

ASX ANNOUNCEMENT

25 February 2022

**Shine Justice Ltd (SHJ)
Results for announcement to the market**

In accordance with the Listing Rules, Shine Justice Ltd encloses for immediate release to the market:

1. Appendix 4D; and
2. Interim Financial Report for the 6 months ended 31 December 2021.

The Company will conduct an analyst and investor briefing at 10.30am AEST today. To register for the briefing, please click [this link](#).

Authorised for release by the Board



Annette O'Hara
Company Secretary

Shine Justice Ltd
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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

Appendix 4D

Preliminary financial statements for the six months ended 31 December 2021 as required by ASX listing rule 4.2A

Results for announcement to the market (All comparisons to the 6 months ended 31 December 2020)	31 Dec 21 \$'000	Up/ down	Movement from 31 Dec 20 %
Revenue from ordinary activities	105,666	12,098	12.93%
Profit from ordinary activities after tax attributable to members	13,010	2,961	29.47%
Net comprehensive income for the period attributable to members	13,398	3,315	32.88%

Dividend information	Amount per share (cents)	Franked amount per security (cents)	Tax rate for franking credit (%)
Final 2021 dividend per share (paid October 2021)	3.25	0.00	30%
Interim 2022 dividend determined	2.50	0.00	30%

Interim dividend dates	
Ex-dividend date	10 March 2022
Record date	11 March 2022
Payment date	25 March 2022

Dividend Reinvestment Plan

The Company does not operate a dividend reinvestment plan.

	31 Dec 21 \$	31 Dec 20 \$
Net tangible asset per security	1.28	1.17

This information should be read in conjunction with the 2021 Annual Report.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the six months ended 31 December 2021.

This report is based on the consolidated financial statements for the six months ended 31 December 2021 which have been reviewed by PricewaterhouseCoopers.



Shine Justice Ltd

Interim Financial Report

For the 6 months ended 31 December 2021

ABN: 93 162 817 905

ASX CODE: SHJ

Interim report – 31 December 2021

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The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Shine Justice Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Shine Justice Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 13, 160 Ann St, Brisbane QLD 4000. Its shares are quoted on the Australian Securities Exchange.

Directors' report

Your Directors present their report on the consolidated entity consisting of Shine Justice Ltd and entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were directors of Shine Justice Ltd during the whole of the half-year and up to the date of this report:

Mr Graham Bradley AM (Chairman)
Mr David Bayes
Mrs Teresa Dyson
Mr Rodney Douglas
Mr Simon Morrison

Review of operations

Shine Justice Ltd and its controlled entities are a group (Group) which derives its revenues and profits primarily from one source being the provision of legal services throughout the eastern and western seaboard of Australia and the conduct of an insurance recovery business in New Zealand.

The Group is steadily expanding its footprint in Personal Injury (PI) in damages-based plaintiff litigation, but with a focus on growing New Practice Areas (NPA) at a faster rate than the PI practice area.

A summary of consolidated revenues and results for the half-year by significant segments is set out below:

	Segment revenues		Segment results	
	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
	\$'000	\$'000	\$'000	\$'000
Personal Injury	46,452	43,065	8,223	5,748
New Practice Areas	58,376	49,581	19,612	18,759
Other	838	922	74	(217)
Total segment revenue/result	105,666	93,568	27,909	24,290

Segment results are adjusted earnings before interest, tax, depreciation and amortisation (EBITDA), which is the measure of segment result that is reported to the Managing Director to assess the performance of the operating segments. For a reconciliation to operating profit before tax refer to note 2(b).

We are making strong progress on our strategic priorities, allowing us to access justice on behalf of more clients.

The focus remains to continue to extend our reach into other jurisdictions outside of Queensland to mitigate the impact of exposure to a single market. The Group has been successful in achieving this with just over two thirds of its revenue as at 31 December 2021 earned in markets outside of Queensland.

We opened three new offices this half – in Canberra, Wollongong and Darwin, ensuring we are on track with our plans to pursue growth opportunities in new sites and states.

We celebrated the High Court decision on 5 November 2021 to dismiss Johnson & Johnson's application for special leave to appeal the historic Mesh class action judgment handed down by the Federal Court of Australia in November 2019. The Class Actions team advocated on behalf of these women for almost a decade and we are delighted that this historic victory has been upheld in the courts. Shine can now move forward and bring individual claims for compensation on behalf of the thousands of women who have suffered chronic pain and life-altering complications as a result of faulty mesh implants.

Directors' report

Significant factors that have affected the Group's operations and results during the six months to 31 December 2021 are described below:

(a) Personal Injury

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

The segment EBITDA result of \$8,223,000 was 43% higher than for the comparable period as a result of the impact of restructuring and downsizing of non-performing practices in FY21 now delivering improvements to profitability in the first half of FY22.

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

(b) New Practice Areas

The segment EBITDA of \$19,612,000 was 4.5% higher than for the comparable period which was achieved through strong growth supported by class actions, abuse, medical law, and disability and superannuation.

The Class Actions business unit has continued to grow, strengthening our expertise through the employment of additional Class Actions lawyers and the expected ongoing work administering the settlements for clients from the Mesh Class Action case.

Outlook

We continue to explore organic and acquisition growth opportunities across several business units including a solid pipeline of Class Actions and PI cases.

Shine is the second largest player, in Australia PI Litigation, with 8% market share. While competition is intense, the PI industry continues to grow with Shine continuing to seek further market share.

Encouraged by the success of advertising campaigns over the past several years, Shine will continue investing in marketing initiatives to increase market share in the long-term of personal injury and workplace compensation claims. Despite these positive trends, we expect to face challenges, as the work accident rate and the number of motor vehicle accident deaths decline.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts

The company is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

This report is made in accordance with a resolution of Directors.



Simon Morrison

Managing Director and CEO

Brisbane
25 February 2022



Auditor's Independence Declaration

As lead auditor for the review of Shine Justice Ltd for the half-year ended 31 December 2021, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'K Challenor'.

Kim Challenor
Partner
PricewaterhouseCoopers

Brisbane
25 February 2022

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Consolidated statement of profit or loss

	Notes	31 Dec 21 \$'000	31 Dec 20 \$'000
Revenue from contracts with customers	2	104,743	92,627
Other income	2	923	941
Employee benefits expense		(56,743)	(49,964)
Depreciation and amortisation expense		(6,499)	(6,363)
Finance costs		(2,698)	(3,481)
Other expenses	3(a)	(20,882)	(19,177)
Profit before income tax		18,844	14,583
Income tax expense		(5,796)	(4,529)
Profit for the half-year		13,048	10,054
Profit is attributable to:			
Owners of Shine Justice Ltd		13,010	10,049
Non-controlling interest		38	5
		13,048	10,054
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		7.54	5.80
Diluted earnings per share		7.35	5.70

Consolidated statement of comprehensive income

	Notes	31 Dec 21 \$'000	31 Dec 20 \$'000
Profit for the half-year		13,048	10,054
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges		430	-
Income tax relating to changes in fair value of cash flow hedges		(129)	-
Exchange differences on translation of foreign operations		87	34
Other comprehensive income for the half-year net of tax		388	34
Total comprehensive income for the half-year		13,436	10,088
Total comprehensive income for the half-year is attributable to:			
Owners of Shine Justice Ltd		13,398	10,083
Non-controlling interest		38	5
		13,436	10,088

Consolidated balance sheet

	Notes	31 Dec 21 \$'000	30 Jun 21 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		43,055	55,992
Trade and other receivables		12,916	14,035
Contract assets – work in progress	2(c)	166,415	161,205
Income tax receivable		-	5
Unbilled disbursements at fair value	11	55,706	81,832
Other financial assets at amortised cost		313	313
Other current assets		3,309	4,087
Total current assets		281,714	317,469
Non-current assets			
Trade and other receivables		5,054	1,237
Contract assets – work in progress	2(c)	150,578	138,107
Unbilled disbursements at fair value	11	44,675	25,058
Investment in unlisted entity		100	100
Plant and equipment		4,039	3,699
Derivative financial instrument	11	510	-
Other financial assets at amortised cost		4,803	4,392
Right-of-use assets		34,039	34,551
Intangible assets		48,484	48,578
Total non-current assets		292,282	255,722
Total assets	2(b)	573,996	573,191
LIABILITIES			
Current liabilities			
Trade and other payables		14,172	16,872
Disbursement creditors		83,198	91,081
Borrowings	6	3,696	4,504
Derivative financial instrument	11	80	-
Lease liabilities		8,770	8,129
Other current financial liabilities		222	158
Current tax liabilities		217	254
Employee benefit obligations		8,942	8,722
Provisions		214	211
Total current liabilities		119,511	129,931

Consolidated balance sheet

	Notes	31 Dec 21 \$'000	30 Jun 21 \$'000
Non-current liabilities			
Trade and other payables		1,697	1,696
Borrowings	6	45,000	45,879
Lease liabilities		33,487	34,814
Deferred tax liabilities		108,713	102,785
Employee benefit obligations		1,489	1,422
Provisions		1,555	1,523
Total non-current liabilities		191,941	188,119
Total liabilities	2(b)	311,452	318,050
Net assets		262,544	255,141
EQUITY			
Share capital	7	53,223	53,223
Other equity		(168)	(62)
Other reserves		1,091	999
Retained earnings		208,219	200,840
Capital and reserves attributable to the owners of Shine Justice Ltd		262,365	255,000
Non-controlling interests		179	141
Total equity		262,544	255,141

Consolidated statement of changes in equity

		Attributable to owners of Shine Justice Ltd							
	Note	Share capital \$'000	Other equity \$'000	Retained earnings \$'000	Foreign exchange reserves \$'000	Equity share reserves \$'000	Hedge reserve \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2020		53,223	-	183,514	(516)	896	-	103	237,220
Profit for the half-year		-	-	10,049	-	-	-	5	10,054
Other comprehensive income		-	-	-	34	-	-	-	34
Total comprehensive income for the half-year		-	-	10,049	34	-	-	5	10,088
Transactions with owners in their capacity as owners:									
Dividends paid		-	-	(4,765)	-	-	-	-	(4,765)
Issue of shares to employees		-	-	-	-	(307)	-	-	(307)
Share schemes – value of services		-	-	-	-	750	-	-	750
		-	-	(4,765)	-	443	-	-	(4,322)
Balance at 31 December 2020		53,223	-	188,798	(482)	1,339	-	108	242,986
Balance at 1 July 2021		53,223	(62)	200,840	(539)	1,538	-	141	255,141
Profit for the half-year		-	-	13,010	-	-	-	38	13,048
Other comprehensive income		-	-	-	87	-	301	-	388
Total comprehensive income for the half-year		-	-	13,010	87	-	301	38	13,436
Transactions with owners in their capacity as owners:									
Dividends paid		-	-	(5,631)	-	-	-	-	(5,631)
Acquisition of treasury shares		-	(1,279)	-	-	-	-	-	(1,279)
Issue of shares to employees		-	1,173	-	-	(1,173)	-	-	-
Share schemes – value of services		-	-	-	-	877	-	-	877
		-	(107)	(5,631)	-	(295)	-	-	(6,033)
Balance at 31 December 2021		53,223	(168)	208,219	(452)	1,242	301	179	262,544

Consolidated statement of cash flows

	Notes	Half-year	
		31 Dec 21 \$'000	31 Dec 20 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		95,467	116,441
Payments to suppliers and employees (inclusive of GST)		(86,891)	(77,246)
Disbursements recovered		35,122	29,416
Disbursements paid		(39,278)	(34,705)
Interest received		132	137
Finance costs		(2,664)	(2,632)
Income taxes paid		(30)	(116)
Net cash inflow from operating activities	2(b)	1,858	31,295
Cash flows from investing activities			
Payments for plant and equipment		(773)	(463)
Payments of deferred consideration from acquisition of subsidiary		-	(858)
Payments for acquisition of files		(401)	-
Loans to related parties		(417)	(193)
Payment for intangible assets		(1,730)	(1,797)
Net cash outflow from investing activities		(3,321)	(3,311)
Cash flows from financing activities			
Payments for shares acquired by the Shine Justice Ltd Employee Share Trust		(1,279)	-
Proceeds from borrowings		-	640
Repayment of borrowings		(1,187)	(1,230)
Dividends paid to company's shareholders		(5,631)	(4,765)
Asset finance facility repayments		(1,254)	(1,187)
Principal elements of lease payments		(4,385)	(3,870)
Proceeds from disbursement funding		5,458	4,252
Repayments of disbursement funding		(3,202)	(5,086)
Net cash outflow from financing activities		(11,480)	(11,246)
Net (decrease)/increase in cash and cash equivalents		(12,943)	16,738
Cash and cash equivalents at the beginning of the half-year		55,992	32,812
Effects of exchange rate changes on cash and cash equivalents		6	(35)
Cash and cash equivalents at the end of the half-year		43,055	49,515

1. Significant changes in the current reporting period

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

The Group 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 2,400 cases during the half-year and procured client damages in excess of \$350 million.

New Practice Area segment

The Class Actions business continues to grow significantly in the first half.

In November 2021, the application brought by Ethicon Sarl, Ethicon Inc. and Johnson & Johnson Medical Pty Limited (Applicants) for special leave to appeal against the decision of the Full Court of the Federal Court of Australia in favour of Kathryn Gill, Diane Dawson and Ann Sanders (Respondents) was refused by the High Court of Australia.

The High Court decision brings to an end all avenues of appeal in the matter and paves the way to secure damages for all group members represented by the Respondents in the coming months.

As a result of this decision, Shine will receive payment in respect of the balance of its unpaid fees of \$26,300,000. In addition, Shine will commence the group assessment phase of the matter, which is expected to run several years.

Following the successful decision in April 2021 in relation to the class action brought by Shine in the Federal Court of Australia against Westpac Banking Corporation and Westpac Life Insurance Services Limited (Westpac Life), Shine received its fixed costs in the sum of \$4,626,290 in December 2021. The sum comprised Shine's fees of \$2,773,398 (\$2,521,271 exclusive of GST) and disbursements of \$1,852,892.

The Medical Law business is expanding and continues to demonstrate good growth.

Bradley Bayly Legal and the Shine Abuse business experienced strong growth in wide ranging abuse matters.

Personal Injury segment

The segment EBITDA result of \$8,223,000 was 43% higher than for the comparable period as a result of the impact of restructuring and downsizing of non-performing practices in FY21 now delivering improvements to profitability in the first half of FY22.

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 31 December 2021 as follows:

COVID-19 Pandemic Impact

The Group continued to closely monitor and respond to the potential impacts on its business of the COVID-19 pandemic during the half-year. To date, there has been limited impact from COVID-19 on the operations of the Group. However, at the start of 2nd half FY22, there has been an abnormal increase in sick leave taken in the business arising from the Omicron variant consistent with the national experience. Notwithstanding,

- The Group continues to provide flexible remote working options for its staff
- Financial results (NPAT) for HY22 are 29.8% ahead of prior year
- The Group had \$39.4 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 increasing to \$162.2 million (30 June 2021: \$187.5 million)
- The pipeline of new work is tracking well, with new case numbers through Q1 and Q2 increasing when compared to prior year numbers.

There were no other significant business risks that impacted the financial performance or financial position of the Group as at 31 December 2021.

For further discussion about the Group's performance and financial position please refer to our operating and financial review on pages 4 to 5.

2. Segment and revenue information

(a) Description of segments

Shine Justice Ltd is a diversified group which derives its revenues and profits from a variety of legal areas. The Group's Managing Director considers the business from a legal service perspective and has identified two reportable segments:

(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

In addition, brands included within this segment are:

- SB Law Pty Ltd
- Sciacca's Lawyers Pty Ltd
- Bradley Bayly Holdings Pty Ltd
- Claims Consolidated Pty Ltd, and
- Nerve Legal Pty Ltd (Clamify)

(ii) New Practice Areas

The Shine Lawyers New Practices Areas business includes:

- abuse law
- disability insurance and superannuation claims
- asbestos and dust disease
- federal compensation law
- medical law
- class actions
- commercial disputes
- employment
- private client services, and
- catastrophic injuries (transferred from PI during the second half of FY21)

In addition, brands included within this segment are:

- Emanate Legal Services Pty Ltd
- Best Wilson Buckley Family Law Pty Ltd
- Bradley Bayly Holdings Pty Ltd (Abuse portion)
- Shine NZ Services Pty Ltd
- Risk Worldwide New Zealand Limited
- My Insurance Claim Pty Ltd, and
- Carr & Co Divorce and Family Lawyers Pty Ltd

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.

Classification of the Bradley Bayly Holdings Pty Ltd business

In previous years, the Group has reported the Bradley Bayly business in the Core PI Segment.

However, due to the growth of the Abuse practice in FY21, management considered it to be more relevant to split the Abuse business and the Core PI business within Bradley Bayly and report the Abuse portion of its business in the NPA segment, and this change was made in FY21.

Accordingly, in these financial statements, the prior year segment revenue comparatives as at 31 December 2021 have been restated by reclassifying Abuse segment revenue of \$2,134,839 from the PI segment to the NPA segment.

Prior year EBITDA comparatives have been restated by reclassifying Abuse segment revenue of \$866,151 from the PI to the NPA segment.

Classification of the Shine Lawyers Catastrophic Brain Injuries business

In previous years, the Group has reported the Shine Lawyers Catastrophic Brain Injuries business in the Core PI Segment. However, as per above, this was changed in FY21 as management considered this business to be more aligned to the NPA segment rather than the Core PI segment.

Accordingly, in these financial statements, prior year segment revenue comparatives have been restated by reclassifying segment revenue of \$3,871,245 from the PI segment to the NPA segment.

Prior year EBITDA comparatives have been restated by reclassifying this business revenue of \$1,637,181 from the PI to the NPA segment.

(b) Segment information provided to the Managing Director

The Managing Director primarily uses a measure of:

- Earnings before interest, taxes, depreciation and amortisation (EBITDA), and
- Gross operating cash flow (GOCF)

to assess the performance of the segments.

Interest income and expenditure 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

A reconciliation of adjusted EBITDA to operating profit after income tax is provided as follows:

	31 Dec 21	31 Dec 20
	\$'000	\$'000
Profit after income tax	13,048	10,054
Finance costs	2,698	3,481
Depreciation and amortisation	6,499	6,363
Income tax expense	5,796	4,529
Interest income	(132)	(137)
EBITDA	27,909	24,290

GOCF

The Managing Director 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 cash inflows from operating activities as follows:

	31 Dec 21	31 Dec 20
	\$'000	\$'000
Cash inflow from operating activities	1,858	31,295
Net cash flows from disbursement funding	2,256	(834)
Finance costs paid	2,664	2,632
Income taxes paid	30	116
Interest received	(132)	(137)
GOCF	6,676	33,072

31 Dec 2020 includes Shine's fees in the sum of \$22.99 million (including GST) which it received in December 2020 as a result of the successful outcome in the Full Court of the Federal Court of Australia in November 2020 relating to the Ethicon Sarl, Ethicon Inc. and Johnson & Johnson Medical Pty Limited Class Action.

(b) Segment information provided to the Managing Director (continued)

The table below shows the segment information provided to the Managing Director for the reportable segments for the half-year ended 31 December 2021 and also the basis on which revenue is recognised.

	Personal Injury		New Practice Areas		Unallocated items		Total	
	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
<i>Legal services</i>								
• No-win-no-fee variable	46,452	43,046	44,013	38,271	-	-	90,465	81,317
• No-win-no-fee fixed fee	-	-	4,016	3,773	-	-	4,016	3,773
• Time and materials	-	-	10,262	7,537	-	-	10,262	7,537
Revenue from external customers	46,452	43,046	58,291	49,581	-	-	104,743	92,627
Interest income	-	-	-	-	132	137	132	137
Service management fee	-	-	-	-	705	785	705	785
Other revenue	-	19	85	-	1	-	86	19
Other income	-	19	85	-	838	922	923	941
Total segment revenue	46,452	43,065	58,376	49,581	838	922	105,666	93,568
Results								
EBITDA	8,223	5,748	19,612	18,759	74	(217)	27,909	24,290
Balance sheet	31 Dec 21	30 Jun 21	31 Dec 21	30 Jun 21	31 Dec 21	30 Jun 21	31 Dec 21	30 Jun 21
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment assets	273,501	251,830	299,226	320,201	1,269	1,160	573,996	573,191
Total segment liabilities	88,792	95,427	62,257	66,802	160,403	155,821	311,452	318,050

(c) Assets and liabilities related to contracts with customers

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

	31 Dec 21 \$'000	30 Jun 21 \$'000
Current contract assets relating to work in progress	166,415	161,205
Non-current contract assets relating to work in progress	150,578	138,107
Total contract assets	316,993	299,312

There are no liabilities relating to contracts with customers.

Significant accounting judgement***Estimating variable consideration***

Under AASB 15, 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). WIP has been recognised net of a constraint of \$72,489,256 (30 June 2021: \$71,764,112).

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

3. Profit and loss information**(a) Other expenses**

	31 Dec 21 \$'000	31 Dec 20 \$'000
Premises	1,848	1,991
Marketing	5,809	6,029
HR	2,188	1,331
IT and computer	4,167	3,392
Printing, postage and stationery	662	616
Professional fees	2,461	2,304
Fair value losses on unbilled disbursements	2,252	2,933
Motor vehicle and travel	374	305
Bad and doubtful debts	1,094	142
Sundry	27	134
	20,882	19,177

(b) Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2021 is 31%, compared to 31% for the six months ended 31 December 2020. The tax rate is higher than the company tax rate of 30% due to the non-deductibility of entertainment and depreciation and amortisation expenses.

4. Disbursement funding

	Facility limit (Principal) \$'000	Total facility balance \$'000	Undrawn limit available \$'000
31 December 2021			
Third Party Disbursement Funding Facility			
Deferred Payment Agreement			
Principal	57,500	(30,247)	27,253
Accrued interest		(27,229)	
		(57,476)	
Credit contracts and Exclusive Service Provider Deed			
Principal		(12,082)	
Accrued interest and fees		(2,142)	
		(14,224)	
Total		(71,700)	
30 June 2021			
Third Party Disbursement Funding Facility			
Deferred Payment Agreement			
Principal	57,500	(46,183)	11,317
Interest		(23,202)	
Total facility balance		(69,385)	
Credit contracts and Exclusive Service Provider Deed			
Principal		(9,028)	
Accrued interest and fees		(1,688)	
		(10,716)	
Total		(80,101)	

During the half year ended 31 December 2021, \$15,674,000 of the Deferred Payment Agreement facility was repaid to the funder directly from settlement funds received on behalf of clients. As the funds were paid from client funds, the cash flows relating to this is not reflected in the Consolidated statement of cash flows.

5. Dividends

(a) Ordinary shares

	31 Dec 21 \$'000	31 Dec 20 \$'000
Dividends provided for or paid during the half-year	5,631	4,765

(b) Dividends not recognised at the end of the half-year

	31 Dec 21 \$'000	31 Dec 20 \$'000
In addition to the above dividends, since the end of the half-year end the Directors have recommended the payment of an interim dividend of 2.50 cents unfranked per fully paid ordinary share (31 December 2020: 2.00 cents). The aggregate amount of the proposed dividend expected to be paid on 25 March 2022 out of retained earnings at 31 December 2021, but not recognised as a liability at the end of the half-year, is:	4,332	3,465

6. Borrowings

Financial covenants

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

- The Gearing Ratio does not exceed 30%
- The Total Gearing Ratio does not exceed 40% of the value of Net WIP & Unbilled disbursement assets
- The Debt to Group EBITDA Ratio does not exceed 2.25:1.00.

The Group complied with these covenants throughout the reporting period.

Financing arrangements

The Group's borrowing facilities were as follows:

	31 Dec 21 \$'000	30 Jun 21 \$'000
Floating rate – bank loans		
Expiring within one year	1,178	978
Expiring beyond one year ¹	45,000	45,000
	46,178	45,978
Fixed rate – bank loans		
Expiring within one year	349	982
Transformation project costs loans		
Expiring within one year	2,169	2,544
Expiring beyond one year	-	879
	2,169	3,423
	48,696	50,383
Current	3,696	4,504
Non-current	45,000	45,879

1. Shine executed an Interest rate swap on 30 June 2021 to swap the floating rate interest payments for fixed rate interest payments on \$36 million of the \$45 million floating rate facilities

7. Equity securities issued

Issued capital at 31 December 2021 remained unchanged from the prior comparative period at \$53,222,800 (173,261,812 ordinary shares).

8. Contingencies

(a) 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 31 December 2021 was \$119,997 (30 June 2021: \$79,998).

9. Events occurring after the reporting period

(a) Dividend recommendation

Refer to note 5 for the interim dividend recommended since the end of the reporting period.

(b) COVID-19 Impact

The Group continued to closely monitor and respond to the potential impacts on its business of the COVID-19 pandemic during the half-year. To date, there has been limited impact from COVID-19 on the operations of the Group. However, at the start of 2nd half FY22, there has been an abnormal increase in sick leave taken in the business arising from the Omicron variant, consistent with the national experience.

The Group will continue to monitor lead indicators for potential impacts of the above on performance in the short to medium term.

10. Related party transactions

During the half-year, there has been no significant changes in the existing related party arrangements. There were no new arrangements entered into during the half-year.

		Sales to related parties \$	Purchases from related parties \$	Amounts owed by related parties \$	Amounts due to related parties \$
Related parties of the Group:					
Entities controlled or significantly influenced	31 Dec 2021	704,740	568,366	4,828,605	6,008,187
	31 Dec 2020	784,159	524,128		
	30 Jun 2021			4,391,515	6,059,820

Purchases

During the half-year, premises rent totalling \$568,366 (31 December 2020: \$524,128) was paid to companies of which Simon Morrison and Stephen Roche are directors and substantial shareholders.

Sales

During the half-year, goods, rent and services fees totalling \$704,740 (31 December 2020: \$784,159) were paid to Shine Lawyers NZ Limited, an affiliated company of which Simon Morrison and Stephen Roche are directors and substantial shareholders.

Amounts owed by related parties

During the half-year, an additional loan of \$839,699 was provided to Shine Lawyers NZ Limited, a company of which Simon Morrison and Stephen Roche are directors and substantial shareholders. An amount of \$509,046 was repaid during the half-year. The balance outstanding is \$4,828,605, which includes interest charged of \$106,437.

Amounts due to related parties

During the half-year, liabilities associated with right to use assets provided by Simon Morrison, a director and a substantial shareholder and Stephen Roche, a substantial shareholder totalled \$6,008,187 (30 June 2021: \$6,059,820).

Other transactions

During the half-year, consultancy fees totalling \$120,000 were paid to Stephen Roche, a substantial shareholder (31 December 2020: \$120,000).

During the half-year, consultancy fees totalling \$22,980 were paid to a company owned by Rod Douglas, a non-executive director (31 December 2020: \$84,497).

11. Fair value measurements of financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table. The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 31 December 2021 and 30 June 2021 on a recurring basis:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2021				
Financial assets				
Hedging derivatives – interest rate swaps	-	510	-	510
Unbilled disbursements	-	-	100,381	100,381
Total financial assets	-	510	100,381	100,891

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2021				
Financial assets				
Unbilled disbursements	-	-	106,890	106,890
Total financial assets	-	-	106,890	106,890

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2021				
Financial liabilities				
Hedging derivatives – interest rate swaps	-	80	-	80
Total financial liabilities	-	80	-	80

There were no transfers into or out of Level 3 fair value measurements during the six months ended 31 December 2021.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

The group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2021.

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.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- For unbilled disbursements – discounted cash flow analysis, and
- For interest rate swaps – the present value of future cash flows based on observable yield curves

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the half-year ended 31 December 2021:

	Unbilled disbursements \$'000
Opening balance 1 July 2021	106,890
Additions	33,866
Settlements	(38,123)
Losses recognised in profit or loss	(2,252)
Closing balance 31 December 2021	100,381

(i) Transfers between levels and changes in valuation techniques

There were no transfers between the levels of the fair value hierarchy in the six months to 31 December 2021. There were also no changes made to any of the valuation techniques applied as of 31 December 2021.

(ii) 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.

Description	Fair value at 31 December 2021 \$'000	Unobservable inputs	Relationship of unobservable inputs to fair value
Unbilled disbursements	100,381	Internal historical recovery rates	
		Qualitative individual matters	If the recovery rate was 1% (higher) or lower, the fair value would (decrease)/increase by \$1,036,062

12. Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Shine Justice Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 26 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 31 December 2021 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that Shine Justice Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Simon Morrison
Managing Director & CEO

Brisbane
25 February 2022



Independent auditor's review report to the members of Shine Justice Ltd

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Shine Justice Ltd (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Shine Justice Ltd does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

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

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A stylized, handwritten signature of PricewaterhouseCoopers in black ink.

PricewaterhouseCoopers

A stylized, handwritten signature of Kim Challenor in black ink.

Kim Challenor
Partner

Brisbane
25 February 2022