover WIP is a key risk. Given the inherent uncertainty associated with determining WIP recoverability, the Group has taken measures to ensure its case management systems and processes are designed to mitigate the risk of failing to realise booked revenue. This exposure is greater in relation to class actions as the WIP exposure on a single matter is higher. The Group seeks to mitigate this risk by adopting appropriate case selection methodologies and utilising litigation funding.

To mitigate risk in relation to the personal injuries practice area, and as part of the Group's commitment to continuously improve its case management systems and processes, a new case management system has been implemented to assist in improving WIP recoverability and predictability.

### Growth and Integration Risk

There is a risk that the Group may be unable to manage its future growth successfully. Historically, the Group has grown through a combination of organic growth and acquisitions. That growth strategy will continue, and may include new practice areas and locations. A variety of factors, including unexpected integration issues, might cause future growth to be implemented less successfully than it has in the past.

To mitigate this risk, the Group continually refines its growth criteria to ensure that strategic alignment, adequate financial return and integration risks are considered before expansion opportunities are approved.

### Our People

The Group depends on the talent and experience of its people. In particular, the Group's growth is reliant on attracting and retaining professional fee-earning staff. Should any of its key people or a significant number of other people leave the Group, particularly to work for a competitor, this may have an adverse effect on the Group. It may be difficult to replace them, or to do so in a timely manner or at comparable expense.

The Group continues to focus on recruiting high calibre employees closely aligned to its values. The Group attracts, retains and incentivises talent by promoting its values based culture and by providing an environment where individuals and teams are recognised, rewarded and inspired to deliver outcomes for clients. Celebrating successes and milestones is encouraged.

### Brand and Reputational Risk

The success of the Group is reliant on its reputation and its brands. Anything that diminishes the Group's reputation or its brands could have a significantly adverse financial effect. In particular, the actions of the Group's employees, including breaches of relevant regulations or negligence in the provision of legal advice, could damage the Group's brands and diminish future profitability and growth.

To mitigate this risk, the Group has strong case management systems and processes to identify cases where brand and reputation risk could emerge, particularly through the initial case selection process. The Group also has a disciplined public relations process to ensure that the views of the Group are not misrepresented.

As the Group has alliances with high profile individuals, including Erin Brockovich, any harm to the reputation of those individuals may also negatively impact the Group.

### Professional Services Sector Risk

The Group operates in a sector of the market place with few other listed entities. As such, its Share price can be impacted by events affecting other participants in this sector.

### Digital Disruption & Cybersecurity

The Group monitors threats from digital technology in order to ensure that, where possible, it is positioned to respond appropriately.

The Group monitors cybersecurity threats given the potential consequences of a cybersecurity breach, including but not limited to, unauthorised access or disclosure (inadvertent or otherwise) of personal information held by the Group. From time to time, the Group engages cybersecurity experts to provide an independent assessment of the Group's exposures and protective measures.

The Group has strengthened controls and training in response to increased risks arising from the COVID-19 pandemic.

### Economic, Environmental and Social Sustainability Risks

The material economic risks associated with the Group's business are discussed above under 'WIP Recoverability' and 'Growth and Integration Risk'.

The Directors do not believe the Group has any material exposure to environmental risk.

However, the Group recognises that environmental sustainability is a critical component in a responsible and ethical management strategy and has adopted an Environmental Sustainability Policy to reflect its commitment to conducting business in an environmentally responsible manner.

Other than the risks discussed under 'Brand and Reputational Risk' above, the Directors do not believe the Group has any material exposure to social sustainability risk.

**This Directors' Report is signed in accordance with a resolution of Directors made pursuant to section 298(2) of the Corporations Act.**

**On behalf of the Directors,**

**Graham Bradley AM**
Chairman
Brisbane, 28 August 2020

# AUDITOR'S INDEPENDENCE DECLARATION

pwc

## *Auditor's Independence Declaration*

As lead auditor for the audit of Shine Justice Ltd (formerly Shine Corporate Ltd) for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Shine Justice Ltd (formerly Shine Corporate Ltd) and the entities it controlled during the period.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
28 August 2020

# CORPORATE GOVERNANCE STATEMENT

The Board recognises the positive relationship between the creation and delivery of long-term shareholder value and corporate governance. Shine's corporate governance framework fosters the values of integrity, respect, trust and openness among and between the Board members, management, employees, clients, suppliers and shareholders.

The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (fourth edition) **(Principles and Recommendations)** set out recommended corporate governance practices for ASX listed entities. The Principles and Recommendations state that they are designed to 'achieve good governance outcomes and meet the reasonable expectations of most investors in most situations'. The following assessment of the Group's practice against the Principles and Recommendations as at 30 June 2020 has been approved by the Board.

| Principles and Recommendations | Shine Justice Group's Compliance | |
|---|---|---|
| **Principle 1** Lay solid foundations for management and oversight: A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance. | | |
| 1.1 A listed entity should have and disclose a board charter setting out:<br>(a) the respective roles and responsibilities of its board and management; and<br>(b) those matters expressly reserved to the board and those delegated to management. | The Board is responsible for demonstrating leadership and for the overall strategic guidance and corporate governance of the Shine Justice Group. It has distinguished which functions and responsibilities are reserved for the Board and those which are delegated to management. This is set out in the Board Charter, which also sets out the role of the Chairman, Directors and management. The Board Charter is available on the Company's website (www.shinejustice.com.au). | ✓ |
| 1.2 A listed entity should:<br>(a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and<br>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. | Shine Justice conducts appropriate checks to verify the suitability of candidates considered for nomination to the Board, having regard to each candidate's character, experience, education and skills, in addition to any interests and associations of the candidate.<br>Comprehensive biographical information is provided to shareholders in notices of meeting to enable them to make an informed decision on whether to elect or re-elect a Director. | ✓ |
| 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | All Directors and senior executives have a written agreement which formalises the terms of their appointment.<br>Each Director commits to a letter of appointment which specifies the term of their appointment, the envisaged time commitment, expectations and duties relating to the position, remuneration, disclosure and confidentiality obligations, insurance and indemnity entitlements, details of the Company's corporate governance policies and reporting lines.<br>Each member of the Leadership Team enters into a contract which describes their role and duties, remuneration and termination rights and entitlements. | ✓ |
| 1.4 The company secretary of a listed entity should be accountable directly to the board on all matters to do with the proper functioning of the board. | The Company Secretary is accountable to the Board for facilitating the Company's corporate governance processes and the functioning of the Board. The Board is responsible for the appointment and removal of the Company Secretary, and all Directors are able to access the advice and services of the Company Secretary.<br>Details of the Company Secretary's qualifications and experience are available on the Company's website and are set out on page 16. | ✓ |

| Principles and Recommendations | Shine Justice Group’s Compliance | |
|---|---|---|
| 1.5 A listed entity should:<br>(a) have and disclose a diversity policy;<br>(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and<br>(c) disclose in relation to each reporting period:<br>(1) the measurable objectives set for that period to achieve gender diversity;<br>(2) the entity’s progress towards achieving those objectives; and<br>(3) relevantly, the respective proportions of men and women on the board, in senior executive positions and across the whole workforce. | Shine Justice aims to actively promote a culture that supports diversity in the workplace and in the composition of its Board and senior management and throughout the Group. Shine Justice defines diversity as including, but not limited to, diversity of gender, age, ethnicity and cultural background.<br>Shine Justice’s Diversity Policy is disclosed on the Company’s website and sets out its objectives and reporting practices regarding diversity.<br>The Nomination and Remuneration Committee reviews and reports to the Board on the Group’s diversity profile with a view to setting meaningful targets for the advancement of diversity within the Group. Targets for FY20 included to:<br>— target gender balance across all roles;<br>— meet or exceed a target of 30% female representation on the Board;<br>— analyse gender pay parity across the Group with a view to resolving any inconsistencies by the end of FY22;<br>— identify and agree opportunities to align Shine Lawyers workforce to reflect the general Australian population in areas such as (but not limited to) age, gender, sexual orientation, disability and ethnicity;<br>— partner with an industry organisation to onboard First Nations People and establish a targeted program by FY22 including the implementation of a Reconciliation Action Plan; and<br>— introduce a formal Inclusion and Diversity Program by FY22.<br>Work continues to identify and achieve an appropriate gender balance at all levels, to analyse and achieve gender pay parity and to introduce a Reconciliation Action Plan and formal Inclusion and Diversity Program during FY21.<br>As at 30 June 2020:<br>— 25% of the Board members were women (30% of the Non-executive Directors);<br>— 58% of the Leadership Team were women; and<br>— 79% of the Group’s team members were women. | ✓ |
| 1.6 A listed entity should<br>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and<br>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period. | The Board regularly undertakes an evaluation process to assess its performance, including periodic assessments conducted by an independent third party consultant who seeks Board and management feedback on the performance of the Board and Board committees, as well as feedback on individual Directors and the Group’s reporting and governance practices.<br>The Board renewal process which was completed during 2020 included a detailed internal evaluation of the skills, knowledge, experience, independence and diversity required to ensure that the renewed Board and its Committees are ideally placed to perform their governance and other functions.<br>Further information about the annual review process is outlined in the Board Charter and the Nomination and Remuneration Committee Charter available on the Company’s website. | ✓ |
| 1.7 A listed entity should:<br>(a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and<br>(b) disclose for each reporting period whether a performance evaluation was undertaken in accordance with that process during or in respect of that reporting period. | The Nomination and Remuneration Committee is responsible for evaluating the performance of the Leadership Team.<br>The Chairman is also responsible for periodically reviewing the performance of the Managing Director & CEO.<br>A review of the performance of the Leadership Team and the Managing Director & CEO in FY19 was undertaken during the Financial Year and a review of their performance in FY20 is in progress. | ✓ |

| Principles and Recommendations | Shine Justice Group's Compliance | |
|---|---|---|
| **Principle 2** Structure the Board to add value: The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value. | | |
| 2.1 The board of a listed entity should:<br>(a) have a nomination committee which has at least three members, a majority of whom are independent directors and is chaired by an independent director; and<br>(b) disclose the charter, members and meeting attendance of the committee. | A Nomination and Remuneration Committee with its own charter and consisting of all three of the independent Directors was in place during the Financial Year. The Nomination and Remuneration Committee was chaired at all times by an independent Director (by Tony Bellas during the Financial Year and by Graham Bradley from 1 July 2020). Details of the Nomination and Remuneration Committee's functions are set out in the Nomination and Remuneration Committee Charter which is available on the Company's website. Details of the number of meetings and attendance by the Directors at those meetings is disclosed on page 13. | ✓ |
| 2.2 A listed entity should have and disclose a board skills matrix, setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. | The skills, knowledge and experience set out in Table 14 below have been identified as those that are required for the effective management of the Group. The Board possesses broad coverage of these skills and attributes.<br>Further details regarding the skills and experience of each Director are included on pages 14 and 15. | ✓ |

**Table 14**
Directors' Skills Matrix

| Directors' Skill |
|---|
| **Governance**<br>Experience with listed company governance principles and practices. |
| **Financial Literacy**<br>Experience with public company financial reporting and accounting and internal financial controls. |
| **Strategy Development**<br>Experience in developing and implementing effective competitive strategies in service-based industries. |
| **Public Policy and Regulation**<br>Knowledge of the ethical principles and regulations applicable to professional legal services. |
| **Risk and Compliance**<br>Experience in oversight of business risks and regulatory compliance applicable to legal practices. |
| **Industry Experience**<br>Knowledge of the commercial and societal dynamics that determine supply and demand in the market for legal services. |
| **People Management and Remuneration**<br>Experience in managing a people-intensive business with a sound organisational culture and strong corporate values and designing effective remuneration policies to support values and performance. |
| **Innovation**<br>Experience in overseeing technological change and innovation. |
| **Mergers & Acquisitions**<br>Experience in oversight of strategic acquisitions and integration of acquired businesses. |

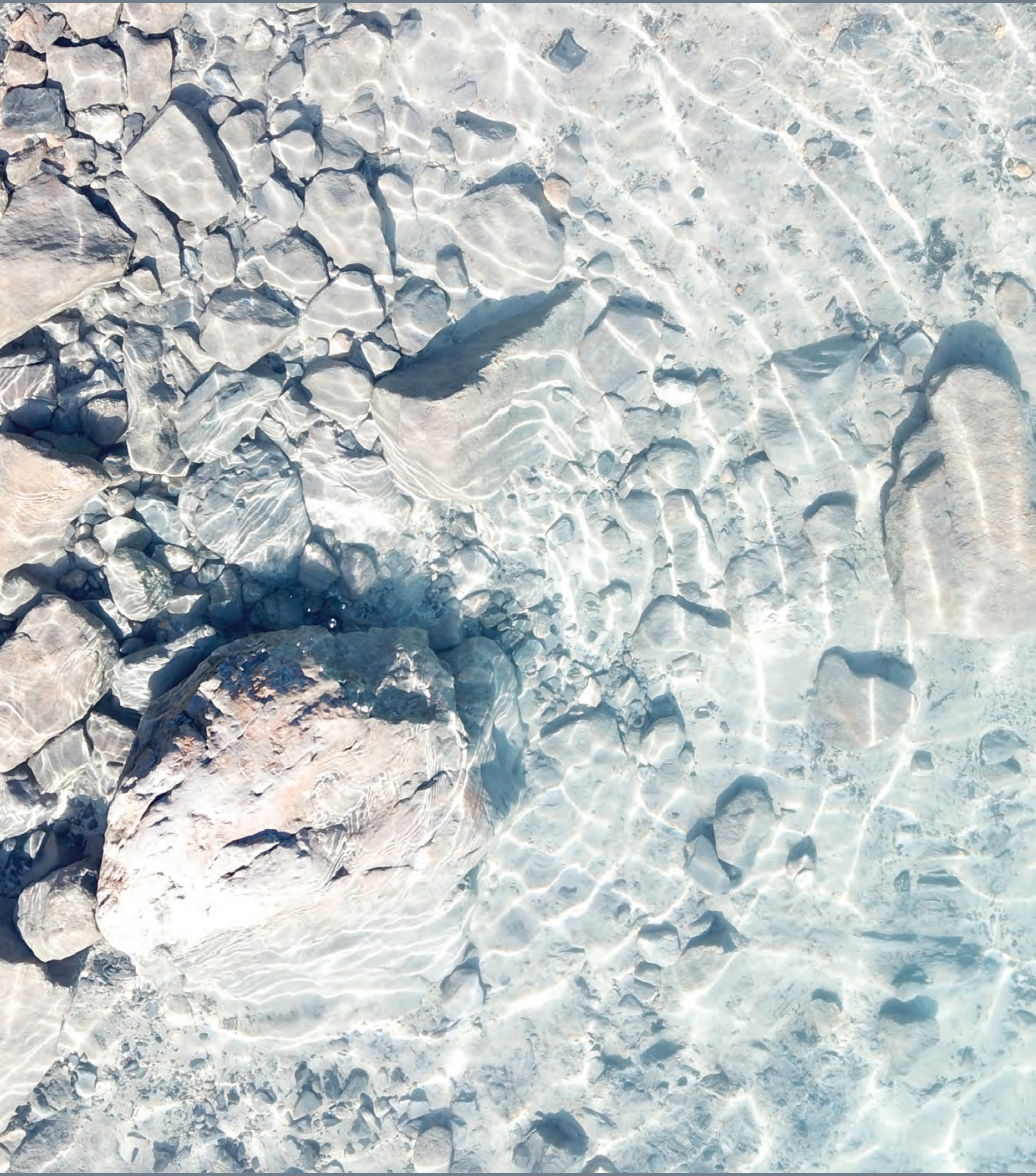
| Principles and Recommendations | Shine Justice Group’s Compliance | |
|---|---|---|
| 2.3 A listed entity should disclose:<br>(a) the names of the directors that the board considers to be independent directors; and<br>(b) if a director has an interest, position or relationship of the type described in Box 2.3 of the Principles and Recommendations, but the board is of the opinion that it does not compromise the director’s independence, the nature of the interest, position and relationship and an explanation of why the board is of that opinion. | The Group currently has a four member Board, of whom three (Graham Bradley, Teresa Dyson and David Bayes) are considered to be independent.<br>During the term of their appointments, former Chairman Tony Bellas and former Non-executive Directors Carolyn Barker and Greg Moynihan were considered to be independent.<br>None of the Directors who are considered to be independent has an interest, position or relationship described in Box 2.3 of the Principles and Recommendations.<br>The date of appointment of each Director and details of their skills and experience are set out on pages 13 to 15 and on the Company’s website. | ✓ |
| 2.4 A majority of the board should be independent directors. | Three of the four Board members are considered to be independent – Graham Bradley, Teresa Dyson and David Bayes.<br>In accordance with the Board Charter which is available on the Company’s website, a Director is considered independent if the Director is independent of management and free of any business or other relationship that could materially interfere, or be perceived as interfering, with the exercise of an unfettered and independent judgment in relation to matters concerning the Company. | ✓ |
| 2.5 The chairman of the board should be an independent director and should not be the CEO. | The Chairman, Graham Bradley, is an independent Non-executive Director. Former chairman Tony Bellas, was an independent Non-executive Director throughout FY20. Simon Morrison is the Group’s Managing Director & CEO. | ✓ |
| 2.6 A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively. | The Nomination and Remuneration Committee is responsible for induction and continuous development programs for Directors. An induction program has been conducted for Graham Bradley, Teresa Dyson and David Bayes when they joined the Board during FY20. Directors are encouraged to undertake continuing professional development activities each year and to join appropriate professional associations in order to continually develop and enhance their respective levels of industry knowledge, technical knowledge and other skills required to discharge their role effectively. | ✓ |
| **Principle 3** Instil a culture of acting lawfully, ethically and responsibly: A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly. | | |
| 3.1 A listed entity should articulate and disclose its values. | The Shine Justice Group’s values are integral to its operations at all levels. They are included on its intranet and website, are embedded regularly throughout the business in a variety of formats and are set out on page 4. | ✓ |
| 3.2 A listed entity should:<br>(a) have and disclose a code of conduct for its directors, senior executives and employees; and<br>(b) ensure that the board or a committee of the board is informed of any material breaches of that code. | Shine Justice has a Code of Conduct for Directors, executives, employees, consultants and contractors which sets out the fundamental principles of business conduct expected by the Company. The Code of Conduct is available on the Company’s website.<br>Any breaches of the Code of Conduct are reported to the Audit & Risk Management Committee. No breaches were reported during FY20. | ✓ |
| 3.3 A listed entity should:<br>(a) have and disclose a whistleblower policy; and<br>(b) ensure that the board or a committee of the board is informed of any material incidents reported under the policy. | The Shine Justice Group has a Whistleblower Policy under which any unlawful, unethical or improper conduct may be reported, including anonymously.<br>Any material incidents reported under the policy are reported to the Audit & Risk Management Committee. No material incidents were reported during FY20. | ✓ |
| 3.4 A listed entity should:<br>(a) have and disclose an anti-bribery and corruption policy; and<br>(b) ensure that the board or a committee of the board is informed of any material breaches of that policy. | The Shine Justice Group’s anti-bribery and corruption policy is included in its Code of Conduct, which is available on the Company's website.<br>Any material breaches of the policy are reported to the Audit & Risk Management Committee. No breaches were reported during FY20. | ✓ |

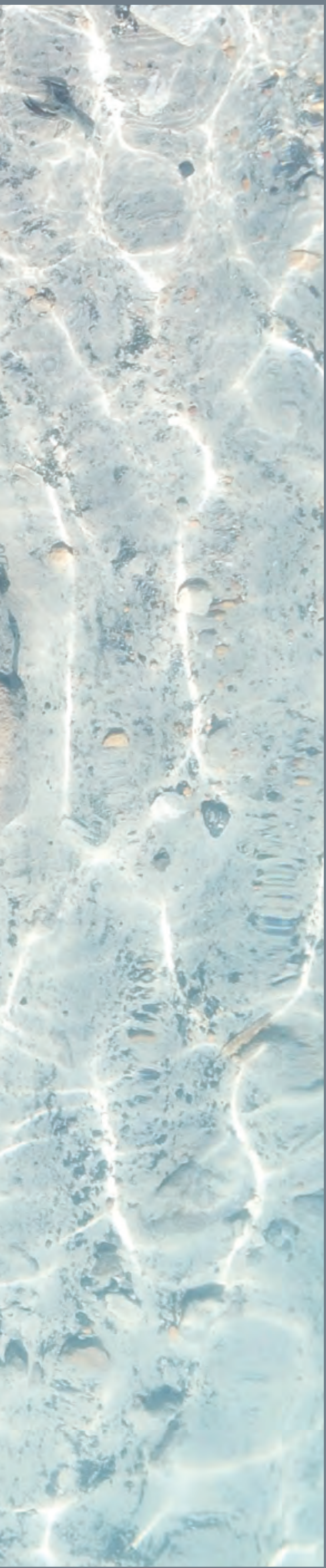
| Principles and Recommendations | Shine Justice Group's Compliance | |
|---|---|---|
| **Principle 4** Safeguard the integrity of corporate reports: A listed entity should have appropriate processes in place to verify the integrity of its corporate reports. | | |
| 4.1 The board of a listed entity should:<br>(a) have an audit committee with at least three members, all of whom are non executive directors and a majority of whom are independent directors, is chaired by an independent chairman who is not the chair of the board; and<br>(b) disclose the charter of the committee, the qualifications and experience of its members and their attendance at committee meetings. | The Board has an Audit & Risk Management Committee, comprised of the three independent Non-executive Directors and chaired by an independent Non-executive Director (Greg Moynihan during FY20 and Teresa Dyson from 1 July 2020). Further details about the membership of the Audit & Risk Management Committee, including the names and qualifications of its members, are set out on pages 14 and 15.<br>The Charter of the Audit & Risk Management Committee is available on the Company's website along with information about its members. The number of meetings held by the Committee and the Directors' attendance at meetings is disclosed each year in the Group's annual report and can be found on page 13 for FY20. | ✓ |
| 4.2 The board should, before it approves the financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | The Managing Director & CEO and the CFO each provide a statement to the Board and the Audit & Risk Management Committee in advance of seeking approval of any financial report to the effect that the Group's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.<br>In accordance with the above, the Board has received a written assurance that the declaration provided under section 295A of the Corporations Act is based on a sound system of internal control and risk management, which is operating effectively in all respects in relation to material business risks and financial reporting. | ✓ |
| 4.3 A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor. | The Group's half year financial statements are reviewed by its external auditor and its full year financial statements are audited by its external auditors.<br>A verification process is undertaken in relation to the Directors' Report and any part of this document which is not audited, to ensure that it is materially accurate, balanced and provides investors with appropriate information to make informed investment decisions. The process includes compiling a record of verification material for any material statement of fact. | ✓ |
| **Principle 5** Make timely and balanced disclosure: A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. | | |
| 5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under Listing Rule 3.1. | The Company has a Continuous Disclosure Policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the Listing Rules. The policy sets out the processes and practices that ensure compliance with these requirements.<br>The Continuous Disclosure Policy is published on the Company's website. | ✓ |
| 5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made. | In accordance with the Continuous Disclosure Policy, material market announcements are approved by each of the Directors in advance whenever practicable. If for any reason that was not possible, they would receive a copy immediately following release. | ✓ |
| 5.3 A listed entity that gives a new and substantial investor or analyst presentation should release a copy of the presentation materials on the ASX Markets Announcement Platform ahead of the presentation. | New and substantial investor or analyst presentations are released to the market ahead of presentation. | ✓ |

| Principles and Recommendations | Shine Justice Group's Compliance | |
|---|---|---|
| **Principle 6** Respect the rights of security holders: A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively. | | |
| 6.1 A listed entity should provide information about itself and its governance to investors via its website. | The Company's website contains extensive information about the Company, its values and business activities and other information relevant to investors.<br>Investors may access copies of ASX announcements, notices of meeting and annual reports, as well as general information about the Company, on the Company's website. | |
| 6.2 A listed entity should have an investor relations program that facilitates effective two-way communication with investors. | The Company conducts regular market briefings, including interim and full year results presentations, investor roadshows and briefings and also attends industry conferences in order to facilitate communication with investors and other stakeholders. Presentation material is provided to ASX and uploaded to the Company's website to ensure that all shareholders have timely access to information. The Company aims to ensure that all shareholders are well informed of all major developments affecting the Group. | |
| 6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders. | Shareholders are encouraged to attend the Company's annual general meeting and to ask questions of Directors. The notice of meeting includes a process to enable shareholders to submit questions to the Board and the Company's auditor prior to the meeting. | |
| 6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands. | All resolutions at the Company's general meetings are decided by a poll. | |
| 6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically. | Shine provides its investors with the option to receive communications from, and send communications to, the Company and the share registry electronically. | |
| **Principle 7** Recognise and manage risk: A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework. | | |
| 7.1 The board should<br>(a) have a committee to oversee risk which has at least three members, a majority of whom are independent directors and is chaired by an independent director; and<br>(b) disclose the charter, members and meeting attendance of the committee. | The Board has an Audit & Risk Management Committee, comprised of the three independent Non-executive Directors and chaired by an independent Non-executive Director. Further details about the membership of the Audit & Risk Management Committee, including the names and qualifications of its members, are set out on pages 14 and 15.<br>The Charter of the Audit & Risk Management Committee is available on the Company's website along with information about its members. The number of meetings held by the Committee and the Directors' attendance at meetings is disclosed each year in the Group's annual report and can be found on page 13 for FY20. | |
| 7.2 The board or a committee of the board should:<br>(a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and<br>(b) disclose, in relation to each reporting period, whether such a review has taken place. | The Board is responsible for the oversight and management of risk, including the identification of material business risks on an ongoing basis and is assisted by the Audit & Risk Management Committee where required.<br>A review of material business risks has been conducted in the current period, which concluded that controls over risk management processes were adequate and effective. | |

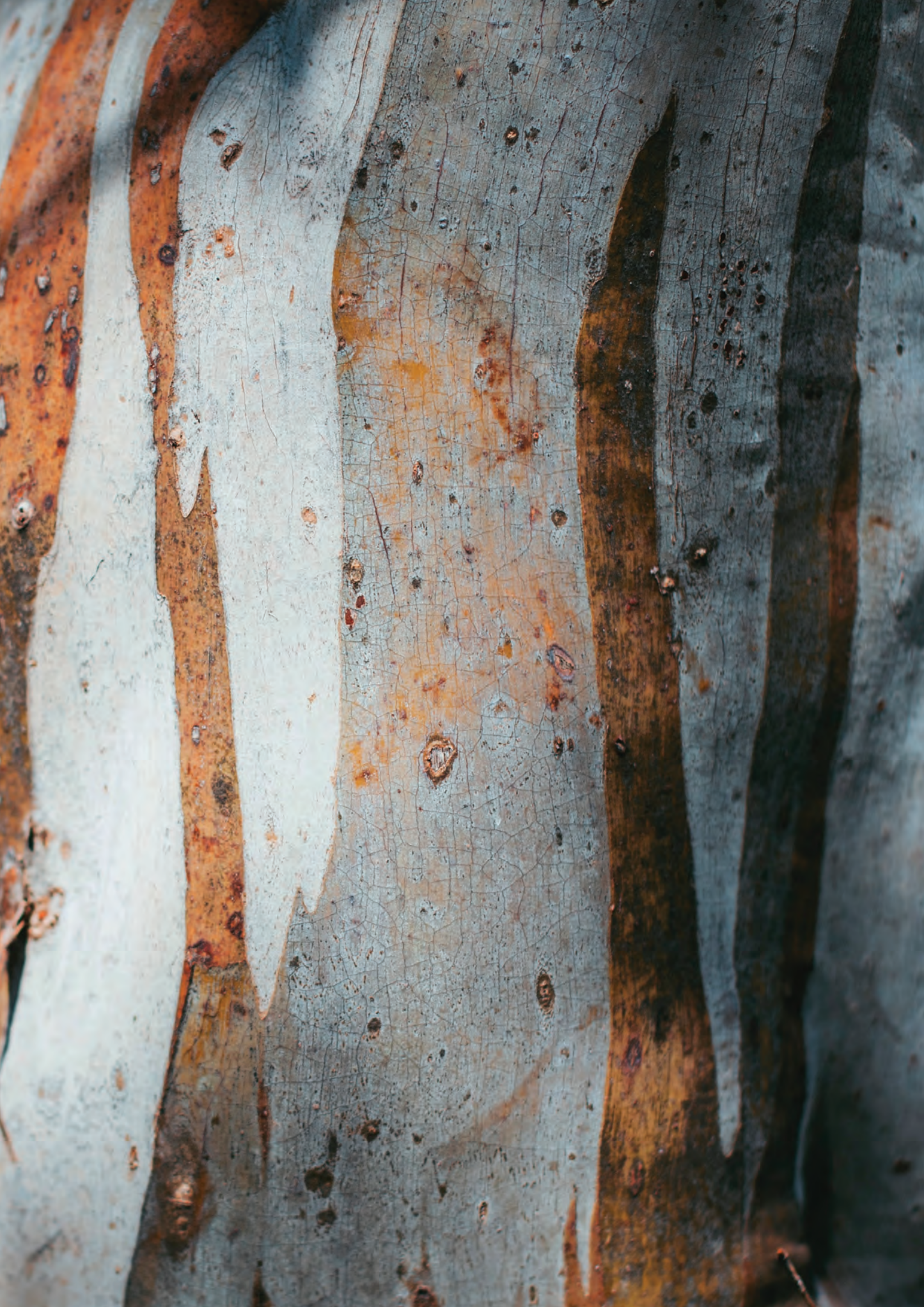
| Principles and Recommendations | Shine Justice Group's Compliance | |
|---|---|---|
| 7.3 A listed entity should disclose, if it has an internal audit function, how the function is structured and what role it performs. | The Company has an Internal Audit function which reports directly to the Chair of the Audit & Risk Management Committee in order to maintain its independence. The Internal Audit & Risk Manager reviews the systems of internal control and risk management to ensure compliance with the Group's published policies and procedures and its legal and regulatory obligations.<br>Reviews of specific areas of risk or control are undertaken by a combination of internal and external parties on an ad-hoc basis and by the Company's internal and external auditors as required for the Group's audit. Improvements are made where identified to increase the effectiveness of the Group's internal controls. | ✓ |
| 7.4 A listed entity should disclose whether the company has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks. | The Group's exposure to material business risks is disclosed in the Directors' Report on pages 34 and 35. The Directors do not believe the Group has any material exposure to environmental or social risks.<br>During FY20, the Group adopted an Environmental Sustainability Policy and a Modern Slavery Policy (and supporting Supplier Code of Conduct), each of which appear on the Group's website. | ✓ |
| **Principle 8** Remunerate fairly and responsibly: A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite. | | |
| 8.1 The board should:<br>(a) have a remuneration committee which has at least three members, the majority of whom are independent directors and which is chaired by an independent director; and<br>(b) disclose the charter, members and meeting attendance of the committee. | A Nomination and Remuneration Committee, consisting of all of the independent Directors and chaired by an independent Director, assisted the Board to discharge its responsibilities in relation to remuneration and issues relevant to remuneration policies and practices, including those for senior management and Non-executive Directors, during the Financial Year.<br>The number of meetings held by the Committee and the Directors' attendance at meetings is disclosed each year in the Group's annual report and can be found on page 13 for FY20. The Charter of the Committee is available on the Company's website. | ✓ |
| 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives. | The Company seeks to attract and retain high-performing Directors and executives with the experience, skills and qualifications necessary to add value to the Company and fulfil the roles required. Accordingly, the Company seeks to recruit by offering remuneration which is competitive for comparable executive roles.<br>Further information about key factors affecting Director and executive remuneration are disclosed each year in the Remuneration Report which can be found commencing on page 18. | ✓ |
| 8.3 A listed entity which has an equity-based remuneration scheme should:<br>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and<br>(b) disclose that policy or a summary of it. | Details of the Group's equity based remuneration scheme are set out in the Remuneration Report which can be found commencing on page 18.<br>The equity based remuneration scheme prohibits transactions which conflict with the Group's Securities Trading Policy (which prohibits Directors and executives from entering into margin lending arrangements or short-term trading in relation to Company securities). A copy of the Securities Trading Policy is available on the Company's website. | ✓ |

# FINANCIAL REPORT





“The Group settled or resolved more than 5,600 cases during the year and procured damages in excess of $730 million.”



## Financial statements

These financial statements are consolidated financial statements for the Group consisting of Shine Justice Ltd and its subsidiaries. A list of subsidiaries is included in Note 14.

The financial statements are presented in Australian currency.

Shine Justice Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Shine Justice Ltd
Level 13, 160 Ann St
Brisbane QLD 4000

The financial statements were authorised for issue by the directors on 28 August 2020. The Directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our Investors Centre on our website www.shinejustice.com.au.

## Consolidated statement of profit or loss

| | Notes | **2020** **$'000** | 2019 $'000 |
|---|---|---|---|
| Revenue from contracts with customers | 3(a) | **180,799** | 175,991 |
| Other income | 5(a) | **2,233** | 1,912 |
| Employee benefits expense | | **(92,110)** | (92,267) |
| Depreciation and amortisation expense | 4(a) | **(12,053)** | (12,425) |
| Finance costs | 5(d) | **(7,313)** | (7,736) |
| Impairment expense | 4(b) | **–** | (5,000) |
| Other expenses | 5(c) | **(39,366)** | (37,899) |
| **Profit before income tax** | | **32,190** | 22,576 |
| Income tax expense | 6 | **(10,637)** | (8,544) |
| **Profit for the period** | | **21,553** | 14,032 |
| **Profit is attributable to:** | | | |
| Owners of Shine Justice Ltd | | **21,476** | 13,953 |
| Non-controlling interest | 14(b) | **77** | 79 |
| | | **21,553** | 14,032 |

| | Notes | **2020** **Cents** | 2019 Cents |
|---|---|---|---|
| **Earnings per share for profit attributable to the ordinary equity holders of the company:** | | | |
| Basic earnings per share | 21(a) | **12.40** | 8.06 |
| Diluted earnings per share | 21(b) | **12.13** | 7.92 |

## Consolidated statement of comprehensive income

| | Notes | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| **Profit for the period** | | **21,553** | 14,032 |
| **Other comprehensive income**<br>*Items that may be reclassified to profit or loss* | | | |
| Exchange differences on translation of foreign operations | 9(c) | **(270)** | 126 |
| **Other comprehensive income for the period net of tax** | | **(270)** | 126 |
| | | | |
| **Total comprehensive income for the period** | | **21,283** | 14,158 |
| **Total comprehensive income for the period is attributable to:** | | | |
| Owners of Shine Justice Ltd | | **21,206** | 14,079 |
| Non-controlling interest | 14(b) | **77** | 79 |
| | | **21,283** | 14,158 |

## Consolidated balance sheet

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| ASSETS | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7(d) | **32,812** | 26,697 |
| Trade and other receivables | 7(a) | **10,876** | 10,020 |
| Contract assets – work in progress | 3(c) | **181,565** | 172,996 |
| Income tax receivable | 8(e) | **322** | 306 |
| Unbilled disbursements | 7(c) | **67,240** | 59,595 |
| Other financial assets at amortised cost | 7(b) | **313** | 459 |
| Other current assets | 8(f) | **2,983** | 2,870 |
| **Total current assets** | | **296,111** | 272,943 |
| **Non-current assets** | | | |
| Trade receivables and other receivables | 7(a) | **1,528** | 1,703 |
| Contract assets – work in progress | 3(c) | **123,537** | 109,975 |
| Unbilled disbursements | 7(c) | **22,028** | 18,701 |
| Plant and equipment | 8(a) | **3,234** | 3,286 |
| Other financial assets at amortised cost | 7(b) | **4,385** | 3,404 |
| Right of use assets | 8(b) | **40,647** | 47,624 |
| Intangible assets | 8(c) | **48,949** | 47,944 |
| **Total non-current assets** | | **244,308** | 232,637 |
| **Total assets** | 2(d) | **540,419** | 505,580 |
| LIABILITIES | | | |
| **Current liabilities** | | | |
| Trade and other payables | 7(e) | **13,485** | 14,503 |
| Disbursement creditors | 7(e) | **83,644** | 65,441 |
| Borrowings | 7(g) | **4,075** | 3,581 |
| Lease liabilities | 8(b) | **7,549** | 7,484 |
| Other current financial liabilities | 7(e) | **154** | 1,090 |
| Current tax liabilities | 8(e) | **215** | 247 |
| Employee benefit obligations | 8(g) | **7,619** | 6,453 |
| Provisions | 8(h) | **214** | 283 |
| **Total current liabilities** | | **116,955** | 99,082 |

## **Consolidated balance sheet** (continued)

| | Notes | **2020 $'000** | 2019 $'000 |
|---|---|---|---|
| LIABILITIES | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | 7(e) | **2,535** | 2,515 |
| Borrowings | 7(g) | **48,424** | 50,832 |
| Lease liabilities | 8(b) | **40,898** | 47,054 |
| Deferred tax liabilities | 8(d) | **91,649** | 81,146 |
| Employee benefit obligations | 8(g) | **1,293** | 1,188 |
| Provisions | 8(h) | **1,445** | 1,355 |
| **Total non-current liabilities** | | **186,244** | 184,090 |
| | | | |
| **Total liabilities** | 2(d) | **303,199** | 283,172 |
| | | | |
| **Net assets** | | **237,220** | 222,408 |
| | | | |
| EQUITY | | | |
| Share capital | 9(a) | **53,223** | 53,150 |
| Other reserves | 9(c) | **380** | 187 |
| Retained earnings | 9(d) | **183,514** | 168,966 |
| **Capital and reserves attributable to the owners of Shine Justice Ltd** | | **237,117** | 222,303 |
| Non-controlling interests | 14(b) | **103** | 105 |
| **Total equity** | | **237,220** | 222,408 |

## Consolidated statement of changes in equity

| | Notes | Share capital $'000 | Other reserves $'000 | Retained earnings $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| | | Attributable to owners of Shine Justice Ltd | | | | | |
| **Balance at 1 July 2018** | | 53,150 | (331) | 165,321 | 218,140 | – | 218,140 |
| Effect of adoption of new accounting standards | | – | – | (4,247) | (4,247) | – | (4,247) |
| **Balance at 1 July 2018 (restated)** | | 53,150 | (331) | 161,074 | 213,893 | – | 213,893 |
| Profit for the period | | – | – | 13,953 | 13,953 | 79 | 14,032 |
| Arising from business combination | | – | – | – | – | 26 | 26 |
| Other comprehensive income | 9(c) | – | 126 | – | 126 | – | 126 |
| **Total comprehensive income for the period** | | – | 126 | 13,953 | 14,079 | 105 | 14,184 |
| **Transactions with owners in their capacity of owners** | | | | | | | |
| Dividends paid | 13(b) | – | – | (6,061) | (6,061) | – | (6,061) |
| Employee share schemes – value of employee services | 19(c) | – | 392 | – | 392 | – | 392 |
| | | – | 392 | (6,061) | (5,669) | – | (5,669) |
| **Balance at 30 June 2019** | | 53,150 | 187 | 168,966 | 222,303 | 105 | 222,408 |
| **Balance at 1 July 2019** | | **53,150** | **187** | **168,966** | **222,303** | **105** | **222,408** |
| Profit for the period | | **–** | **–** | **21,476** | **21,476** | **77** | **21,553** |
| Other comprehensive income | 9(c) | **–** | **(270)** | **–** | **(270)** | **–** | **(270)** |
| **Total comprehensive income for the period** | | **–** | **(270)** | **21,476** | **21,206** | **77** | **21,283** |
| **Transactions with owners in their capacity of owners** | | | | | | | |
| Dividends paid | 13(b) | **–** | **–** | **(6,928)** | **(6,928)** | **(79)** | **(7,007)** |
| Deferred ordinary shares | | **73** | **(45)** | **–** | **28** | **–** | **28** |
| Employee share schemes – value of employee services | 19(c) | **–** | **508** | **–** | **508** | **–** | **508** |
| | | **73** | **463** | **(6,928)** | **(6,392)** | **(79)** | **(6,471)** |
| | | | | | | | |
| **Balance at 30 June 2020** | | **53,223** | **380** | **183,514** | **237,117** | **103** | **237,220** |

# Consolidated statement of cash flows

| | Notes | 2020 $'000 | 2019 [1] $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | **175,566** | 174,517 |
| Payments to suppliers and employees (inclusive of GST) | | **(144,389)** | (148,959) |
| Disbursements recovered | | **23,685** | 23,630 |
| Disbursements paid | | **(24,570)** | (20,954) |
| Interest received | 5(a) | **406** | 301 |
| Finance costs | | **(5,657)** | (7,673) |
| Income taxes paid | | **(287)** | (224) |
| **Net cash inflow from operating activities** | 10(a) | **24,754** | 20,638 |
| **Cash flows from investing activities** | | | |
| Payments for plant and equipment | 8(a) | **(1,085)** | (950) |
| Payments for acquisition of subsidiary and payment for files | | **(258)** | (4,238) |
| Purchase of receivables | | **(678)** | – |
| Loans to related parties | | **(980)** | (531) |
| Payment for intangible assets | | **(3,441)** | (1,009) |
| **Net cash outflow from investing activities** | | **(6,442)** | (6,728) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **2,259** | 3,000 |
| Repayment of borrowings | | **(1,891)** | (65) |
| Proceeds from disbursement funding | | **24,103** | 52,433 |
| Repayment from disbursement funding | | **(19,834)** | (49,415) |
| Principal elements of lease payments | | **(7,528)** | (7,616) |
| Asset finance facility repayments | | **(2,281)** | (2,093) |
| Dividends paid to company's shareholders | 13(b) | **(6,928)** | (6,061) |
| Dividends paid to non-controlling interests in subsidiaries | | **(79)** | – |
| **Net cash outflow from financing activities** | | **(12,179)** | (9,817) |
| **Net increase in cash and cash equivalents** | | **6,133** | 4,093 |
| Cash and cash equivalents at the beginning of the financial year | | **26,697** | 22,549 |
| Effects of exchange rate changes on cash and cash equivalents | | **(18)** | 55 |
| **Cash and cash equivalents at end of year** | | **32,812** | 26,697 |

[1] The 2019 cashflows relating to disbursement funding have been reclassified to be consistent with the current year presentation.

**Contents of the notes of the financial statements**

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- The amount in question is significant because of its size or nature
- It is important for understanding the results of the Group
- It helps to explain the impact of significant changes in the Group's business – for example, acquisitions, disposals and impairment write downs, and
- It relates to an aspect of the Group's operations that is important to its future performance

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial report.



**How numbers are calculated**

### Risk



### Group structure



### Unrecognised items



### Further details

## Note 1
## Significant changes in the current reporting period

The Group remains well placed to grow revenue through ongoing practice innovation.

It has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities.

The Group settled or resolved more than 5,600 cases during the year and procured client damages in excess of $730 million.

### New Practice Area segment

An increase in revenue was primarily as a result of significant growth in the Abuse and the Disability and Super business as well as the contribution of Carr and Co full first year revenue as a result of the acquisition of the business on 1 January 2019.

During the year, our class actions division continued to grow. We were delighted to announce the successful outcome in court proceedings in one of Australia's largest product liability class actions, commenced in 2012, relating to faulty prolapse mesh and tape implants. The decision is subject to an appeal but if ultimately successful, the litigation is expected to deliver justice for many thousands of Australian women left with life altering complications from the defective implants.

Settlement was reached in class actions against the Commonwealth Department of Defence for residents in the Queensland town of Oakey and in Katherine in the Northern Territory in relation to claims for property and business losses due to exposure to toxic firefighting chemicals.

### Personal Injury segment

A decrease in revenue was primarily as a result of slight underperformance compared to the previous comparative period.

Shine Lawyers continued to specialise in damages-based plaintiff litigation legal services, primarily relating to personal injuries. We continued to optimise traditional and digital advertising, adapting content to respond to changing emphasis in client concerns as the COVID-19 pandemic evolved. We strengthened our brand presence and recognition across all regions, especially Queensland.

The Group's Western Australian businesses continued to perform well. Stephen Browne Lawyers experienced growth in its personal injury business and commenced work in superannuation and disability insurance. Bradley Bayly experienced strong growth in abuse matters, following law reform removing the limitation period for childhood sexual abuse compensation claims.

### Emerging business risks

The Group has reviewed its exposure to emerging business risks, that could impact the financial performance or financial position of the Group as at 30 June 2020 as follows:

#### COVID-19 Pandemic Impact

The Group closely monitored and responded to the potential impacts on its business of the COVID-19 pandemic during the second half of the year. There has been limited impact from COVID-19 on the operations and financial results of the Group highlighting the following:

- The COVID-19 pandemic impacted the way services were provided during the second half of the year, with many staff working from home and providing services remotely. The transition to remote working was implemented with minimal disruption to the delivery of services or impact on enquiries, case management or settlements
- Financial results for FY20 were slightly above forecast (including Q4)
- The Group had $28.7 million net cash at bank (cash at bank less short-term borrowings), and sufficient liquidity in its banking facilities
- Liquidity levels remain consistent, with the net current asset position remaining unchanged at $179 million (31 December 2019: $179 million)
- The pipeline of new work is tracking well, with new case numbers through Q3 and Q4 remaining consistent with prior year numbers
- There was a favourable spike in new enquiries occurring in June 2020 due to an increase in motor vehicle claims as drivers took to the road after lockdown, but also due to a number of Mesh class action cases being recorded, and
- Carr & Co, our family law practice in Perth, was impacted by court closures due to the COVID-19 pandemic, but a return to productivity is expected with the easing of restrictions in Western Australia.

There were no other significant business risks that impacted the financial performance or financial position of the Group as at 30 June 2020.

For a detailed discussion about the Group's performance and financial position please refer to our operating and financial review on pages 32 to 35.

## How numbers are calculated

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction

(b) analysis and subtotals, including segment information, and

(c) information about estimates and judgements made in relation to particular items.

## Note 2
## Segment information

### (a) Description of segments and principal activities

The Group's Managing Director examines the Group's performance from a legal service perspective and has identified two reportable segments of its business:

#### *(i) Personal Injury*

Personal injury remains the core business in damages-based plaintiff litigation.

The Shine Lawyers Core PI business includes:

- motor vehicle accidents
- workers' compensation
- public liability, and
- catastrophic injuries

In addition, brands included within this segment are:

- SB Law Pty Ltd
- Sciacca's Lawyers Pty Ltd
- Bradley Bayly Holdings Pty Ltd, and
- files acquired within Claims Consolidated Pty Ltd

#### *(ii) New Practice Areas*

Shine Justice's New Practices Areas was renamed from Emerging Practices Area during the year.

The Shine Lawyers NPA business includes:

- abuse law
- disability insurance and superannuation claims
- asbestos and dust disease
- Federal compensation law
- medical law
- class actions
- commercial disputes
- employment, and
- private client services

In addition, brands included within this segment are:

- Emanate Legal Services Pty Ltd
- Best Wilson Buckley Family Law Pty Ltd
- Shine NZ Services Pty Ltd
- Risk Worldwide New Zealand Limited
- My Insurance Claim Pty Ltd
- Carr & Co Divorce and Family Lawyers Pty Ltd, and
- files acquired within ACA Lawyers Pty Limited.

The business undertaken by Risk Worldwide New Zealand Limited and My Insurance Claim does not meet the specific criteria in AASB 8 *Operating Segments* which means it is not considered as its own reporting segment. Therefore, as both businesses currently account for significantly less than 10% of the Group revenue, profit or assets, this business has been grouped under New Practice Areas, as permitted under AASB 8.

#### *(iii) Other*

The column includes corporate head office and Group services.

The Managing Director primarily uses a measure of

- adjusted earnings before interest, tax, depreciation and amortisation (EBITDA), and
- gross operating cash flow (GOCF)

to assess the performance of the operating segments.

However, the Managing Director also receives information about the segments' revenue and assets on a monthly basis.

Information about segment revenue is disclosed in Note 3.

**Accounting policy**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The Managing Director assesses the financial performance and position of the Group and makes strategic decisions.

## (b) EBITDA

Interest income and finance costs are not allocated to segments, as this type of activity is driven by the Group finance function, which manages the cash position of the Group.

EBITDA is not an IFRS measure and excludes those costs which are managed by the Group finance function.

EBITDA reconciles to operating profit after income tax as follows:

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| **Profit after income tax** | **21,553** | 14,032 |
| Finance costs – net | **7,313** | 7,736 |
| Depreciation and amortisation | **12,053** | 12,425 |
| Goodwill impairment | **–** | 5,000 |
| Income tax expense | **10,637** | 8,544 |
| Interest revenue | **(406)** | (301) |
| **EBITDA** | **51,150** | 47,436 |

EBITDA based on the operations of the segments is shown below:

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Personal Injury | **32,844** | 35,820 |
| New Practice Area | **17,720** | 12,138 |
| Other | **586** | (522) |
| | **51,150** | 47,436 |

## (c) GOCF

The CODM utilises GOCF as a key measure to monitor cashflow generated from operations.

GOCF is not an IFRS measure and excludes those costs which are managed by the Group finance function.

GOCF reconciles to Net cash inflows from operating activities as follows:

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Cash inflow from operating activities | 24,754 | 20,638 |
| Net cashflows from disbursement funding | 4,269 | 3,018 |
| Finance costs paid | 5,657 | 7,673 |
| Income taxes paid | 287 | 224 |
| Interest received | (406) | (301) |
| GOCF | 34,561 | 31,252 |

## (d) Segment assets

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment.

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Personal Injury | 305,948 | 309,983 |
| New Practice Areas | 233,449 | 185,724 |
| Other | 1,022 | 9,873 |
| | 540,419 | 505,580 |

The total of non-current assets other than financial instruments, broken down by location of the assets, is shown below.

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Australia | 209,817 | 204,019 |
| New Zealand | 3,719 | 4,809 |
| | 213,536 | 208,828 |

## (e) Segment liabilities

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's borrowings and are not considered to be segment liabilities but are managed by the Group finance function.

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Personal Injury | 99,394 | 94,705 |
| New Practice Areas | 55,816 | 53,308 |
| Other | 4,487 | 507 |
| **Total segment liabilities** | 159,697 | 148,520 |
| Unallocated: | | |
| Deferred tax liabilities | 91,649 | 81,146 |
| Borrowings | 51,853 | 53,506 |
| **Total liabilities as per the balance sheet** | 303,199 | 283,172 |

## Note 3
## Revenue

### (a) Revenue from contracts with customers

The Group derives revenue from the transfer of services over time under contracts that are either no-win-no-fee or time and materials based, with a fee that is either fixed or variable in the following major segment lines:

| | Personal Injury | | New Practice Areas | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 |
| **Legal services** | | | | | | | | |
| No-win-no-fee variable | **114,117** | 118,385 | **41,034** | 34,879 | **–** | – | **155,151** | 153,264 |
| No-win-no-fee fixed fee | **–** | – | **6,123** | 4,454 | **–** | – | **6,123** | 4,454 |
| Time and materials | **–** | – | **19,525** | 18,273 | **–** | – | **19,525** | 18,273 |
| **Revenue from external customers** | **114,117** | 118,385 | **66,682** | 57,606 | **–** | – | **180,799** | 175,991 |

### (b) Other revenue

| | Personal Injury | | New Practice Areas | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 | **2020 $'000** | 2019 $'000 |
| Interest income | **–** | – | **–** | – | **406** | 301 | **406** | 301 |
| Service management fee | **–** | – | **–** | – | **1,545** | 1,413 | **1,545** | 1,413 |
| Other revenue | **192** | 70 | **90** | 128 | **–** | – | **282** | 198 |
| | **192** | 70 | **90** | 128 | **1,951** | 1,714 | **2,233** | 1,912 |

### (c) Total segment revenue

| | Personal Injury | | New Practice Areas | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|
| **Total segment revenue** | **114,309** | 118,455 | **66,772** | 57,734 | **1,951** | 1,714 | **183,032** | 177,903 |

Revenue from external customers come from the provision of legal services. The revenue from both Personal Injury and New Practice Areas relates to the Shine Lawyers brand as well as other major brands.

The Group does not derive any revenue from any single external customer which is greater than 10% of total revenue.

The amount of revenue from external customers broken down by location of the customers is shown below.

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Australia | **178,820** | 174,239 |
| New Zealand | **1,979** | 1,752 |
| | **180,799** | 175,991 |

## (d) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| Current contract assets relating to work in progress | **181,565** | 172,996 |
| Non-current contract assets relating to work in progress | **123,537** | 109,975 |
| **Total contract assets** | **305,102** | 282,971 |

There are no liabilities relating to contracts with customers.

**Accounting policy**

Work in progress (WIP) represents costs incurred and profit recognised on client cases that are in progress and have not yet been invoiced at the end of the reporting date. The recoverability of these amounts is assessed by management and any amounts in excess of the net recoverable value are provided for.

The Company recognises WIP where it is highly probable that the WIP will be recovered on completion of the matter. In assessing the probability of a significant reversal of revenue and hence WIP, Shine reviews the historical recovery rates of closed cases across similar matter types and stages of completion for the past 12 months. The calculated closed file recovery rate includes both matters that were billed and those that were closed with no fee.

Shine incorporates actuarial methodologies to assist in analysing its WIP recoverability rates. Cases that have been identified as unlikely to be successful but not yet closed are not considered to be highly probable and no WIP or revenue is recognised for these matters.

WIP and revenue recognition on some larger cases, such as class actions and major claims, consider the specific aspects of each case or class action, including any third-party funding arrangements that may be applicable to the action. Where there is a risk of a material reversal of revenue in a future period the revenue and associated work in progress in relation to those matters are not recognised in the current reporting period. Historical experience and knowledge of the client cases has been used to determine the net realisable value of work in progress at balance date and the classification between current and non-current.

## (e) Revenue streams

### *(i) Legal services: No-win-no-fee variable*

This revenue stream operates based on contingent fee arrangements, whereby fees are earned only if there is a successful outcome of a matter. Revenue is recognised on a time recorded and materials basis net of any constraint of variable consideration.

Certain larger matters including some class actions are undertaken on a partially or fully funded basis. The Group has arrangements with third party funders to provide a portion of the fees receivable over time as services are performed. In such arrangements, the funded portion of fees is billed and recognised as revenue regularly over time and is not contingent on the successful outcome of the matter. The remaining portion of fees is variable consideration which is conditional on the successful resolution of the litigation. The variable consideration is included in revenue as services are performed only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved.

### *(ii) Legal services: No-win-no-fee fixed*

This revenue stream operates based on contingent fee arrangements, whereby fees are earned only if there is a successful outcome of a matter.

Revenue is recognised on a time recorded and materials basis net of any constraint of variable consideration.

Certain larger matters including some class actions are undertaken on a partially or fully funded basis. The Group has arrangements with third party funders to provide a portion of the fees receivable over time as services are performed. In such arrangements, the funded portion of fees is billed and recognised as revenue regularly over time and is not contingent on the successful outcome of the matter. The remaining portion of fees is variable consideration which is conditional on the successful resolution of the litigation. The variable consideration is included in revenue as services are performed only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved.

### *(iii) Legal services: Time and materials*

The Group earns revenue through a broad range of disciplines within its New Practice Areas segment. Fee arrangements include fixed fee arrangements and unconditional fee for service arrangements (time and materials). Revenue is recognised over time in the accounting period when services are rendered.

For unconditional time and materials contracts, revenue is recognised in line with the amount of fees that the Group is entitled to invoice for services performed to date based on contracted rates. The Group has taken advantage of the practical expedient as set out in AASB 15 as the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date (as matters are billed for a fixed amount for each hour of service provided) and as such the Group has recognised revenue in the amount to which the Group has a right to invoice less any constraint on variable consideration.

**Accounting policies and significant judgements**

*(i) Estimating variable consideration*
Where consideration in respect of a contract is variable, revenue can only be recognised to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract will not be subject to a significant reversal when the uncertainty associated with the variable consideration is subsequently resolved (this is referred to as the 'constraint' requirement).

The Group has determined statistically that its existing modelling for expected losses for contingent matters is materially compliant with the constraint requirements for variable consideration.

*(ii) Performance obligations*
Performance obligations within contracts outline the specific goods and services that are to be delivered to the customer over the life of the contract. For legal services, contracts with clients generally comprise a single distinct performance obligation, being the provision of services in pursuit of the successful settlement of a customer's claim, and the transaction price is allocated to this single performance obligation. Some contracts contain multiple deliverables – for example in respect of a statutory claim and a common law claim, or initial pre-issue work and litigation work. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation, given there is a significant level of integration performed by the Group in delivering these services.

*(iii) Transaction price – variable*
The Group provides various services based on contingent fee arrangements. The uncertainty around the fees ultimately receivable under these types of contracts is generally only fully resolved when a matter is concluded.

Where the Group has sufficient historical experience in similar contracts in order to be able to estimate the expected outcome of a Group of existing contracts reliably, revenue is estimated using the "expected value" method. Revenue is recognised only to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract at the end of a reporting period will not be subject to significant reversal when a matter is concluded.

To determine the probability of success of a case using the expected value method, a level of judgement is required to be applied based on past experience and historical performance of similar matters. The estimated amount of variable consideration is based on the expected fee for the nature of the legal service provided with reference to historical fee levels and relative rates of successful and unsuccessful outcomes.

Where historical averages are not predictive of the probability of outcomes for a given contract, or where the Group has limited historical experience with similar contracts, the expected amount of variable consideration is estimated using a most likely amount approach on a contract by contract basis. In such circumstances, a level of judgement is required to determine the likelihood of success of a given matter, as well as the estimated amount of fees that will be recovered in respect of the matter.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management..

*(iv) Measuring progress of completion*
Revenue is recognised when control of a service is transferred to the customer. The Group recognises revenue in matters 'over time' (as opposed to at a 'point in time') as the customer receives and consumes the benefits of the contract as the Group provides the promised goods and services. A stage of completion approach is used to measure progress towards completion of the performance obligation.

The stage of completion is determined using either:

— Time recorded productivity adjusted for potential billing write-offs and unsuccessful matters, or
— Judgement based estimates of percentage completion. The percentage of completion is determined by comparing the work performed to date against the expected fee to be billed at the conclusion of the matter, considering the approximate amount of time incurred and any potential uplifts/downsides that may be present upon completion.

*(v) Disbursements*
Disbursements (costs from third parties in relation to matters) are arranged on behalf of the client. The Group cannot influence the services or goods provided by disbursement suppliers, therefore no

profit margin is recognised on the activities when clients are on-charged the cost incurred by the Group. The Group acts as an agent for disbursements and no revenue is recognised. The disbursements recoverable at the end of the matter are treated as a separate financial asset measured at fair value through the profit or loss.

*(vi) Conversion of WIP to receivable*
The conversion of WIP to a receivable in relation to services is recognised when a bill has been raised, as this is the point in time that the consideration becomes unconditional because only the passage of time is required before the payment is due. For no-win-no-fee matters, billing occurs when the matter is successfully resolved. For non-contingent revenue contracts, billing occurs over the life of the contract in line with contractual terms.

*(vii) No significant financing component*
Generally, the Group provides services to customers over multiple accounting periods. When a customer is paying for goods and services in arrears, the Group is effectively providing financing to the customer.

The Group has determined that no significant financing component exists in respect of its revenue streams. The reasoning for this decision is as follows:

- For contingent matters, a substantial amount of the consideration promised by the customer is variable subject to the occurrence or non-occurrence of a future event that is not substantially within the control of the customer or the Group, and
- With respect to fee for service and fixed fee arrangements, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

# Note 4
## Material profit or loss information

The Group has identified several items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

| | Notes | **2020**<br>**$'000** | 2019<br>$'000 |
|---|---|---|---|
| **Profit for the period includes the following items that are unusual because of their nature, size or incidence** | | | |
| **(a) Depreciation and amortisation expense** | | | |
| Plant and equipment | 8(a) | **951** | 1,020 |
| Right of use assets | 8(b) | **8,669** | 9,214 |
| Transformation project costs | 8(c) | **1,788** | 1,729 |
| Computer software | 8(c) | **79** | – |
| Erin Brockovich agreement | 8(c) | **104** | 113 |
| Non-contractual client relationships | 8(c) | **464** | 348 |
| Other | | **(2)** | 1 |
| | | **12,053** | 12,425 |
| **(b) Impairment expense** | | | |
| Goodwill | | **–** | 5,000 |

## Note 5
## Other income and expense items

This note provides a breakdown of the items included in other income, other gains/(losses), costs and an analysis of expenses by nature. Information about specific profit and loss items (such as gains and losses in relation to financial instruments) is disclosed in the related balance sheet notes.

### (a) Other income

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| Services management fee | **1,545** | 1,413 |
| Interest income | **406** | 301 |
| Other | **282** | 198 |
| | **2,233** | 1,912 |

#### *(i) Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

#### *(ii) Services management fee*

Sales of goods, rent and services to Shine Lawyers New Zealand, an affiliated entity of the Group. Refer to Note 18 for further detail.

### (b) Other gains/(losses)

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| Net gain/(loss) on disposal of plant and equipment | **207** | (67) |
| Net foreign exchange gains/(losses) | **17** | 34 |
| | **224** | (33) |

## (c) Breakdown of expenses by nature

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Premises | | **4,030** | 4,202 |
| Marketing | | **12,733** | 11,843 |
| HR | | **2,717** | 3,041 |
| IT and computer | | **5,657** | 5,060 |
| Printing, postage and stationery | | **1,513** | 2,169 |
| Professional fees | | **3,846** | 5,268 |
| Fair value losses on unbilled disbursements | 7 (h) | **5,870** | 4,090 |
| Motor vehicle and travel | | **1,205** | 1,267 |
| Bad and doubtful debts | | **1,098** | 899 |
| Sundry | | **697** | 60 |
| | | **39,366** | 37,899 |

## (d) Finance costs

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Interest and finance charges paid/payable for lease liabilities | 8(b) | **2,816** | 3,015 |
| Disbursement funding related interest | | **1,493** | 1,029 |
| Transformation Project Funding facility interest | | **387** | 485 |
| Interest on other loans | | **2,420** | 3,096 |
| Other | | **197** | 111 |
| | | **7,313** | 7,736 |

## Note 6
## Income tax expense

This note provides an analysis of the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

### (a) Income tax expense

| | Notes | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| **Current tax** | | | |
| Current tax on profits for the year | | **156** | 173 |
| **Total current tax expense** | | **156** | 173 |
| **Deferred income tax** | | | |
| (Increase) in deferred tax assets | 8(d) | **(2,362)** | (1,110) |
| Increase in deferred tax liabilities | 8(d) | **12,843** | 9,481 |
| **Total deferred tax expense** | | **10,481** | 8,371 |
| | | | |
| **Total income tax expense** | | **10,637** | 8,544 |

### (b) Numerical reconciliation of income tax expense to prima facie tax payable income tax expense

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| **Profit before income tax expense** | **32,190** | 22,576 |
| Tax at the Australian tax rate of 30% (2019: 30%) | **9,657** | 6,773 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Goodwill impairment | **–** | 1,500 |
| Movement in work in progress | **304** | – |
| Amortisation of intangibles | **139** | 104 |
| Non-allowable items | **57** | 51 |
| Adjustments for current tax of prior periods | **480** | 116 |
| **Income tax expense** | **10,637** | 8,544 |

## (c) Tax losses

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Australia** | | |
| Tax losses for which a deferred tax asset has been recognised | **49,387** | 44,517 |
| **Potential tax benefit @ 30%** | **14,816** | 13,355 |
| **New Zealand** | | |
| Tax losses for which a deferred tax asset has been recognised | **2,101** | 2,666 |
| **Potential tax benefit @ 30%** | **630** | 800 |

### Accounting policy

*Current income tax*
The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

*Deferred income tax*
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

*Leases*
The Group's lease payments are deductible upon payment for tax purposes. In accounting for the deferred tax relating to the lease, the Group considers both the lease asset and the lease liability separately. The Group separately accounts for the deferred taxation on the taxable temporary differences and the deductible temporary difference, which upon initial recognition are equal and offset to zero. Deferred tax is recognised on subsequent changes to the taxable and temporary differences as net on the balance sheet.

## Note 7
## Financial assets and financial liabilities

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group
- specific information about each type of financial instrument
- accounting policies, and
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group holds the following financial instruments:

### Financial assets

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Assets at amortised cost** | | | |
| Trade and other receivables | 7(a) | **12,404** | 11,723 |
| Other financial assets | 7(b) | **4,698** | 3,863 |
| Cash and cash equivalents | 7(d) | **32,812** | 26,697 |
| | | **49,914** | 42,283 |
| **Assets at fair value** | | | |
| Unbilled disbursements | 7(c) | **89,268** | 78,296 |
| | | **139,182** | 120,579 |

### Financial liabilities

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Liabilities at amortised cost** | | | |
| Trade and other payables | 7(e) | **16,020** | **17,018** |
| Disbursement creditors | 7(e) | **83,644** | **65,441** |
| Other financial liabilities | 7(e) | **154** | 1,090 |
| Borrowings | 7(g) | **52,499** | 54,413 |
| **Lease liabilities** | 8(b) | **48,447** | 54,538 |
| | | **200,764** | 192,500 |

The Group's exposure to various risks associated with the financial instruments is discussed in Note 12. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

**Accounting policy**

*Investments and other financial assets*
*(i) Classification*
The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or fair value through profit or loss (FVTPL), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

*(ii) Recognition and derecognition*
Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*(iii) Measurement*
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

*(iv) Impairment*
The Group assesses on a forward-looking basis the expected credit loss associated with its trade receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 12(c) for further details.

## (a) Trade and other receivables

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Current** | | | |
| Trade receivables from contracts with customers | | **12,078** | 10,080 |
| Loss allowance | 12(c) | **(1,664)** | (1,306) |
| | | **10,414** | 8,774 |
| Other receivables | | **462** | 1,244 |
| | | **10,876** | 10,018 |
| **Non-current** | | | |
| Trade receivables from contracts with customers | | **2,106** | 2,246 |
| Loss allowance | 12(c) | **(578)** | (543) |
| | | **1,528** | 1,703 |
| | | **12,404** | 11,721 |

### *(i) Transferred receivables*

The Group has factoring arrangements with private third parties to factor certain trade receivables. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash. These amounts have been derecognised in the balance sheet. The cash flows from the debtor factoring appears within Receipts from Customers in the Consolidated Statement of Cash Flow. Future receipts from the factored debtors will be received by the Group as agent and forwarded on to the factored on a monthly basis, this being the only ongoing involvement of the Group with the trade receivables derecognised.

The relevant amounts are as follows:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Transferred receivables | **–** | (2,119) |
| Received from factorer | **–** | 1,822 |

### *(ii) Fair values of trade receivables*

Due to the short-term nature of the current receivables, their carrying amount is the same as their fair value.

### *(iii) Impairment and risk exposure*

Information about the impairment of trade receivables and the Group's exposure to credit risk and foreign currency risk can be found in Notes 12(c) and 12(b).

### Accounting policy

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. Trade receivables expected to be collected within 12 months of the end of the reporting period are classified as current. All other trade receivables are classified as non-current.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less loss allowance. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 12(c).

## (b) Other financial assets at amortised cost

Financial assets at amortised cost include the following debt investments:

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Current** | | | |
| Loans to related parties (i) | | **313** | 459 |
| | | **313** | 459 |
| **Non-current** | | | |
| Loans to related parties (i) | | **4,406** | 3,425 |
| Less: allowance for expected credit losses | 12 (c) | **(21)** | (21) |
| | | **4,385** | 3,404 |
| **Total** | | **4,698** | 3,863 |

### *(i) Loans to related parties*

Further information relating to loans to related parties is set out in Note 18.

### *(ii) Impairment and risk exposure*

Information about the impairment of loans to related parties and the Group's exposure to credit risk can be found in Note 12(c).

### Accounting policy

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

— the asset is held within a business model whose objective is to collect the contractual cash flows, and

— the contractual terms give rise to cash flows that are solely payments of principal and interest.

## (c) Unbilled disbursements

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Current | | **67,240** | 59,595 |
| Non-current | | **22,028** | 18,701 |
| | 7(h) | **89,268** | 78,296 |

### *(i) Classification as unbilled disbursements*

The Group determines the classification between current and non-current by evaluating the expected timing of settlements and billings of each case, considering historical trends and average length of time that cases are open.

### *(ii) Fair values of unbilled disbursements*

The losses on these assets held at FVTPL are disclosed separately at Note 5(c). It has been assessed whether the that unbilled disbursements are held at 'at risk' could impact the analysis that Shine is the agent rather than principal in respect of the disbursements under AASB 15.

In assessing the indicators that an entity might be principal from AASB 15, the Group:

- is not responsible for fulfilling the promise of providing the good or service (e.g. Shine is not responsible for providing a medical report)
- does not have inventory risk in respect of the underlying good or service (e.g. in respect of a medical report), and
- does not have price discretion in respect of the disbursements (as this sits with the disbursement provider e.g. the doctor).

None of these indicators are impacted by the fact that the disbursements receivable is at risk, and therefore it has been assessed as appropriate that Group continues to be considered a principal in respect of disbursements.

See Note 7(h) for more detail relating to the recognition of fair value measurements.

**Accounting policy**

Disbursements represent costs incurred on behalf of clients during a matter that are recovered from clients.

A fair value adjustment is made to unbilled disbursements based on the Group's history of amounts not recovered over previous years and a specific assessment of the recoverability of disbursements on major No-win-no-fee cases such as class actions.

## (d) Cash and cash equivalents

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash at bank and in hand | | **31,994** | 25,879 |
| Restricted cash | | **818** | 818 |
| | 10(b) | **32,812** | 26,697 |

### *(i) Reconciliation to cash flow statement*

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Balances as above | | **32,812** | 26,697 |
| **Balance per statement of cash flows** | 10(b) | **32,812** | 26,697 |

### *(ii) Classification as cash equivalents*

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 31 days' notice with an interest adjustment based on the percentage of the original term elapsed as at the end of the 31 day notice period.

### *(iii) Restricted cash*

The cash and cash equivalents disclosed above and in the statement of cash flows include $818,000 (2019: $818,000) which are held by Shine Justice Ltd. These deposits are subject to restrictions and are therefore not available for general use by the other entities within the Group.

During the previous financial year, $818,000 was receipted regarding a matter acquired as part of the ACA Lawyers acquisition. These funds are held until another specific matter is secured and funding achieved. These conditions had not been met at 30 June 2020 and therefore $818,000 of cash at bank remains restricted.

#### Accounting policy

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## (e) Trade and other payables

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Current** | | | |
| **Trade and other payables** | | | |
| Trade payables | | **5,676** | 6,693 |
| Sundry payables and accrued expenses | | **2,644** | 2,608 |
| Staff related payables | | **5,165** | 5,202 |
| | | **13,485** | 14,503 |
| **Unbilled disbursement creditors** | | | |
| Disbursement funding creditors | 7(f) | **71,977** | 54,543 |
| Disbursement creditors | | **11,667** | 10,898 |
| | | **83,644** | 65,441 |
| Other financial liabilities | | **154** | 1,090 |
| | | **97,283** | 81,034 |
| **Non-current** | | | |
| Deferred consideration – vendor liabilities on acquisition (i) | 12(d) | **2,535** | 2,515 |
| | | **2,535** | 2,515 |
| | | | |
| | | **99,818** | 83,549 |

***(i) Deferred consideration - vendor liabilities on acquisition***

At 30 June 2020, there was $2,515,272 of contingent consideration with respect to the ACA Lawyers acquisition still outstanding.

Interest has been accrued on the balance amounting to $19,396.

***(ii) Disbursement funding creditors***

See Note 7(f) for further details.

*(iii) Unbilled disbursements creditors*

Disbursements payable by Shine which are not funded by an external disbursement funder. These include speculative matters which are payable on the settlement of a case.

**Accounting policy**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## (f) Disbursement funding

| | Notes | Facility limit (Principal) $'000 | Total facility balance $'000 | Undrawn limit available $'000 |
|---|---|---|---|---|
| **30 June 2020** | | | | |
| **Third Party Disbursement Funding Facility** | | | | |
| Deferred payment agreement | | | | |
| Principal | | **57,500** | **(52,867)** | **4,633** |
| Accrued interest | | **n/a** | **(14,204)** | **n/a** |
| | | **n/a** | **(67,071)** | **n/a** |
| Credit contracts and Exclusive Service Provider Deed | | | | |
| Principal | | **n/a** | **(4,098)** | **n/a** |
| Accrued interest and fees | | **n/a** | **(808)** | **n/a** |
| | | **n/a** | **(4,906)** | **n/a** |
| | | | | |
| | 7(e) | **n/a** | **(71,977)** | **n/a** |
| **30 June 2019** | | | | |
| **Third Party Disbursement Funding Facility** | | | | |
| Deferred payment agreement | | | | |
| Principal | | 47,250 | (46,009) | 1,241 |
| Accrued interest | | n/a | (5,390) | n/a |
| | | n/a | (51,399) | n/a |
| Deferred settlement agreement | | 1,765 | (1,765) | – |
| Credit contracts and Exclusive Service Provider Deed | | n/a | (555) | n/a |
| Deed of residential claim disbursements | | 260 | (260) | – |
| Deed of assignment disbursement funding | | 564 | (564) | – |
| | 7(e) | n/a | (54,543) | n/a |

### Deferred Payment Agreement

In June 2018, Shine Lawyers entered into a Deferred Payment Agreement with a third party to fund disbursements incurred on behalf of Shine's clients. The disbursement funder reimburses Shine for disbursements incurred in respect of individual client matters. The disbursement funder is subsequently repaid out of settlement proceeds on completion of the matter. Should there be insufficient proceeds on settlement of a case or a case be unsuccessful Shine has the primary responsibility to repay the disbursement.

The principal drawdown on the Deferred Payment Agreement at 30 June 2020 is $52,866,718 (2019: $46,008,431) reflecting total disbursements that are funded. Total accrued interest is $14,204,140 (2019: $5,390,297). The principal and interest in aggregate represents the Group's maximum potential exposure.

The facility has a maturity date of 31 December 2020.

### Credit contracts and Exclusive Service Provider Deed

In September 2018, Shine Justice Ltd and Shine Lawyers entered into an Exclusive Service Provider Deed to create a disbursement funding facility with a third party.

Disbursement loans are provided to clients of the Group by the funder for the sole purpose of funding disbursements. The funding agreement is between the client and the funder. Should there be insufficient proceeds on settlement of a case or a case be unsuccessful Shine has guaranteed to repay the disbursement on behalf of the client.

There is no limit to the total value of client loans that can be approved by the third party. The total principal drawdown at 30 June 2020 was $4,098,286 (2019: $357,560).

**Accounting policy**

The amount of disbursements funded under these facilities is recognised within disbursement funding creditors (see Note 7(e)) and an offsetting amount is recognised in unbilled disbursements.

A provision is recognised against unbilled disbursements to reflect the value of unrecoverable disbursements and funding fees which were not expected to be recovered from clients. See Note 7(c) for further detail.

## (g) Borrowings

### Financing arrangements

The Group's borrowing facilities were as follows:

| | Notes | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| **Floating rate – bank loans** | | | |
| Expiring within one year | | **1,341** | 908 |
| Expiring beyond one year | | **45,000** | 45,000 |
| | 12(b) | **46,341** | 45,908 |
| **Transformation project costs loan** | | | |
| Expiring within one year | | **2,409** | 2,283 |
| Expiring beyond one year | | **3,424** | 5,832 |
| | | **5,833** | 8,115 |
| **Vendor finance** | | | |
| Expiring within one year | | **325** | 390 |
| | | | |
| | | **52,499** | 54,413 |
| Current | 10(b) | **4,075** | 3,581 |
| Non-current | 10(b) | **48,424** | 50,832 |

### *(i) Compliance with loan covenants*

Shine Justice Ltd has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting period, see Note 13(a) for details.

### *(ii) Fair value*

For most of the borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

### *(iii) Risk exposures*

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 12.

**Accounting policy**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## (h) Recognised fair value measurements

### *(i) Fair value hierarchy*

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

| | Level 1<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **Recurring fair value measurements At 30 June 2020** | | | | |
| **Financial assets** | | | | |
| Unbilled disbursements | **–** | **–** | **89,268** | **89,268** |
| **Total financial assets** | **–** | **–** | **89,268** | **89,268** |
| **Recurring fair value measurements At 30 June 2019** | | | | |
| **Financial assets** | | | | |
| Unbilled disbursements | – | – | 78,296 | 78,296 |
| **Total financial assets** | – | – | 78,296 | 78,296 |

There were no transfers into or out of Level 3 fair value measurements during the twelve months ended 30 June 2020. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

### *(ii) Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments
- For foreign currency forwards – present value of future cash flows based on the forward exchange rates at the balance sheet date, and
- For other financial instruments – discounted cash flow analysis.

All the resulting fair value estimates are included in Level 3.

### *(iii) Fair value measurements using significant unobservable inputs*

The following table presents the changes in Level 3 items for the periods ended 30 June 2020 and 30 June 2019:

| | Notes | Unbilled disbursements $'000 |
|---|---|---|
| **Opening balance 1 July 2018** | | – |
| Impact on adoption of AASB 9 | | 76,236 |
| Net additions and settlements | | 6,243 |
| Losses recognised in profit or loss | | (4,090) |
| Interest | | (93) |
| **Closing balance 30 June 2019** | 7(c) | 78,296 |
| Net additions and settlements | | **16,842** |
| Losses recognised in profit or loss | 5(c) | **(5,870)** |
| Interest | | **–** |
| **Closing balance 30 June 2020** | 7(c) | **89,268** |

### *(iv) Transfers between levels and changes in valuation techniques*

There were no transfers between the levels of the fair value hierarchy in the twelve months to 30 June 2020. There were also no changes made to any of the valuation techniques applied as of 30 June 2019.

### *(v) Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements (see (ii) above for the valuation techniques adopted).

| Description | Fair value at 30 June 2020 $'000 | Unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|
| Unbilled disbursements | 89,268 | Internal historical recovery rates<br>Qualitative individual matters | If the recovery rate was 1% (higher) or lower, the fair value would (decrease)/increase by $938,410 |

## Note 8
## Non-financial assets and non-financial liabilities

This note provides information about the Group's non-financial assets and non-financial liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
  - — plant and equipment: Note 8(a)
  - — leases: Note 8(b)
  - — intangible assets: Note 8(c)
  - — deferred tax balances: Note 8(d)
  - — current tax balances: Note 8(e)
  - — other assets: Note 8(f)
  - — employee benefit obligations: Note 8(g)
  - — provisions: Note 8(h)
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

## (a) Plant and equipment

| | Notes | Fixtures and fittings $'000 | Leased plant and equipment $'000 | Office furniture and equipment $'000 | Computer equipment and software $'000 | Make good allowance on leased premises $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| NON-CURRENT | | | | | | | |
| **Year ended 30 June 2019** | | | | | | | |
| Cost or fair value | | 6,078 | 38 | 1,941 | 816 | 42 | 8,915 |
| Accumulated depreciation | | (3,912) | (38) | (1,221) | (416) | (42) | (5,629) |
| **Net book amount** | | 2,166 | – | 720 | 400 | – | 3,286 |
| Opening net book amount | | 4,829 | 293 | 1,923 | 327 | 263 | 7,635 |
| Exchange differences | | 6 | – | (2) | – | – | 4 |
| Additions | | 612 | – | 147 | 191 | – | 950 |
| Disposals | | – | – | – | (1) | – | (1) |
| Acquisition of subsidiary | | 27 | – | 63 | 4 | – | 94 |
| Depreciation charge | 4(a) | (609) | (2) | (286) | (121) | (2) | (1,020) |
| Reclassification to right of use assets | | (2,699) | (291) | (1,125) | – | (261) | (4,376) |
| **Closing net book amount** | | 2,166 | – | 720 | 400 | – | 3,286 |
| **Year ended 30 June 2020** | | | | | | | |
| Cost or fair value | | **6,853** | **–** | **2,306** | **1,014** | **–** | **10,173** |
| Accumulated depreciation | | **(4,668)** | **–** | **(1,697)** | **(574)** | **–** | **(6,939)** |
| **Net book amount** | | **2,185** | **–** | **609** | **440** | **–** | **3,234** |
| Opening net book amount | | **2,166** | **–** | **720** | **400** | **–** | **3,286** |
| Exchange differences | | **(10)** | **–** | **3** | **–** | **–** | **(7)** |
| Additions | | **596** | **–** | **67** | **422** | **–** | **1,085** |
| Reclassifications | | **25** | **–** | **(25)** | **–** | **–** | **–** |
| Disposals | | **–** | **–** | **(3)** | **(176)** | **–** | **(179)** |
| Depreciation charge | 4(a) | **(592)** | **–** | **(153)** | **(206)** | **–** | **(951)** |
| **Closing net book amount** | | **2,185** | **–** | **609** | **440** | **–** | **3,234** |

*(i) Depreciation methods and useful lives*

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term.

The depreciation rates are as follows:

| | |
|---|---|
| Fixtures and fittings | 2.5 – 67% |
| Office and computer and equipment | 2 – 67% |
| Vehicles | 20% |
| Leased plant and equipment | 10 – 50% |
| Makegood | 12 – 67% |

**Accounting policy**

The Group's accounting policy for plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the Group are disclosed above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 25(c)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

## (b) Leases

This note provides information for leases where the Group is a lessee.

***(i) Amounts recognised in the balance sheet***

The balance sheet shows the following amounts relating to leases:

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| **Right-of-use-assets** | | |
| Premises | **38,021** | 45,106 |
| Equipment | **2,626** | 2,518 |
| | **40,647** | 47,624 |
| **Lease liabilities** | | |
| Current | **7,549** | 7,484 |
| Non-current | **40,898** | 47,054 |
| | **48,447** | 54,538 |

Additions to the right-of-use assets during the 2020 financial year were $2,435,257.

***(ii) Amounts recognised in the statement of profit or loss***

| | | **2020** | 2019 |
|---|---|---|---|
| | Notes | **$'000** | $'000 |
| **Depreciation charge of right-of-use-assets** | | | |
| Premises | | **(7,505)** | (7,800) |
| Equipment | | **(1,164)** | (1,414) |
| | 4(a) | **(8,669)** | (9,214) |
| Interest expense (included in finance cost) | 5(d) | **(2,816)** | (3,015) |
| Expense relating to short-term leases (included in other expenses) | | **(119)** | (116) |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in other expenses) | | **(18)** | (15) |

The total cash outflow for leases in 2020 was $10,343,855.

*(iii) The Groups leasing activities and how these are accounted for*

The Group leases various office premises and equipment. Rental contracts are typically made for fixed periods of 12 months to 5 years, but may have extension options as described in (iv) below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Shine Justice Ltd, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

*(iv) Extension and termination options*

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

**Critical judgements in determining the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of office premises and equipment, the following factors are normally the most relevant:

— If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate)

— If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate), and

— Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

Most extension options in offices and equipment leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

During the current financial year, the financial effect of revising termination options was an decrease in recognised lease liabilities and right-of-use assets of $487,384.

There was no exercising of extensions during the year that were not already taken up in the lease liability.

### *(v) Residual value guarantees*

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

**Estimating the amount payable under residual value guarantees**

The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically the expected residual value at lease commencement is equal to or higher than the guaranteed amount, so the Group does not expect to pay anything under the guarantees.

At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices.

## (c) Intangible assets

| | Goodwill | Non–contractual client relationships | Comp-uter software | Trans–formation Project costs | Erin Brockovich Agreement | Website dev. | Trademarks, patents and intellectual property | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Year ended 30 June 2019** | | | | | | | | |
| Cost | 46,158 | 4,653 | 462 | 14,332 | 1,130 | 18 | 186 | 66,939 |
| Accumulated amortisation and impairment | (10,000) | (3,610) | (418) | (3,748) | (1,026) | (18) | (175) | (18,995) |
| **Net book amount** | 36,158 | 1,043 | 44 | 10,584 | 104 | – | 11 | 47,944 |
| Opening net book amount | 37,650 | – | 141 | 10,278 | 217 | 1 | 4 | 48,291 |
| Exchange differences | 10 | – | (3) | – | – | – | – | 7 |
| Additions | – | – | 47 | 1,894 | – | – | 7 | 1,948 |
| Acquisition of business | 3,498 | 1,391 | – | – | – | – | – | 4,889 |
| Transfer | – | – | (141) | 141 | – | – | – | – |
| Impairment charge | (5,000) | – | – | – | – | – | – | (5,000) |
| Amortisation charge | – | (348) | – | (1,729) | (113) | (1) | – | (2,191) |
| **Closing net book amount** | 36,158 | 1,043 | 44 | 10,584 | 104 | – | 11 | 47,944 |
| **Year ended 30 June 2020** | | | | | | | | |
| Cost | **46,152** | **4,653** | **4,769** | **13,471** | **1,130** | **–** | **186** | **70,361** |
| Accumulated amortisation and impairment | **(10,000)** | **(4,074)** | **(497)** | **(5,536)** | **(1,130)** | **–** | **(175)** | **(21,412)** |
| **Net book amount** | **36,152** | **579** | **4,272** | **7,935** | **–** | **–** | **11** | **48,949** |
| Opening net book amount | **36,158** | **1,043** | **44** | **10,584** | **104** | **–** | **11** | **47,944** |
| Exchange differences | **(6)** | **–** | **–** | **–** | **–** | **–** | **–** | **(6)** |
| Additions | **–** | **–** | **3,445** | **–** | **–** | **–** | **–** | **3,445** |
| Transfer | **–** | **–** | **862** | **(862)** | **–** | **–** | **–** | **–** |
| Amortisation charge | **–** | **(464)** | **(79)** | **(1,787)** | **(104)** | **–** | **–** | **(2,434)** |
| **Closing net book amount** | **36,152** | **579** | **4,272** | **7,935** | **–** | **–** | **11** | **48,949** |

*(i) Amortisation methods and useful lives*

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Transformation Project costs — 8 years
- Non-contractual Client Relationship — 1.5 years
- Patents and trademarks — 10 years
- IT development and software — 3 years
- Erin Brockovich agreement — 10 years

See Note 24(c) for the Group's policy regarding impairments.

### Transformation Project Costs

This is amortised on a straight-line based on the extent that it will deliver future economic benefits and these benefits can be measured reliably.

### Non-contractual Client Relationship

This relates to a file asset acquisition. The asset is representative of the premium paid to access profits expected to be obtained and is amortised over the life of the individual matters with an expected maximum amortisation period of between 1.5 to 3 years.

### Erin Brockovich Agreement

This agreement is amortised on a straight-line based on the extent that it will deliver future economic benefits and these benefits can be measured reliably.

**Accounting policy**

*Trademarks, licences and customer contracts*
Separately acquired trademarks and licences are shown at historical cost. Trademarks, licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

*Software*
Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software is available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

*(ii) Impairment tests for goodwill*

Goodwill is monitored by management at the level of the two operating segments identified in Note 2(a).
A summary of the goodwill allocation by segment is presented below:

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| **Goodwill carrying amount** | | |
| Personal Injury | **16,646** | 16,646 |
| New Practice Areas | **19,506** | 19,512 |
| | **36,152** | 36,158 |

**Significant estimate: key assumptions used for value-in-use calculations**

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 and 2019 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

| | **Personal Injury** | **New Practice Areas** |
|---|---|---|
| **2020** | | |
| Revenue volume (% annual growth rate) | **5.0** | **5.0** |
| Operating costs (% annual growth rate) | **3.0 to 3.7** | **3.0 to 3.7** |
| Long-term growth rate (%) | **3.0** | **3.0** |
| Pre-tax discount rate (%) | **13.9** | **15.1** |
| **2019** | | |
| Revenue volume (% annual growth rate) | 5.0 | 5.0 |
| Operating costs (% annual growth rate) | 3.0 to 3.7 | 3.0 to 3.7 |
| Long-term growth rate (%) | 3.0 | 3.0 |
| Pre-tax discount rate (%) | 12.7 | 13.4 |

Management has determined the values assigned to each of the above key assumptions as follows:

| Assumption | Approach used to determine values |
|---|---|
| Revenue volume | Average annual growth rate over the five year forecast period; based on past performance and management's expectations of market development. |
| Other operating costs | Fixed costs of the CGUs, which do not vary significantly with revenue volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost- saving measures. The amounts disclosed above are the average operating costs for the five year forecast period. |
| Long-term growth rate | This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports. |
| Pre-tax discount rates | Reflect specific risks relating to the relevant segments and the jurisdictions in which they operate. |

### *(iii) Significant estimate: impairment charge*

Based on the impairment testing performed, the results of the impairment testing of each CGU concluded that no impairment charge against goodwill is to be recognised at 30 June 2020.

### *(iv) Significant estimate: impairment if changes in key assumptions*

The Directors and management have considered and assessed reasonably possible changes for all key assumptions and have not identified any instances that could cause the carrying amount of the Personal Injury CGU and the New Practice Areas CGU to exceed its recoverable amount.

#### Personal Injury CGU

The recoverable amount of the Personal Injury CGU of $342,434,304 is estimated to exceed the carrying amount of the CGU of $257,237,806 at 30 June 2020 by $85,196,498 (2019: $60,080,000).

Although there are no reasonable possible changes in key assumptions that would indicate an impairment, the recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows with all other assumptions remaining constant:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **From** | **To** | From | To |
| Revenue volume (% annual growth rate) | **5.0** | **2.3** | 5.0 | 3.3 |
| Long-term growth rate (%) | **3.0** | **-4.9** | 3.0 | -0.9 |
| Pre-tax discount rate (%) | **13.9** | **17.8** | 12.7 | 15.0 |

New Practice Areas CGU

The recoverable amount of the New Practice Areas CGU of $217,305,752 is estimated to exceed the carrying amount of the CGU of $180,051,670 at 30 June 2020 by $37,254,082 (2019: $46,420,000).

Although there are no reasonable possible changes in key assumptions that would indicate an impairment, the recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows with all other assumptions remaining constant:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **From** | **To** | From | To |
| Revenue volume (% annual growth rate) | **5.0** | **2.9** | 5.0 | 2.4 |
| Long-term growth rate (%) | **3.0** | **-3.7** | 3.0 | -1.2 |
| Pre-tax discount rate (%) | **15.1** | **18.2** | 13.4 | 9.2 |

### Accounting policy

*Goodwill*

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 2).

## (d) Deferred tax balances

### *(i) Deferred tax balances*

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| Deferred tax assets | **23,661** | 21,321 |
| Deferred tax liabilities | **(115,310)** | (102,467) |
| | **(91,649)** | (81,146) |

### *(ii) Deferred tax assets*

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| **The balance comprises temporary differences attributable to:** | | |
| Tax losses | **15,446** | 14,155 |
| Provisions | **5,714** | 5,356 |
| | **21,160** | 19,511 |
| **Other** | | |
| Leases | **2,341** | 1,693 |
| Sundry | **160** | 117 |
| | **2,501** | 1,810 |
| | | |
| | **23,661** | 21,321 |

**Significant estimates**

The deferred tax assets include an amount of $14,815,959 (2019: $13,355,045) which relates to Australian carried-forward tax losses. New Zealand carry forward tax losses amount to $630,320 (2019: $799,853). The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Group. The losses can be carried forward indefinitely and have no expiry date. See Note 6(c) for more details.

| | Tax losses $'000 | Provisions $'000 | Leases $'000 | Sundry $'000 | Total $'000 |
|---|---|---|---|---|---|
| MOVEMENTS | | | | | |
| **At 1 July 2018** | 11,032 | 5,253 | 2,634 | (207) | 18,712 |
| Adjustment on adoption of new accounting standards | – | 97 | 1,223 | – | 1,320 |
| (Charged)/credited | | | | | |
| to statement of comprehensive income | 3,110 | (173) | (2,164) | 337 | 1,110 |
| to statement of financial position | 13 | 179 | – | (13) | 179 |
| **At 30 June 2019 and 1 July 2019** | **14,155** | **5,356** | **1,693** | **117** | **21,321** |
| (Charged)/credited | | | | | |
| to statement of comprehensive income | **1,291** | **358** | **648** | **65** | **2,362** |
| to statement of financial position | **–** | **–** | **–** | **(22)** | **(22)** |
| **At 30 June 2020** | **15,446** | **5,714** | **2,341** | **160** | **23,661** |

### *(iii) Deferred tax liabilities*

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| **The balance comprises temporary differences attributable to:** | | |
| Work in progress and disbursements | **114,349** | 101,774 |
| Intangible assets | **844** | 515 |
| Plant and equipment | **117** | 178 |
| | **115,310** | 102,467 |

### Offsetting within tax consolidated Group

Shine Justice Ltd and its wholly owned Australian subsidiaries have applied the tax consolidation legislation which means that these entities are taxed as a single entity. Consequently, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

| | WIP and Disburs. $'000 | Intangible assets $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|
| MOVEMENTS | | | | |
| **At 1 July 2018** | 92,848 | 322 | 328 | 93,498 |
| Adjustment on adoption of new accounting standards | (531) | – | – | (531) |
| (Charged)/credited | | | | |
| to statement of comprehensive income | 9,438 | 193 | (150) | 9,481 |
| to statement of financial position | 19 | – | – | 19 |
| **At 30 June 2019 and At 1 July 2019** | 101,774 | 515 | 178 | 102,467 |
| (Charged)/credited to statement of comprehensive income | **12,575** | **329** | **(61)** | **12,843** |
| **At 30 June 2020** | **114,349** | **844** | **117** | **115,310** |

## (e) Current tax balances

| | **2020 $'000** | 2019 $'000 |
|---|---|---|
| Current tax receivable | **322** | 306 |
| Current tax liabilities | **(215)** | (247) |

These tax balances are in different tax jurisdictions and are not off settable.

**Accounting policy**

See Note 6 for more detail on the Group's income tax accounting policy.

## (f) Other assets

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Other current assets** | | |
| Prepayments | **2,983** | 2,870 |
| | **2,983** | 2,870 |

## (g) Employee benefit obligations

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Current $'000 | Non-current $'000 | Total $'000 | Current $'000 | Non-current $'000 | Total $'000 |
| Leave obligations (i) | **7,619** | **1,293** | **8,912** | 6,453 | 1,188 | 7,641 |
| | **7,619** | **1,293** | **8,912** | 6,453 | 1,188 | 7,641 |

***(i) Leave obligations***

The leave obligations cover the Group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits.

The current portion of this liability includes all the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and for those employees who are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $7,619,375 (2019 - $6,455,332) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Current leave obligations expected to be settled after 12 months | **5,525** | 5,544 |

**Accounting policy**

*Short-term obligations*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liabilities are presented as current employee benefit obligations in the balance sheet.

*Other long-term employee benefit obligations*
The Group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

## (h) Provisions

| | **2020** | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Current $'000** | **Non-current $'000** | **Total $'000** | Current $'000 | Non-current $'000 | Total $'000 |
| Make good provision (i) | **214** | **1,445** | **1,659** | 283 | 1,355 | 1,638 |
| | **214** | **1,445** | **1,659** | 283 | 1,355 | 1,638 |

***(i) Information about individual provisions and significant estimates***

Make good provision
Shine Justice Ltd is required to restore the leased premises of its offices and branches to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

*(ii) Movements in provisions*

| | Makegood provision $'000 |
|---|---|
| **2020** | |
| Carrying amount at start of year | 1,638 |
| (Charged)/credited to profit or loss | |
| additional provisions recognised | 95 |
| unused amounts reversed | (74) |
| **Carrying amount at end of year** | **1,659** |

### Accounting policy

Provisions for make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## Note 9
## Equity

### (a) Share capital

| | 2020 | 2019 | 2020 | 2019 |
|---|---|---|---|---|
| | **Shares** | Shares | **$'000** | $'000 |
| **Ordinary shares** | | | | |
| Fully paid | **173,261,812** | 173,161,812 | **53,223** | 53,150 |
| **Total share capital** | **173,261,812** | 173,161,812 | **53,223** | 53,150 |

#### *(i) Movements in ordinary shares*

| | Number of shares (thousands) # | Total $'000 |
|---|---|---|
| **Details** | | |
| Opening balance 1 July 2018 | 173,162 | 53,150 |
| **Balance 30 June 2019** | 173,162 | 53,150 |
| Deferred ordinary shares issued | **100** | **73** |
| **Balance 30 June 2020** | **173,262** | **53,223** |

#### *(ii) Ordinary shares*

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

#### *(iii) Dividend reinvestment plan*

The Company does not currently operate a dividend reinvestment plan.

#### *(iv) Employee share scheme issues*

Information relating to the Shine Justice Performance Rights Plan, including details of performance rights issued, exercised and lapsed during the financial year and rights outstanding at the end of the reporting period, is set out in Note 19.

#### *(v) Share buy-back*

There is no current on-market buy-back.

**Accounting policy**

Ordinary shares are classified as equity.

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

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Shine Justice Ltd as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Shine Justice Ltd.

Shares held by the Shine Justice Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

## (b) Other equity

***(i) Treasury shares***

Treasury shares are shares in Shine Justice Ltd that are held by the Shine Justice Employee Share Trust for the purpose of issuing shares under the Shine Justice Performance Rights Plan (see Note 19 for further information).

There has been no issue or purchase of treasury shares in 2020 (2019: nil)

## (c) Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

| | Notes | Share-based payments $'000 | Foreign currency translation $'000 | Total other reserves $'000 |
|---|---|---|---|---|
| **At 1 July 2018** | | 41 | (372) | (331) |
| Currency translation difference | | – | 126 | 126 |
| **Other comprehensive income** | | – | 126 | 126 |
| **Transactions with owners in their capacity as owners** | | | | |
| Share-based payment expenses | 19(c) | 392 | – | 392 |
| **At 30 June 2019** | | 433 | (246) | 187 |
| **At 1 July 2019** | | **433** | **(246)** | **187** |
| Currency translation difference | | **–** | **(270)** | **(270)** |
| **Other comprehensive income** | | **–** | **(270)** | **(270)** |
| **Transactions with owners in their capacity as owners** | | | | |
| Share-based payment expenses | 19(c) | **463** | **–** | **463** |
| **At 30 June 2020** | | **896** | **(516)** | **380** |

### *(i) Nature and purposes of reserves*

#### Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested, and
- the issue of shares held by the Shine Justice Ltd Employee Share Trust to employees.

#### Transactions with non-controlling interests

This reserve is used to record the differences described in Note 14(a)(ii) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

#### Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 24(b) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

## (d) Retained earnings

Movement in retained earnings were as follows:

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Balance 1 July** | | **168,966** | 161,074 |
| Net profit for the period | | **21,476** | 13,953 |
| Dividends | 13(b) | **(6,928)** | (6,061) |
| **Balance 30 June** | | **183,514** | 168,966 |

# Note 10
# Cash flow information

## (a) Reconciliation of profit after income tax to net cash inflow from operating activities

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Profit for the period** | | **21,553** | 14,032 |
| **Adjustments for** | | | |
| Depreciation and amortisation | 4(a) | **12,053** | 12,425 |
| Impairment of goodwill | 4(b) | **–** | 5,000 |
| Net gain on sale of non-current assets | | **(17)** | (67) |
| **Changes in operating assets and liabilities** | | | |
| Decrease/(increase) in trade and other receivables | | **304** | (433) |
| (Increase) in other assets | | **(108)** | (280) |
| (Increase) in work in progress | | **(21,911)** | (17,248) |
| (Decrease) in disbursements | | **(10,971)** | (8,430) |
| Increase in trade creditors and accruals | | **12,212** | 7,194 |
| (Decrease) in income taxes payable | | **(154)** | (64) |
| Increase in deferred tax liabilities | | **10,504** | 8,384 |
| Increase in provisions | | **1,289** | 125 |
| **Net cash inflow from operating activities** | | **24,754** | 20,638 |

## (b) Net debt

This section sets out an analysis of debt for each of the periods presented.

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Cash and cash equivalents | 7(d) | **32,812** | 26,697 |
| Borrowings – repayable with one year (including overdraft) | 7(g) | **(4,075)** | (3,581) |
| Lease liabilities – repayable within one year | 8(b) | **(7,549)** | (7,484) |
| Borrowings – repayable after one year | 7(g) | **(48,424)** | (50,832) |
| Lease liabilities – repayable after one year | 8(b) | **(40,898)** | (47,054) |
| **Net debt** | | **(68,134)** | (82,254) |
| Cash and cash equivalents | 7(d) | **32,812** | 26,697 |
| Gross debt – fixed interest rates | | **(54,605)** | (63,043) |
| Gross debt – variable interest rates | 7(g) | **(46,341)** | (45,908) |
| **Net debt** | | **(68,134)** | (82,254) |

## (c) Reconciliation of liabilities arising from financing activities to financing cashflows

| | Liabilities from financing activities | | | |
|---|---|---|---|---|
| | **Disbursement funding** | **Borrowings** | **Leases** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **At 1 July 2018** | (45,580) | (53,539) | (3,925) | (103,044) |
| Adoption of AASB 16 | – | – | (50,489) | (50,489) |
| Cash flows | (3,018) | (842) | 7,616 | 3,756 |
| Acquisitions | | | | |
| Leases | – | – | (8,796) | (8,796) |
| Subsidiaries | – | (32) | (788) | (820) |
| Terminations – leases | – | – | 1,832 | 1,832 |
| Foreign exchange adjustments | – | – | 12 | 12 |
| **At 30 June 2019** | (48,598) | (54,413) | (54,538) | (157,549) |
| Cash flows | **(4,269)** | **1,914** | **7,527** | **5,172** |
| Acquisitions – leases | **–** | **–** | **(2,453)** | **(2,453)** |
| Terminations – leases | **–** | **–** | **970** | **970** |
| Foreign exchange adjustments | **–** | **–** | **47** | **47** |
| **At 30 June 2020** | **(52,867)** | **(52,499)** | **(48,447)** | **(153,813)** |

## Risk

This section of the notes discusses the Group's exposure to various risks and shows how these could affect the Group's financial position and performance.

# Note 11
# Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

## (a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- estimated fair value of certain financial assets: Note 7(h)
- estimation uncertainties and judgements made in relation to lease accounting: Note 8(b)
- estimated goodwill impairment: Note 8(c)
- estimated useful life of intangible assets: Note 8(c)
- recognition of revenue and allocation of transaction price: Note 3
- recognition of deferred tax asset for carried-forward tax losses: Note 8(d)
- impairment of financial assets: Note 12(c)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

## Note 12
## Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

| Risk | Exposure arising from | Measurement | Management |
|---|---|---|---|
| **Market risk – foreign exchange** | — Future commercial transactions<br>— Recognised financial assets and liabilities not denominated in Australian dollars | — Cash flow forecasting<br>— Sensitivity analysis | Not applicable |
| **Market risk – interest rate** | — Long-term borrowings at variable rates | — Sensitivity analysis | Not applicable |
| **Credit risk** | — Cash and cash equivalents, trade receivables and contract assets | — Aging analysis<br>— Credit ratings | — Diversification of bank deposits, credit limits and letters of credit |
| **Liquidity risk** | — Borrowings and other liabilities | — Rolling cash flow forecasts | — Availability of committed credit lines and borrowing facilities |

The Group's financial risk management is predominantly controlled by the Group finance department under policies approved by the board of Directors. Group finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

The board provides written principles for overall risk management, as well as policies covering specific areas, such as:

- foreign exchange risk
- interest rate risk
- credit risk
- use of derivative financial instruments and non-derivative financial instruments, and
- investment of excess liquidity.

### (a) Derivatives

The Group does not currently have any derivative financial instruments.

## (b) Market risk

### *(i) Foreign exchange risk*

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period was as follows:

| | **2020 NZD $'000** | 2019 NZD $'000 |
|---|---|---|
| Cash and cash equivalents | **1,109** | 1,361 |
| Trade receivables | **332** | 244 |
| Trade payables | **(396)** | (1,379) |
| Lease liabilities | **(1,434)** | (1,698) |
| Other | **(58)** | 280 |

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

| | **2020 NZD $'000** | 2019 NZD $'000 |
|---|---|---|
| Net foreign exchange gain in other gains/(losses) | **46** | 8 |
| Exchange gains on foreign currency borrowing included in finance costs | **9** | 47 |
| **Total net foreign exchanges gain recognised in profit before income tax for the period** | **55** | 55 |

Instruments used by the Group

The Group operates internationally and is exposed to foreign exchange risk, primarily the New Zealand dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity.

There is currently no hedging of the foreign exchange risk.

Sensitivity

The Group is primarily exposed to changes in NZ/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from NZ dollar-denominated financial instruments and the impact on other components of equity is currently considered immaterial.

### *(ii) Cash flow and fair value interest rate risk*

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.

The Group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting period are as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | $'000 | % of total loans | $'000 | % of total loans |
| Variable rate borrowings | 46,341 | 86% | 45,000 | 83% |
| | 46,341 | 86% | 45,000 | 83% |

An analysis by maturities is provided in Note 13(a). The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

### Instruments used by the Group

There is currently no instrument used by the Group to manage this risk.

### Sensitivity

Profit or loss and other components of equity is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

| | Impact on post-tax profit | | Impact on other component of equity | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Interest rates – increase by 100 basis points (2019: 100bps)* | (457) | (315) | (457) | (315) |
| Interest rates – decrease by 100 basis points (2019: 100bps)* | 457 | 315 | 457 | 315 |

*Holding of other variables constant

### Collectability risk

One of the Group's main risks arises from unbilled disbursements where there is a risk of irrecoverability for legal matters that are taken up on a no-win no-fee basis. This risk is mitigated through the case selection process which includes review of likelihood of success during the life of the matter which exposes the Group to collectability risk.

The exposure of the Group's unbilled disbursements to provision rate changes at the end of the reporting period are as follows:

| | Impact on post-tax profit | | Impact on other component of equity | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Provision rates – increase by 1% (2019: 1%)* | **(923)** | (576) | **(923)** | (576) |
| Provision rates – decrease by 1% (2019: 1%)* | **923** | 576 | **923** | 576 |

*Holding of other variables constant

## (c) Credit risk

Credit risk arises from:

- cash and cash equivalents
- deposits with banks and financial institutions, and
- credit exposures to customers, including outstanding receivables.

### *(i) Risk management*

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

### *(ii) Security*

For some trade receivables the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

### *(iii) Impairment of financial assets*

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables from the provision of legal services, and
- contract assets relating to the provision of legal services.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

#### Trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been Grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the following to be the most relevant factors in determining expected loss rates:

- unemployment rate
- inflation, and
- Reserve Bank of Australia cash rate

On that basis, the loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for trade receivables:

| | Current | More than 30 days past due | More than 60 days past due | More than 90 days past due | More than 120 days past due | Total |
|---|---|---|---|---|---|---|
| **30 June 2020** | | | | | | |
| Expected loss rate (%) | **0%** | **0%** | **4%** | **20%** | **29%** | |
| Gross carrying amount ($'000) | **3,837** | **1,755** | **632** | **821** | **7,139** | **14,184** |
| **Loss allowance ($'000)** | **–** | **5** | **28** | **164** | **2,045** | **2,242** |
| **30 June 2019** | | | | | | |
| Expected loss rate (%) | 0% | 0% | 0% | 0% | 36% | |
| Gross carrying amount ($'000) | 4,421 | 680 | 1,007 | 1,191 | 5,027 | 12,326 |
| **Loss allowance ($'000)** | 23 | 3 | 6 | 29 | 1,788 | 1,849 |

The loss allowance for trade receivables as at 30 June reconcile to the opening loss allowance as follows:

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| **Opening loss allowance as at 1 July** | **1,849** | 2,016 |
| Increase in loss allowance recognised in profit or loss during the year | **1,002** | 878 |
| Adoption of AASB 9 | **–** | 38 |
| Acquisition of subsidiary | **–** | 64 |
| Receivables written off during the year as uncollectable | **(609)** | (1,147) |
| **Closing loss allowance at 30 June** | **2,242** | 1,849 |

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Contract assets – work in progress

The loss allowance for work in progress as at 30 June reconciles to the opening loss allowance as follows:

| | $'000 |
|---|---|
| **Opening loss allowance as at 1 July 2018** | – |
| Expected credit loss on adoption of AASB 9 | 542 |
| Net loss allowance measured at an amount equal to lifetime expected credit losses | (60) |
| Reductions due to collections | (158) |
| **Closing loss allowance as at 30 June 2019** | (324) |
| Increase in the allowance recognised in profit or loss during the period | – |
| **Closing loss allowance as at 30 June 2020** | **(324)** |

Other financial assets at amortised cost

Other financial assets at amortised cost include loans to related parties and other receivables.

The loss allowance for other financial assets at amortised cost as at 30 June reconciles to the opening loss allowance as follows:

| | Related parties $'000 | Total $'000 |
|---|---|---|
| **Opening loss allowance as at 1 July 2018** | – | – |
| Increase in the allowance recognised in profit or loss during the period | 21 | 21 |
| **Closing loss allowance as at 30 June 2019** | 21 | 21 |
| Increase in the allowance recognised in profit or loss during the period | – | – |
| **Closing loss allowance as at 30 June 2020** | **21** | **21** |

***(iv) Significant estimates and judgements***

*Impairment of financial assets*

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables above.

## (d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Group held term deposits at call of $9,083,815 (2019: $nil) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, Group finance maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (Note 7(d)) based on expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

### *(i) Financing arrangements*

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| **Floating rate** | | |
| Expiring within one year (line of credit) | **1,500** | 1,600 |
| Expiring beyond one year (bank loans) | **26,805** | 24,500 |
| | **28,305** | 26,100 |

The line of credit may be drawn at any time and may be terminated by the bank without notice. The CBA facility may be drawn at any time and is subject to annual review. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time.

### *(ii) Maturities of financial liabilities*

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Within 1 year $'000 | Between 1 and 5 years $'000 | Over 5 years $'000 | Total contractual cash flows $'000 | Carrying amount $'000 |
|---|---|---|---|---|---|
| **Contractual maturities of financial liabilities** | | | | | |
| **At 30 June 2020 Non-derivatives** | | | | | |
| Trade and other payables[1] | **97,283** | **–** | **–** | **97,283** | **97,283** |
| Borrowings | **1,341** | **49,131** | **–** | **50,472** | **52,499** |
| Deferred consideration | **–** | **2,535** | **–** | **2,535** | **2,535** |
| Lease liabilities | **7,982** | **27,655** | **12,810** | **48,447** | **48,447** |
| | **106,606** | **79,321** | **12,810** | **198,737** | **200,764** |
| **At 30 June 2019 Non-derivatives** | | | | | |
| Trade and other payables | 86,680 | 2,543 | – | 89,223 | 81,034 |
| Borrowings | 908 | 51,053 | – | 51,961 | 54,413 |
| Deferred consideration | – | 2,515 | – | 2,515 | 2,515 |
| Lease liabilities | 7,417 | 28,689 | 18,432 | 54,538 | 54,538 |
| | 95,005 | 84,800 | 18,432 | 198,237 | 192,500 |

[1] Includes disbursement creditors which is classed as all current as becomes due and payable as soon as the case ends with no certainty on the timing.

## Note 13
## Capital management

### (a) Risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may:

- adjust the amount of dividends paid to shareholders
- return capital to shareholders
- issue new shares, or
- sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital based on the following gearing ratio:

Net debt as per Note 10(b)

divided by

Total 'equity' (as shown in the balance sheet, including non-controlling interests).

The gearing ratios at 30 June 2020 and 30 June 2019 were as follows:

| | Notes | 2020<br>$'000 | 2019 [1]<br>$'000 |
|---|---|---|---|
| Net debt | 10(b) | **68,134** | 82,254 |
| Total equity | | **237,220** | 222,408 |
| **Net debt to equity ratio** | | **29%** | 37% |

[1] Restated to include impact of leases on adoption of AASB 16.

#### *(i) Loan covenants*

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- Total bank debt not to exceed 50% of the Group's total work in progress, and
- Total bank debt must be no more than 2.25 times Group EBITDA on a rolling 12 month basis.

The Group has complied with these covenants throughout the reporting period.

## (b) Dividends

### *(i) Ordinary shares*

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Final dividend for the year ended 30 June 2019 of 2.25 cents (2018 – 2.00 cents) per fully paid share | | **4,329** | 3,896 |
| Interim dividend for the year ended 30 June 2020 of 1.50 cents (2019 – 1.25 cents) per fully paid share | | **2,599** | 2,165 |
| **Total paid during the year** | 9(d) | **6,928** | 6,061 |

### *(ii) Dividends not recognised at the end of the reporting period*

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 2.75 cents per fully paid ordinary share (2019: 2.25 cents). The aggregate amount of the proposed dividend expected to be paid on 25 September 2020 out of retained earnings at 30 June 2020, but not recognised as a liability at year end, is: | **4,765** | 3,896 |

### *(iii) Franked dividends*

The dividends recommended after 30 June 2020 will be 100% unfranked. There are no existing franking credits within the Group nor any franking credits arising from the payment of income tax in the year ending 30 June 2021.

**Accounting policy**

Provision is made for any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## Group structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the Group. In particular, there is information about:

- changes to the structure that occurred during the year, and
- transactions with non-controlling interests.

A list of subsidiaries is provided in Note 14.

## Note 14
## Interests in other entities

### (a) Subsidiaries

The Group's subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

| | | Ownership interest held by the Group | | Proportion of controlling interests | | |
|---|---|---|---|---|---|---|
| | | **2020** | 2019 | **2020** | 2019 | |
| **Name of entity** | **Place of business/ country of incorporation** | **(%)** | (%) | **(%)** | (%) | **Principal activities** |
| Shine Lawyers Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| My Insurance Claim Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| Shine DIR Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| Shine (U.S.) Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| Emanate Legal Services Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| SB Law Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| Sciacca's Lawyers Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| Sciacca's Family Lawyers Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| Shine NZ Services Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| Bradley Bayly Holdings Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| Best Wilson Buckley Family Law Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| Claims Consolidated Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| Risk Worldwide New Zealand Limited | New Zealand | **100%** | 100% | **–** | – | Loss adjusters |
| Nerve Solutions Group Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| My Insurance Claim Limited | New Zealand | **100%** | 100% | **–** | – | Loss adjusters |
| ACA Lawyers Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |
| Carr & Co Divorce & Family Lawyers Pty Ltd | Australia | **80%** | 80% | **20%** | 20% | Legal services |
| Nerve Legal Pty Ltd | Australia | **100%** | 100% | **–** | – | Legal services |

**Accounting policy**

*(i) Principles of consolidation*
Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

*(ii) Changes in ownership interests*
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Shine Justice Ltd.

## (b) Non-controlling interests (NCI)

Set out below is summarised financial information of Carr & Co Divorce & Family Lawyers Pty Ltd, the only subsidiary that has non-controlling interests. The amounts disclosed are before inter-company eliminations.

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| **Summarised balance sheet** | | |
| Current assets | **970** | 1,242 |
| Current liabilities | **(1,064)** | (1,166) |
| **Current net assets** | **(94)** | 76 |
| Non-current assets | **960** | 781 |
| Non-current liabilities | **(353)** | (333) |
| **Non-current net assets** | **607** | 448 |
| **Net assets** | **513** | 524 |
| **Accumulated NCI** | **103** | 105 |

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| **Summarised statement of comprehensive income** | | |
| Revenue | **5,070** | 2,633 |
| Profit for the period | **383** | 395 |
| **Total comprehensive income** | **383** | 395 |
| **Profit allocated to NCI** | **77** | 79 |
| **Dividends paid to NCI** | **79** | – |

## Unrecognised items

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

There is no requirement to highlight separately any unrecognised items. However, we believe that this information is useful for users in assessing the financial performance and position of the Group.

## Note 15
## Contingent liabilities and contingent assets

### (a) Bank guarantees

Bank guarantees are contracts that are measured in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The Group's bank guarantees are as follows:

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| Bank Guarantee Facility | | |
| Limit | **4,500** | 4,600 |
| Unused | **1,550** | 1,547 |

### (b) Contingent liabilities

The Group has received a small number of individual notifications submitted by former clients against the Group. When each notification is received, the Group assesses the likelihood that the potential notice will proceed to a legal claim. The Group's estimate of the notifications that may progress to a claim and the excess that may need to be paid to its insurers to cover such potential claims at 30 June 2020 is $40,000 (2019: $nil).

### (c) Contingent assets

The Group had no contingent assets at 30 June 2020.

## Note 16
## Commitments

### (a) Capital commitments

There was nil significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities (2019: $nil).

### (b) Commitments

The Group has payment commitments to suppliers under vendor financing arrangements as follows:

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| Non-cancellable payments | | |
| Not later than 12 months | **2,022** | 900 |
| Between 12 months and 5 years | **2,328** | 342 |
| | **4,350** | 1,242 |

## Note 17
## Events occurring after the reporting period

### (a) Dividend recommendation

Refer to Note 13(b) for the final dividend recommended by the Directors, to be paid on 25 September 2020.

### (b) COVID-19 Impact

There has been limited impact from COVID-19 on the operations and financial results of the Group. This has continued to be the case through to 30 June 2020.

However, as a result of the renewed lockdown in Victoria, the Group is continuing to monitor lead indicators for potential impacts on performance in the short to medium term.

At the date of the signing of the accounts, the Group is comfortable that performance to date in FY21 does not suggest that there will be a material impact on the business in the near term.

### (c) Litigation Funding Legislation Changes

Due to a legislation change which is taking place as of 22 August 2020, it is expected that there may be additional challenges in obtaining litigation funding going forward. Consequently, there was a drive in July and August 2020 to secure a number of matters that are expected to advance in the coming year.

## Further details

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

# Note 18
# Related party transactions

## (a) Parent entities

The Group is controlled by the following entity:

| | | | Ownership interest | |
|---|---|---|---|---|
| **Name** | **Type** | **Place of incorporation** | **2020** | 2019 |
| Shine Justice Ltd | Immediate and ultimate Australian parent entity | Australia | **100%** | 100% |

## (b) Subsidiaries

Interests in subsidiaries are set out in Note 14(a).

## (c) Key management personnel compensation

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Short-term employee benefits | **1,607,052** | 1,492,157 |
| Post-employment benefits | **100,816** | 53,698 |
| Long-term employment benefits | **99,723** | 18,096 |
| Share-based payments | **(701,510)** | 224,178 |
| | **1,106,081** | 1,788,129 |

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 28.

## (d) Transactions with other related parties

The following transactions occurred with a related party, Shine Lawyers NZ Limited which is an affiliated company of which Simon Morrison and Stephen Roche, are Directors and controlling shareholders:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| **Sales and purchases of goods and services** | | |
| Sale of goods, rent and services to entity controlled by key management personnel | **1,544,393** | 1,412,902 |
| Purchases of premises rent from entity controlled by key management personnel | **1,071,476** | 1,177,735 |
| **Interest received from related parties** | **311,717** | 254,889 |

### *(i) Purchases from entities controlled by key management personnel*

The Group acquired the following goods and services from entities that are controlled by a member of the Group's key management personnel:

- Leases over and fit outs of commercial properties occupied by parts of the Group.

## (e) Loans to related parties

The following occurred with a related party, Shine Lawyers NZ Limited which is an affiliated company of which Simon Morrison and Stephen Roche are Directors and controlling shareholders:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Beginning of the year | **3,404,395** | 2,894,219 |
| Loans advanced | **1,438,524** | 1,636,047 |
| Loans repayments received | **(770,554)** | (1,360,210) |
| Interest charged | **311,717** | 254,889 |
| Loss allowance | **–** | (20,550) |
| **End of year** | **4,384,082** | 3,404,395 |

No loss allowance was recognised in relation to loans to related parties during the year, see Note 12(c) for further information. A loss allowance of $20,550 was recognised in expense in 2019.

## (f) Liabilities associated with right to use assets provided by related parties

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Beginning of the year | **6,482,443** | – |
| Impact of change in accounting policy AASB 16 | **–** | 7,173,914 |
| Interest charged | **370,471** | 392,603 |
| Repayments received | **(763,449)** | (767,257) |
| Additional commitments | **355,519** | 218,771 |
| Early terminations | **–** | (535,588) |
| **End of year** | **6,444,984** | 6,482,443 |

## (g) Terms and conditions

Goods were sold to related parties during the year based on the price lists in force and terms that would be available to third parties.

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

The loans to other related parties are repayable two years from the reporting date. The loan attracts interest at the rate equivalent to Shine Justice's Australian working capital facility loan rate plus 2%. The interest rate on loans during the year was 8.5% (2019: 8.5%).

Outstanding balances are unsecured and are repayable in cash.

## (h) Consultancy fees

During the year, consultancy fees were paid to Stephen Roche of $240,000 (2019: $220,000).

## Note 19
## Share-based payments

### (a) Employee Share long-term incentive scheme

The establishment of the Shine Justice Ltd Performance Rights Plan (the Plan) was approved by shareholders at the 2016 and 2019 annual general meetings.

The Plan is designed to provide long-term incentives for senior managers and above to deliver long-term shareholder returns. Under the Plan, participants are granted rights which only vest if certain performance standards are met.

Participation in the Plan is at the board's discretion and no individual has a contractual right to participate in the scheme or to receive any guaranteed benefits.

Since the current reporting period, the Plan is also administered by the Shine Board. This trust is consolidated in accordance with Note 14(a)(i).

The amount of rights that will vest depends on Shine Justice Ltd:

- **earnings per share (EPS)** – *70% weighting,* based on the average annual growth in the EPS of Shine Justice. Pro-rata vesting commences if average annual EPS growth is over 7% per annum over a three-year period from the date of issue, and
- **total shareholder return (TSR)** – *30% weighting,* including share price growth, dividends and capital returns, ranking within a peer Group of selected companies that are listed on the Australian Securities Exchange (ASX) Small Ordinaries Index over a three-year period, and

Rights are granted under the plan for no consideration and carry no dividend or voting rights. When vested, each right converts into one ordinary share.

The price on which the number of rights granted is based on the weighted average price at which the Company's shares are traded on the ASX on 15 days before plus 15 days after the release of the Shine Justice Ltd Annual Report in the financial year to which they relate ($0.92 for rights granted on 29 November 2019 and $0.91 for the rights granted in December 2018).

Set out below are summaries of rights granted under the Plan:

| | **2020 Number of rights** | | 2019 Number of rights | |
|---|---|---|---|---|
| | **EPS** | **TSR** | EPS | TSR |
| **FY18 issuance** | | | | |
| As at 1 July | **1,330,634** | **570,271** | 1,402,045 | 600,876 |
| Forfeited during the year | **(365,084)** | **(156,464)** | (71,411) | (30,605) |
| **As at 30 June** | **965,550** | **413,807** | 1,330,634 | 570,271 |
| **FY19 issuance** | | | | |
| As at 1 July | **1,206,647** | **517,135** | – | – |
| Granted during the year | **–** | **–** | 1,261,498 | 540,642 |
| Forfeited during the year | **(360,507)** | **(154,503)** | (54,851) | (23,507) |
| **As at 30 June** | **846,140** | **362,632** | 1,206,647 | 517,135 |
| **FY20 issuance** | | | | |
| As at 1 July | **–** | **–** | – | – |
| Granted during the year | **1,824,042** | **781,732** | – | – |
| Forfeited during the year | **(352,172)** | **(150,930)** | – | – |
| **As at 30 June** | **1,471,870** | **630,802** | – | – |
| | | | | |
| **Vested at 30 June** | **–** | **–** | – | – |

Share rights outstanding at the end of the year have the following expiry of performance period:

| | Expiry date of performance period | Number of rights 2020 | Number of rights 2019 |
|---|---|---|---|
| **Grant date** | | | |
| 8 June 2018 | 30 June 2020 | **1,379,357** | 2,002,921 |
| 14 December 2018 | 30 June 2021 | **1,208,772** | 1,802,140 |
| 29 November 2019 | 30 June 2022 | **2,102,672** | – |
| | | **4,690,801** | 3,805,061 |

### *(i) Fair value of rights granted*

The assessed fair value at grant date of rights granted during the year ended 30 June 2020 was:

- EPS, $0.84 per right (2019: $0.63)
- TSR, $0.68 per right (2019: $0.38)

EPS

The fair value at grant date is independently determined using a Black-Scholes Model (BSM). Under this approach the value is based on the share price at the valuation date with an adjustment for the dividends foregone during the vesting period.

TSR

The fair value at grant date is independently determined using an adjusted form of the BSM which includes a Monte Carlo simulation model that considers the:

- term of the rights
- impact of dilution (where material)
- share price at grant date
- expected price volatility of the underlying share
- expected dividend yield
- risk-free interest rate for the term of the right, and
- correlations and volatilities of the peer Group companies.

The model inputs for rights granted during the year ended 30 June 2020 included:

- rights are granted for no consideration and vest based on Shine Justice Ltd TSR ranking within a peer group of selected companies over a three-year period.
- *grant date:* 29 November 2019 (2019: 14 December 2018)
- *expiry date of performance period:* 30 June 2022 (2019: 30 June 2021)
- *share price at grant date:* $0.94 (2019: $0.71)
- *expected price volatility of the company's shares:* 47.09% (2019 – 50%)
- *expected dividend yield:* 4.01% (2019: 4.5%)
- *risk-free interest rate:* 0.66% (2019: 2.0%)

The expected price volatility is based on the historic volatility (based on the remaining life of the rights), adjusted for any expected changes to future volatility due to publicly available information.

The fair value of the EPS and TSR rights at grant date $0.84 (2019 – $0.63) and $0.68 (2019 – $0.38) respectively was estimated by taking the market price of the company's shares on that date less the present value of expected dividends that will not be received by the executives on their rights during the three-year performance period.

## (b) Deferred shares – Group Chief Operating Officer

Under her employment contract, the former Group Chief Operating Officer, who left the company in December 2019, was entitled to receive in the form of deferred shares of Shine Justice Ltd:

- 100,000 shares which was issued on 14 November 2019, and
- 100,000 shares to be issued on 14 November 2020. These shares have now been forfeited

The issuing of the shares was conditional upon being employed by Shine Justice Ltd on the date of issue and not being within a notice period given by either party.

They automatically convert into one ordinary share each on vesting at an exercise price of nil. The executive does not receive any dividends and is not entitled to vote in relation to the deferred shares during the vesting period.

If the executive ceases to be employed by the Group within this period, the rights will be forfeited.

The following table shows the deferred shares granted and outstanding at the beginning and end of the reporting period:

| | **2020 Number of shares** | 2019 Number of shares |
|---|---|---|
| **As at 1 July** | **100,000** | **–** |
| Granted during the year | **100,000** | 100,000 |
| Vesting during the year | **(100,000)** | – |
| Forfeited during the year | **(100,000)** | – |
| **As at 30 June** | **–** | 100,000 |

## (c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | **2019 $** | 2019 $ |
|---|---|---|
| Rights issued under Employee Share long-term incentive scheme | **508,000** | 325,000 |
| Deferred shares issued | **–** | 67,000 |
| | **508,000** | 392,000 |

### Accounting policy

Share-based compensation benefits are provided to employees via the Shine Justice Performance Rights Plan.

*Employee options*
The fair value of rights granted under the Shine Justice Performance Rights Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (e.g. the entity's share price)
— excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
— including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Performance Rights Plan is administered by the Shine Employee Share Trust, which is consolidated in accordance with the principles in Note 14(a)(i). When the performance rights vest, the shares may be issued by the Company. The Company can issue to the Trust or pay for it to acquire shares. The Board also has the discretion to pay cash instead. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

## Note 20
## Remuneration of auditors

During the year, the company engaged a new auditor, PricewaterhouseCoopers Australia who replaced Ernst and Young.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, Shine Justice Ltd, its related practices and non-related audit firms:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| (A) PRICEWATERHOUSECOOPERS AUSTRALIA | | |
| **(i) Audit and other assurance services** | | |
| Audit and review of financial statements | **379,338** | – |
| **Total remuneration for audit and other assurance services** | **379,338** | – |
| **Total remuneration of PricewaterhouseCoopers Australia** | **379,338** | – |
| (B) ERNST AND YOUNG | | |
| **(i) Audit and other assurance services** | | |
| Audit and review of financial statements | **64,871** | 755,750 |
| **Total remuneration for audit and other assurance services** | **64,871** | 755,750 |
| **(ii) Taxation services** | | |
| Taxation compliance services | **60,000** | 67,917 |
| **Total remuneration for taxation services** | **60,000** | 67,917 |
| **Total remuneration of Ernst and Young** | **124,871** | 823,667 |
| (C) NON PRICEWATERHOUSECOOPERS AUDIT FIRMS | | |
| **(i) Audit and other assurance services** | | |
| Audit of trust accounts and work in progress | **33,689** | 24,700 |
| **Total remuneration of non-PricewaterhouseCoopers audit firms** | **33,689** | 24,700 |
| **Total auditor's remuneration** | **537,898** | 848,367 |

## Note 21
## Earnings per share

### (a) Basic earnings per share

| | **2020** | 2019 |
|---|---|---|
| | **Cents** | Cents |
| Attributable to the ordinary equity holders of the company | **12.40** | 8.06 |

### (b) Diluted earnings per share

| | **2020** | 2019 |
|---|---|---|
| | **Cents** | Cents |
| Attributable to the ordinary equity holders of the company | **12.13** | 7.92 |

### (c) Reconciliation of earnings used in calculated earnings per share

| | **2020** | 2019 |
|---|---|---|
| | **$'000** | $'000 |
| **Basic earnings per share** | | |
| Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share | **21,476** | 13,953 |
| **Diluted earnings per share** | | |
| Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share | **21,476** | 13,953 |

### (d) Weighted average number of shares used as the denominator

| | **2020** | 2019 |
|---|---|---|
| | **Number** | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **173,224,654** | 173,161,812 |
| Adjustments for calculation of diluted earnings per share: | | |
| Deferred shares | **3,760,463** | 3,047,948 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **176,985,117** | 176,209,760 |

## (e) Information concerning the classification of securities

### *(i) Deferred shares*

Rights to deferred shares granted to executives and employees under the Group's long-term incentive scheme are included in the calculation of diluted earnings per share assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share. Further information about the rights is provided in Note 19.

**Accounting policy**

*Basic earnings per share*
Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

*Diluted earnings per share*
Adjusts the figures used in the determination of basic earnings per share to consider:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## Note 22
## Deed of cross guarantee

Shine Justice Ltd and its subsidiaries listed below are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

The subsidiaries are listed below:

- Shine Lawyers Pty Ltd
- My Insurance Claim Pty Ltd
- Shine DIR Pty Ltd
- Shine (U.S.) Pty Ltd
- Emanate Legal Services Pty Ltd
- SB Law Pty Ltd
- Sciacca's Lawyers Pty Ltd
- Sciacca's Family Lawyers Pty Ltd
- Shine NZ Services Pty Ltd
- Bradley Bayly Holdings Pty Ltd
- Best Wilson Buckley Family Law Pty Ltd
- Claims Consolidated Pty Ltd
- Nerve Solutions Group Pty Ltd
- ACA Lawyers Pty Ltd
- Nerve Legal Pty Ltd

### (a) Consolidated statement of profit or loss, statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Shine Justice Ltd, they also represent the 'extended closed group'.

Set out below is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2020 of the closed Group consisting of Shine Justice Ltd and its subsidiaries.

| | **2020**<br>**$'000** | 2019<br>$'000 |
|---|---|---|
| **Consolidated statement of comprehensive income** | | |
| Profit before income tax | **33,042** | 22,950 |
| Income tax expense | **(10,119)** | (8,651) |
| **Profit for the period** | **22,923** | 14,299 |
| **Summary of movements in consolidated retained earnings** | | |
| **Retained earnings at the beginning of the financial year** | **170,565** | 166,538 |
| Profit for the period | **22,923** | 14,299 |
| Change in accounting policies – AASB 9, 15 and 16 | **–** | (4,211) |
| Dividends paid or provided for | **(6,928)** | (6,061) |
| **Retained earnings at the end of the financial year** | **186,560** | 170,565 |

## (b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 June 2020 of the closed group consisting Shine Justice Ltd and its subsidiaries listed above.

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| ASSETS | | |
| **Current assets** | | |
| Cash and cash equivalents | **31,690** | 26,397 |
| Trade and other receivables | **20,409** | 18,284 |
| Contract assets – work in progress | **175,761** | 169,884 |
| Income tax receivable | **322** | 306 |
| Unbilled disbursements | **70,716** | 59,898 |
| Other assets | **2,921** | 2,792 |
| **Total current assets** | **301,819** | 277,561 |
| **Non-current assets** | | |
| Trade and other receivables | **5,932** | 4,409 |
| Contract assets – work in progress | **118,702** | 107,196 |
| Unbilled disbursements | **24,067** | 17,907 |
| Plant and equipment | **2,935** | 3,124 |
| Right of Use Assets | **39,804** | 46,724 |
| Intangible assets | **45,209** | 44,201 |
| Investments in subsidiaries | **3,600** | 3,600 |
| **Total non-current assets** | **240,249** | 227,161 |
| **Total assets** | **542,068** | 504,722 |
| LIABILITIES | | |
| **Current liabilities** | | |
| Trade and other payables | **9,644** | 9,712 |
| Disbursement creditors | **81,795** | 64,461 |
| Borrowings | **1,612** | 1,223 |
| Lease liabilities | **9,575** | 9,434 |
| Other current financial liabilities | **5,224** | 5,162 |
| Provisions | **7,520** | 6,382 |
| **Total current liabilities** | **115,370** | 96,374 |

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Non-current liabilities** | | |
| Trade and other payables | **2,535** | 2,515 |
| Borrowings | **45,000** | 45,000 |
| Lease liabilities | **43,847** | 52,302 |
| Deferred tax liabilities | **91,936** | 81,819 |
| Provisions | **2,670** | 2,496 |
| **Total non-current liabilities** | **185,988** | 184,132 |
| | | |
| **Total liabilities** | **301,358** | 280,506 |
| | | |
| **Net assets** | **240,710** | 224,216 |
| EQUITY | | |
| Share capital | **53,223** | 53,150 |
| Other reserves | **927** | 501 |
| Retained earnings | **186,560** | 170,565 |
| **Total equity** | **240,710** | 224,216 |

## Note 23
## Parent entity financial information

### (a) Summary financial information

The individual financial statements for the parent entity, Shine Justice Ltd, show the following aggregate amounts:

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| **Balance sheet** | | |
| Current assets | 36,293 | 32,005 |
| Total assets | 186,999 | 190,140 |
| Current liabilities | 5,394 | 663 |
| Total liabilities | 46,064 | 44,768 |
| **Shareholders' equity** | | |
| Issued capital | 132,627 | 132,554 |
| Reserves | 896 | 433 |
| Retained earnings | 7,412 | 12,385 |
| | 140,935 | 145,372 |
| | | |
| **Profit for the period** | 1,868 | 26,253 |
| **Total comprehensive income** | 1,868 | 26,253 |

## (b) Guarantees entered into by the parent entity

The parent entity has provided financial guarantees in respect of bank guarantees amounting to $2,949,823 (2019: $3,053,000).

The parent entity has also given secured guarantees in respect of:

- Bank loans which are secured by a fixed and floating charge over the assets of the Group, and
- Lease and hire purchase liabilities secured by the underlying assets.

In addition, there are cross guarantees given by Shine Justice Ltd and its subsidiaries as described in Note 22. No deficiencies of assets exist in any of these companies.

No liability was recognised by the parent entity or the Group in relation to these last two guarantees, as the fair value of the guarantees is immaterial.

## (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019. For information about guarantees given by the parent entity, please see above.

## (d) Contractual commitments for the acquisition of plant or equipment

The parent entity did not have any contractual commitments for the acquisition of plant or equipment as at 30 June 2020 or 30 June 2019.

## (e) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

***(i) Investments in subsidiaries***

Investments in subsidiaries are accounted for at cost in the financial statements of Shine Justice Ltd.

***(ii) Tax consolidation***

Shine Justice Ltd and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Shine Justice Ltd, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand-alone taxpayer.

In addition to its own current and deferred tax amounts, Shine Justice Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Shine Justice Ltd for any current tax payable assumed and are compensated by Shine Justice Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Shine Justice Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

***(iii) Financial guarantees***

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

## Note 24
## Summary of other significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Shine Justice Ltd and its subsidiaries.

### (a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with:

- Australian Accounting Standards
- Interpretations issued by the Australian Accounting Standards Board, and
- the *Corporations Act 2001*.

Shine Justice Ltd is a for-profit entity for the purpose of preparing the financial statements.

#### *(i) Compliance with IFRS*

The consolidated financial statements of the Shine Justice Ltd Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *(ii) Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets – measured at fair value

#### *(iii) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2019:

Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and
- How an entity considers changes in facts and circumstances.

The Group does not apply significant judgement in identifying uncertainties over income tax treatments. However, since the Group does operate in a multinational environment, this Interpretation was assessed to see if there was any impact on its financial report.

Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions, however, given there are no particularities in the business, it was concluded that the Interpretation did not have an impact on the financial report.

AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle

This standard makes amendments to (with assessment made by the Group relating to the impact on the financial report in brackets):

- AASB 3 *Business Combinations* (no impact)
- AASB 11 *Joint Arrangements* (not applicable)
- AASB 112 *Income Taxes* (no impact), and
- AASB 123 *Borrowing Costs* (no impact).

#### *(iv) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. The Group has assessed that these new standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

- AASB amends the definition of a business (AASB 2018-6)
- AASB amends the definition of material (AASB 2018-7)
- Interest rate benchmark reform on hedge accounting (AASB 2019-3)
- Revised Conceptual Framework for Financial Reporting (AASB 2019-1)
- Disclosure of the effect of new IFRS standards not yet issued in Australia (AASB 2019-5)
- AASB approves removal of special purpose financial reports and new simplified disclosures (AASB 2020-2 and AASB 1060)

- Classification of liabilities as current or non-current (AASB 2020-1)
- Narrow scope amendments issued for IAS 16, IAS 37, IFRS 3 and Annual Improvements to IFRS Standards 2018-2020 affecting IFRS 1, IFRS 9, IFRS 16 and IAS 41.

## (b) Foreign currency translation

***(i) Functional and presentation currency***

Items included in the financial statements of each of t he Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Australian dollar ($), which is Shine Justice Ltd's functional and presentation currency.

***(ii) Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

***(iii) Group companies***

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## (c) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## (d) Reclassification of employee benefit obligations

The Group's liabilities for accumulating sick leave and other long-term employee benefit obligations were previously presented as provisions in the balance sheet. However, management considers it to be more relevant if all employee benefit obligations are presented in one separate line item in the balance sheet. Prior year comparatives as at 30 June 2019 have been restated by reclassifying $6,453,000 from current provisions to current employee benefit obligations and $1,188,000 from non-current provisions to non-current employee benefit obligations.

## (e) Reclassification of loans to related parties

The Group's loans to related parties were presented as trade and other receivables in the balance sheet. However, management considers it to be more relevant if all loans to related parties are presented under other financial assets at amortised cost in one separate line item in the balance sheet. Prior year comparatives as at 30 June 2019 have been restated by reclassifying $459,000 from current trade and other receivables to current other financial assets at amortised cost and $3,404,000 from non-current trade and other receivables to non-current other financial assets at amortised cost.

## (f) Classification in the cash flow statement

The Group's loans to related parties were presented as trade receivables in the balance sheet. However, management considers it to be more relevant if all loans to related parties are presented under other financial assets at amortised cost in one separate line item in the balance sheet. Prior year comparatives as at 30 June 2019 have been restated by reclassifying $459,000 from current trade receivables to current other financial assets at amortised cost and $3,404,000 from non-current trade receivables to non-current other financial assets at amortised cost.

## (g) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## (h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

## Note 25
## Changes in accounting policies

### Adoption of AASB 9 *Financial Instruments,* AASB 15 *Revenue from Contracts with Customers,* and AASB 16 *Leases*

These standards were adopted by the Group on 1 July 2018 and replaced the guidance in AASB 139 *Financial Instruments: Recognition and Measurement,* AASB118 *Revenue* and AASB 117 *Leases* respectively.

The impact of the adoption of these standards on the Group's financial statement and disclosures of the accounting policy that applied from 1 July 2018 was therefore disclosed in the prior financial year. Refer to the 2019 Annual Report for more detail.

There were no other changes in accounting policies during the year.

# DIRECTORS' DECLARATION

**In the Directors' opinion:**

(a) the financial statements and notes set on pages 44 to 149 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and;

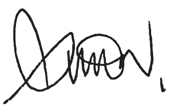
(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in Note 22 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 22.

Note 24(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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



**Simon Morrison**
MANAGING DIRECTOR & CEO

Brisbane, 28 August 2020

# Independent auditor's report

To the members of Shine Justice Ltd (formerly Shine Corporate Ltd)

## *Report on the audit of the financial report*

### *Our opinion*

In our opinion:

The accompanying financial report of Shine Justice Ltd (formerly Shine Corporate Ltd) (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

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

***What we have audited***

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

***Independence***

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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## *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group operates a variety of businesses in the legal industry across a number of regions throughout Australia and New Zealand.


| *Materiality* | *Audit scope* | *Key audit matters* |
|---|---|---|
| • For the purpose of our audit we used overall Group materiality of $1.6 million, which represents approximately 5% of the Group's profit before tax.<br>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.<br>• We chose Group profit before tax because the Group is a profit-oriented business and we therefore believe this to be the most appropriate benchmark for measuring performance.<br>• We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. | • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.<br>• The Group is a legal practice that primarily undertakes the provision of legal services throughout Australia and the conduct of an insurance recovery consulting business in New Zealand.<br>• The accounting processes are structured around a Group finance function at its head office in Brisbane, where we predominantly performed our audit procedures. | • Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:<br>– Revenue Recognition and Recoverability of Work In Progress (WIP) and Unbilled Disbursements<br>– Classification of Contract Assets WIP and Unbilled Disbursements<br>– Carrying Value of Goodwill<br>• These are further described in the *Key audit matters* section of our report. |

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

| *Key audit matter* | *How our audit addressed the key audit matter* |
| --- | --- |
| ***Work In Progress (WIP) and Unbilled disbursements – Revenue recognition and recoverability***<br>*Refer to note 3(c) and 7(c)*<br><br>At 30 June 2020, WIP of $305.1 million and Unbilled disbursements of $89.3 million have been recognised.<br><br>The Group recognises WIP and unbilled disbursements where it is highly probable that the cumulative value of revenue and hence WIP recognised in relation to legal matters will not be subject to significant reversal when the contract outcome is finalised.<br><br>The Group applied judgement based on past experience and historical performance of similar contracts to assess the probability of success. Where historical averages are not predictive of the probability of outcomes or there is limited historical experiences with similar contracts, the Group assessed probability on a contract-by-contract basis.<br><br>Any revisions to estimated outcomes are recognised in the statement of profit or loss in the period which gives rise to the revision.<br><br>This was a key audit matter due to the judgement involved in determining the probability of contract outcomes. | To evaluate revenue recognition and the recoverability of WIP and unbilled disbursements, we performed the following procedures, amongst others:<br><br>• Obtained an understanding of the accounting policy, processes and controls in place over the revenue recognition, WIP and disbursement cycles.<br><br>• Assessed the operating effectiveness of controls and examined supporting documentation including client cost agreements, time worked reports, resolution calculations and case settlements to verify case existence, WIP recording and case outcomes.<br><br>• Assessed the completeness of revenue recognition, WIP and disbursements with reference to the prior year's closing balances, cases closed as well as new cases originating in the current year.<br><br>• Assessed the Group's probability of success with reference to both historical case outcomes in the current and prior year. Where probability of success was not consistent with these outcomes, we assessed the evidence for such adjustments.<br><br>• With the assistance of the PwC Actuarial experts, we considered statistical modelling to assess the probability of significant reversal in revenue.<br><br>• For a sample of matters where historical performance was not considered predictive of probable outcomes, we enquired of the company's legal |

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| | practitioners, considered the status of such matters and external evidence where available to assess the Group's position regarding likely case outcomes.<br>• On a sample basis, we tested unbilled disbursements to supporting documents and the respective case records.<br>• Assessed the recoverability of unbilled disbursements with reference to specific case matters, the existence of disbursement funding arrangements and the extent of unbilled disbursements written off during the current and prior year.<br>• Evaluated whether the disclosures made in notes to the financial statements including those regarding the key assumptions were consistent with our understanding based on our audit procedures and the requirements of Australian Accounting Standards. |
| ***Classification of Contract Assets – WIP and Unbilled disbursements***<br>*Refer to note 3(c) and 7(c)*<br>At 30 June 2020, WIP of $181.6 million and unbilled disbursements of $67.3 million were classified as current assets and WIP of $123.5 million and Unbilled disbursements of $22.0 million were classified as non-current assets.<br>The Group determines the classification between current and non-current by evaluating the expected timing of settlements and billings of cases, considering historical trends and the average length of time that cases are open.<br>The classification of contract assets was a key audit matter due to the judgement involved in determining the expected timing of settlements and billings of cases. | To evaluate the Group's classification of WIP and unbilled disbursements between current and non-current assets, we performed the following procedures, amongst others:<br>• Assessed the reasonableness of estimated completion dates, average file velocities and other relevant assumptions used to determine the classification split by different classes of legal matters.<br>• Assessed the classification, by comparing the proportion of prior period WIP classified as current against the fees billed in FY20.<br>• Assessed the reasonableness of the ratio of current to non-current classification against historical classification ratios. |

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| ***Carrying Value of Goodwill***<br>*Refer to note 8 (c)*<br><br>At 30 June 2020, Goodwill of $36.2 million had been recognised, $16.6 million attributable to the Personal Injury (PI) cash generating unit (CGU) and $19.5m attributable to the New Practice Areas (NPA) GCU.<br><br>The Group has tested recoverable amount of the PI and NPA CGUs including Goodwill based on a value in use (VIU) methodology, utilising a discounted cashflow model.<br><br>The Group made judgements over the revenue and costs growth rates over the five-year forecast, the terminal year growth rate and discount rate used when estimating the future cashflows to calculate the recoverable amount.<br><br>The Group concluded that the recoverable amount of the PI and NPA CGUs supported the carrying amount at 30 June 2020.<br><br>Given the judgements incorporated by the Group in determining the recoverable amount of the PI & NPA CGUs was a key audit matter. | To evaluate the Group's assessment of the recoverable amount of Goodwill, we performed a number of procedures including the following:<br><br>• Assessed the determination of CGUs through examination of system processes, reporting lines and personnel responsibility splits.<br><br>• Considered whether the valuation approach and methodology used by the Group was consistent with the basis required by Australian Accounting Standards and our understanding of the nature of the business.<br><br>• Assessed the division of the Group's assets and liabilities into PI and NPA CGU carrying values.<br><br>• Considered the historical reliability of the Group's cash flow forecasting process by comparing budgets with reported prior years' actual results.<br><br>• Assessed the FY21 budget with reference to FY20 actual performance and agreed the FY21 cashflows per the financial model to the board approved budget.<br><br>• Assessed with the assistance of PwC valuation experts:<br>  o Forecast revenue and cost growth rates over the five-year period with reference to industry benchmarks and prior period actual rates<br>  o Forecast terminal year growth rate of 3.0% by comparison to economic forecasts<br>  o The mathematical accuracy of the model.<br><br>• Evaluated whether the disclosures made in the notes to the financial statements, including those regarding the key assumptions, headroom and sensitivities to changes in such assumptions were |

| *Key audit matter* | *How our audit addressed the key audit matter* |
| --- | --- |
| | consistent with our understanding based on our audit procedures and the requirements of Australian Accounting Standards. |

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

## *Responsibilities of the directors for the financial report*

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

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

## *Auditor's responsibilities for the audit of the financial report*

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

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# *Report on the remuneration report*

## *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 18 to 28 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Shine Justice Ltd for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

## *Responsibilities*

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

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
28 August 2020

# SHAREHOLDER INFORMATION

The following information is current as at 24 August 2020.

### Holding Distribution

| Category (size of holding) | Shareholders | Holders FY18 Rights | Holders FY19 Rights | Holders FY20 Rights |
|---|---|---|---|---|
| 1 – 1,000 | 294 | 0 | 0 | 0 |
| 1,001 – 5,000 | 373 | 0 | 0 | 0 |
| 5,001 – 10,000 | 189 | 0 | 10 | 0 |
| 10,001 – 100,000 | 273 | 39 | 39 | 62 |
| 100,001 and over | 56 | 1 | 1 | 1 |
| **Total** | **1,185** | **40** | **50** | **63** |

## Unmarketable Parcels

The number of shareholders holding less than a marketable parcel of Shares is 211.

### Substantial Holders

| Substantial Holder | Relevant Interests of Substantial Holder and Associates |
|---|---|
| Stephen Roche and Associates | 84,979,804 |
| Simon Morrison and Associates | 84,979,804 |
| FIL Limited and Associates | 17,109,888 |
| Cadence Asset Management Entities | 12,849,105 |

*As disclosed in substantial shareholder notices received by the Company.

## Voting Rights

Each Share entitles its holder to one vote on a poll. Each member present at a meeting in person or by proxy has one vote on a show of hands. Performance Rights do not confer voting rights.

## Performance Rights

The following Performance Rights are held by the following number of holders:

| | | | |
|---|---|---|---|
| Performance Rights | FY18 | FY19 | FY20 |
| Number of Rights | 1,281,083 | 1,143,149 | 2,003,156 |
| Number of holders | 40 | 50 | 63 |

## No Current On-Market Buy-Back

The Company is not currently conducting an on-market buy-back.

## No Restricted Securities or Voluntary Escrow

No securities in the Company are restricted securities or are subject to voluntary escrow.

### Top 20 Holders Of Shares

| | Name | Number of Shares Held | % of issued capital |
|---|---|---|---|
| 1 | Simon Morrison | 42,339,902 | 24.44 |
| | Stephen Roche | 42,339,902 | 24.44 |
| 2 | HSBC Custody Nominees (Australia) Limited | 25,417,513 | 14.67 |
| 3 | JP Morgan Nominees Australia Pty Limited | 11,277,062 | 6.51 |
| 4 | National Nominees Limited | 7,453,056 | 4.30 |
| 5 | BNP Paribas Nominees Pty Ltd | 6,179,573 | 3.57 |
| 6 | BNP Paribas Noms Pty Ltd | 5,870,573 | 3.39 |
| 7 | Torrito Pty Ltd | 2,728,021 | 1.57 |
| 8 | NCH Pty Ltd | 1,777,649 | 1.03 |
| 9 | Jodie Willey | 1,512,957 | 0.87 |
| 10 | Citicorp Nominees Pty Limited | 1,018,070 | 0.59 |
| 11 | Stephen Francis Roche | 973,802 | 0.56 |
| 12 | Ankla Pty Ltd | 833,936 | 0.48 |
| 13 | CHSL Thompson Pty Ltd | 821,107 | 0.47 |
| 14 | Binya Park Pty Ltd* | 673,802 | 0.39 |
| 15 | Stuart Macleod | 664,744 | 0.38 |
| 16 | Mercury Holdings Pty Ltd | 625,000 | 0.36 |
| 17 | Neweconomy Com Au Nominees Pty Limited | 616,003 | 0.36 |
| 18 | Timothy Wilson | 557,376 | 0.32 |
| 19 | Lara Schliebs | 526,479 | 0.30 |
| 20 | Grant Zeller | 500,000 | 0.29 |
| **Total Top 20 Holders** | | **154,706,527** | **89.29** |
| Balance of Register | | 18,555,285 | 10.71 |
| **Total Shares** | | **173,261,812** | **100.00** |

* Binya Park Pty Ltd is a company controlled by Simon Morrison

# GLOSSARY

| | |
|---|---|
| **AGM** | Annual general meeting |
| **ASIC** | Australian Securities & Investments Commission |
| **ASX** | ASX Limited ACN 008 624 691 or the securities exchange operated by it |
| **Best Wilson Buckley** | Best Wilson Buckley Family Law Pty Ltd ACN 139 493 039 or the business conducted by it |
| **Board** | The board of Directors of the Company |
| **Bradley Bayly** | Bradley Bayly Holdings Pty Ltd ACN 123 603 805 or the business conducted by it |
| **Carr & Co** | Carr & Co Divorce & Family Lawyers Pty Ltd ACN 114 924 168 or the business conducted by it |
| **CFO** | Chief Financial Officer |
| **Chairman** | The chairman of Directors |
| **Company/Shine/Shine Justice** | Shine Justice Ltd ACN 162 817 905 |
| **Company website** | www.shinejustice.com.au |
| **Constitution** | The constitution of the Company |
| **COO** | Chief Operating Officer |
| **Corporations Act** | *Corporations Act 2001* (Cth) |
| **Director** | A director of the Company |
| **EBITDA** | Earnings before interest, income tax, depreciation, amortisation and impairment |
| **Emanate** | Emanate Legal Services Pty Ltd ACN 169 229 752 or the business conducted by it |
| **EPS** | Earnings per share |
| **FY18** | The financial year ended 30 June 2018 |
| **FY19** | The financial year ended 30 June 2019 |
| **FY20/Financial Year** | The financial year ended 30 June 2020 |
| **FY18 Right** | A Performance Right issued in June 2018 in respect of FY18 |
| **FY19 Right** | A Performance Right issued in December 2018 in respect of FY19 |
| **FY20 Right** | A Performance Right issued in November 2019 in respect of FY20 |
| **Group/Shine Justice Group** | The Company and its Subsidiaries |
| **KMP** | Key Management Personnel, being those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) |

| | |
|---|---|
| **Leadership Team** | A management team, the members of whom report directly or through one person to the Managing Director & CEO |
| **Listing Rules** | The listing rules of ASX |
| **LTI** | Long Term Incentive |
| **LTIP** | Long Term Incentive Plan |
| **Non-executive Director** | A Director other than the Managing Director & CEO |
| **NPAT** | Net profit after tax |
| **Performance Right/Right** | An unquoted performance right issued under the LTIP |
| **PwC** | PricewaterhouseCoopers |
| **RTSR** | Relative Total Shareholder Return |
| **Sciacca's** | Sciacca's Lawyers Pty Ltd ACN 126 179 084 or the business conducted by it |
| **Share** | A fully paid ordinary share in the Company |
| **Shine Lawyers** | Shine Lawyers Pty Ltd ACN 134 702 757 or the business conducted by it |
| **Stephen Browne Lawyers** | SB Law Pty Ltd ACN 169 699 183 or the business conducted by it |
| **STI** | Short Term Incentive |
| **STIP** | Short Term Incentive Plan |
| **Subsidiaries** | The wholly owned subsidiaries of the Company as set out in Note 14 to the Financial Statements |
| **WIP** | Work-in-progress, being the amount of time recorded and not yet invoiced and recovered in relation to a matter |

# CORPORATE DIRECTORY

**Directors**

**Graham Bradley AM**
Independent Non-executive Chairman

**Teresa Dyson**
Independent Non-executive Director

**David Bayes**
Independent Non-executive Director

**Simon Morrison**
Managing Director & CEO

**Chief Financial Officer | Company Secretary**

**Ravin Raj**

**General Counsel | Company Secretary**

**Annette O'Hara**

**Registered Office**

**Principal Administrative Office**
Level 13
160 Ann Street
Brisbane QLD 4000

**Phone** +61 7 3006 6000
**Fax** +61 7 3229 1999

**ASX Listing**

**ASX Code** SHJ

**Company Numbers**

**ABN** 93 162 817 905
**ACN** 162 817 905

**Auditors**

PricewaterhouseCoopers
480 Queen Street
Brisbane QLD 4000

**Phone** +61 7 3257 5000
**Fax** +61 7 3257 5999

**Bankers**

Commonwealth Bank of Australia
Level 21
180 Ann Street
Brisbane QLD 4350

**Share Registry**

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane QLD 4000
registrars@linkmarketservices.com.au

**Phone** +61 1300 554 474 (toll free)