Shine Justice Ltd

Interim Financial Report

For the 6 months ended 31 December 2020

ABN: 93 162 817 905

ASX CODE: SHJ

Shine Justice Ltd
ABN: 93 162 817 905

Interim report – 31 December 2020

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 30 June 2020 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 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

Its shares are quoted on the Australian Securities Exchange. The financial statements were authorised for issue by the directors on 24 February 2021. 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.

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 six months ended 31 December 2020.

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 Simon Morrison

Mr Rodney Douglas was appointed a director on 11 December 2020 and continues in office at the date of this report.

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.

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 2020 earned in markets outside of Queensland.

In November, we settled our first Super Online claim, after extending our online law firm model to include our Disability and Superannuation practice area last July. Super Online offers clients an easy-to-use 24/7 platform with a client portal so that they can check the progress of their claim at any time.

We continue to progress our digital innovation strategy. Our new Qld Core PI Mobile App will be launched to new clients in the second half and we will be one of the first law firms in Australia to offer a 24/7 mobile app for clients.

In November 2019, 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 applicants' claims were successful and in November 2020, the Federal Court Registrar awarded Shine's fixed costs in the sum of $39,786,867, which was received in December 2020.

There is an appeal to be heard during February 2021 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.

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

	Segment revenues		**Segment results**	
	31 Dec 20	31 Dec 19	**31 Dec 20**	31 Dec 19
	$'000	$'000	**$'000**	$'000
Personal Injury	**49,071**	56,566	**8,251**	14,803
New Practice Areas	**43,575**	31,874	**16,256**	7,180
Other	**922**	1,004	**(217)**	(317)
Total segment revenue/result	**93,568**	89,444	**24,290**	21,666

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).

Significant factors that have affected the Group's operations and results during the six months to 31 December 2020 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 $8,251,000 was 44% lower than for the comparable period as a result of a combination of factors including the impact of restructuring and downsizing of non-performing practices in previous periods which has impacted in the first half. It is expected these initiatives will deliver long term improvements to profitability.

(b) New Practice Areas

The segment EBITDA of $16,256,000 was 126% 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 action business unit has continued to grow, strengthening our expertise through the employment of Class Action lawyers and the expected ongoing work administering the settlements for clients from the Mesh Class Action case.

On 1 July 2020, the Supreme Court of Victoria approved a contingency fee model for Class Actions which allows firms to compete with litigation funders. Additionally, in August 2020 case filings accelerated due to changes relating to litigation funders. Both developments have been positive and have helped drive an increase in new cases and revenues in the first half.

Outlook

We continue to explore organic and acquisition growth opportunities across several business units including building out the national footprint in Family Law and a solid pipeline of Class Actions and PI cases.

Shine is the third largest player, in Australia PI Litigation, with 7% market share. While competition is intense, the PI industry continues to grow with Shine continuing to seek further market share.

The strength of the industry's major players will likely support the industry's expansion, while also limiting the number of new players entering the industry. Encouraged by the success of advertising campaigns over the past several years, Shine will continue investing in marketing initiatives to increase market share of personal 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
24 February 2021

Auditor's Independence Declaration

As lead auditor for the review of Shine Justice Ltd for the half-year ended 31 December 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 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.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
24 February 2021

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statement of profit or loss

	Notes	**31 Dec 20 $'000**	31 Dec 19 $'000
Revenue from contracts with customers	2	**92,627**	88,420
Other income	2	**941**	1,024
Employee benefits expense		**(49,964)**	(46,245)
Depreciation and amortisation expense		**(6,363)**	(5,778)
Finance costs		**(3,481)**	(3,385)
Other expenses	3(a)	**(19,177)**	(21,298)
Profit before income tax		**14,583**	12,738
Income tax expense		**(4,529)**	(3,908)
Profit for the half-year		**10,054**	8,830
Profit is attributable to:			
Owners of Shine Justice Ltd		**10,049**	8,785
Non-controlling interest		**5**	45
		10,054	8,830

	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share	**5.80**	5.08
Diluted earnings per share	**5.70**	4.97

Consolidated statement of comprehensive income

	31 Dec 20 $'000	31 Dec 19 $'000
Profit for the half-year	**10,054**	8,830
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**34**	7
Other comprehensive income for the period net of tax	**34**	7
Total comprehensive income for the period	**10,088**	8,837
Total comprehensive income for the period is attributable to:		
Owners of Shine Justice Ltd	**10,083**	8,792
Non-controlling interest	**5**	45
	10,088	8,837

Consolidated balance sheet

	Note	**31 Dec 20 $'000**	30 Jun 20 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**49,515**	32,812
Trade and other receivables		**17,489**	10,876
Contract assets – work in progress	2(e)	**153,809**	181,565
Income tax receivable		**-**	322
Unbilled disbursements at fair value	11	**70,983**	67,240
Other financial assets at amortised cost		**313**	313
Other current assets		**3,064**	2,983
Total current assets		**295,173**	296,111
Non-current assets			
Trade and other receivables		**1,462**	1,528
Contract assets – work in progress	2(e)	**133,988**	123,537
Unbilled disbursements at fair value	11	**24,635**	22,028
Plant and equipment		**3,157**	3,234
Other financial assets at amortised cost		**4,578**	4,385
Right of use assets		**37,400**	40,647
Intangible assets		**49,153**	48,949
Total non-current assets		**254,373**	244,308
Total assets	2(d)	**549,546**	540,419
LIABILITIES			
Current liabilities			
Trade and other payables		**14,394**	13,485
Disbursement creditors		**86,968**	83,644
Borrowings	6	**3,552**	4,075
Lease liabilities		**7,775**	7,549
Other current financial liabilities		**192**	154
Current tax liabilities		**289**	215
Employee benefit obligations		**7,661**	7,619
Provisions		**179**	214
Total current liabilities		**121,010**	116,955

Consolidated balance sheet

	Note	**31 Dec 20 $'000**	30 Jun 20 $'000
Non-current liabilities			
Trade and other payables		**1,697**	2,535
Borrowings	6	**47,169**	48,424
Lease liabilities		**37,809**	40,898
Deferred tax liabilities		**95,980**	91,649
Employee benefit obligations		**1,377**	1,293
Provisions		**1,518**	1,445
Total non-current liabilities		**185,550**	186,244
Total liabilities	2(d)	**306,560**	303,199
Net assets		**242,986**	237,220
EQUITY			
Share capital	7	**53,223**	53,223
Other reserves		**857**	380
Retained earnings		**188,798**	183,514
Capital and reserves attributable to the owners of Shine Justice Ltd		**242,878**	237,117
Non-controlling interests		**108**	103
Total equity		**242,986**	237,220

Consolidated statement of changes in equity

	Attributable to owners of Shine Justice Ltd					
	Share capital $'000	Retained earnings $'000	Foreign exchange reserves $'000	Equity share reserves $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019	53,150	168,966	(246)	433	105	222,408
Profit for the period	-	8,785	-	-	45	8,830
Other comprehensive income	-	-	7	-	-	7
Total comprehensive income for the half-year	-	8,785	7	-	45	8,837
Transactions with owners in their capacity of owners						
Dividends paid	-	(4,329)	-	-	(79)	(4,408)
Issue of deferred ordinary shares	73	-	-	45	-	118
Employee share schemes – value of employee services	-	-	-	518	-	518
Total transactions with owners and other transfers	73	(4,329)	-	563	(79)	(3,772)
Balance at 31 December 2019	53,223	173,422	(239)	996	71	227,473
Balance at 1 July 2020	**53,223**	**183,514**	**(516)**	**896**	**103**	**237,220**
Profit for the period	**-**	**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 of owners						
Dividends paid	**-**	**(4,765)**	**-**	**-**	**-**	**(4,765)**
Issue of shares to employees	**-**	**-**	**-**	**(307)**	**-**	**(307)**
Employee share schemes – value of employee services	**-**	**-**	**-**	**750**	**-**	**750**
Total transactions with owners and other transfers	**-**	**(4,765)**	**-**	**443**	**-**	**(4,322)**
Balance at 31 December 2020	**53,223**	**188,798**	**(482)**	**1,339**	**108**	**242,986**

Consolidated statement of cash flows

	Note	Half-year 31 Dec 20 $'000	31 Dec 19 [1] $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**116,441**	83,470
Payments to suppliers and employees (inclusive of GST)		**(77,246)**	(78,220)
Disbursements recovered		**29,416**	40,109
Disbursements paid		**(34,705)**	(37,373)
Interest received		**137**	235
Finance costs		**(2,632)**	(2,684)
Income taxes paid		**(116)**	(20)
Net cash inflow from operating activities	2(c)	**31,295**	5,517
Cash flows from investing activities			
Payments for plant and equipment		**(463)**	(789)
Payments of deferred consideration from acquisition of subsidiary		**(858)**	15
Purchase of receivables		**-**	(678)
Loans to related parties		**(193)**	(527)
Payment for intangible assets		**(1,797)**	(1,373)
Net cash outflow from investing activities		**(3,311)**	(3,352)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	73
Proceeds from borrowings		**640**	-
Repayment of borrowings		**(1,230)**	(682)
Dividends paid to company's shareholders		**(4,765)**	(4,329)
Dividends paid to non-controlling interests in subsidiaries		**-**	(79)
Asset finance facility repayments		**(1,187)**	(1,124)
Principal elements of lease payments		**(3,870)**	(3,697)
Proceeds from disbursement funding		**4,252**	7,915
Repayments of disbursement funding		**(5,086)**	(2,803)
Net cash outflow from financing activities		**(11,246)**	(4,726)
Net increase/(decrease) in cash and cash equivalents		**16,738**	(2,561)
Cash and cash equivalents at the beginning of the half-year		**32,812**	26,697
Effects of exchange rate changes on cash and cash equivalents		**(35)**	35
Cash and cash equivalents at the end of the half-year		**49,515**	24,171

1. The HY2019 cashflows relating to disbursement funding have been reclassified to be consistent with the current year presentation.

1. Significant changes in the current reporting period

The Group remains well placed to grow revenues 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 3,000 cases during the half-year and procured client damages in excess of $488 million.

New Practice Area segment

An increase in revenue was primarily as a result of significant growth in the Class Actions, Abuse, Medical Law and Disability and Super business.

In November 2019, in relation to the Mesh Class Action, the Federal Court Registrar awarded Shine's fixed costs in the sum of $39,786,867, which was received in December 2020.

Personal Injury segment

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 Personal Injury Lawyers experienced growth in its personal injury business and has continued its work in superannuation and disability insurance.

Bradley Bayly Legal successfully settled many long-tail matters, generating high fees billed and substantial favourable outcomes for their clients.

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 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 first half of the financial 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 first half of the year, with many staff continuing to work from home and providing services remotely. The transition to remote working has continued with minimal disruption to the delivery of services or impact on enquiries, case management or settlements in the first half
- Financial results are tracking in line with guidance
- The Group had $46.0 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 at $174 million (30 June 2020: $179 million)
- The pipeline of new work is tracking well, with new case numbers through Q1 and Q2 remaining consistent with prior year numbers, and
- There was a favourable spike in new file openings during the first half compared to the prior comparative period.

There were no other significant business risks that impacted the financial performance or financial position of the Group as at 31 December 2020.

For a detailed 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

The Group is a diversified group which derives its revenue and profits from a variety of sources. The Group's Managing Director considers the Group's performance 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
- 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 comprises:

- 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:

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

to assess the financial performance of the operating segments.

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

(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:

	Note	**31 Dec 20 $'000**	31 Dec 19 $'000
Profit after income tax		**10,054**	8,830
Finance costs – net		**3,481**	3,385
Depreciation and amortisation		**6,363**	5,778
Income tax expense		**4,529**	3,908
Interest income		**(137)**	(235)
EBITDA	2(d)	**24,290**	21,666

(c) 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 Net cash inflows from operating activities as follows:

	31 Dec 20 $'000	31 Dec 19 $'000
Cash inflow from operating activities	**31,295**	5,517
Finance costs paid	**2,632**	2,684
Income taxes paid	**116**	20
Interest received	**(137)**	(235)
GOCF	**33,906**	7,986

(d) Segment information provided to the Managing Director

The table below shows the segment information provided to the Managing Director for the reportable segments for the half-year ended 31 December 2020 and on the basis on which revenue is recognised:

	Personal Injury		New Practice Areas		Unallocated items		Total	
	31 Dec 20	31 Dec 19	**31 Dec 20**	31 Dec 19	**31 Dec 20**	31 Dec 19	**31 Dec 20**	31 Dec 19
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue								
Legal services								
• No-win-no-fee variable	**49,052**	56,551	**32,265**	19,032	**-**	-	**81,317**	75,583
• No-win-no-fee fixed fee	**-**	-	**3,773**	3,236	**-**	-	**3,773**	3,236
• Time and materials	**-**	-	**7,537**	9,601	**-**	-	**7,537**	9,601
Revenue from external customers	**49,052**	56,551	**43,575**	31,869	**-**	-	**92,627**	88,420
Interest income	**-**	-	**-**	-	**137**	235	**137**	235
Service management fee	**-**	-	**-**	-	**785**	769	**785**	769
Other revenue	**19**	15	**-**	5	**-**	-	**19**	20
Other income	**19**	15	**-**	5	**922**	1,004	**941**	1,024
Total segment revenue	**49,071**	56,566	**43,575**	31,874	**922**	1,004	**93,568**	89,444
Results								
EBITDA	**8,251**	14,803	**16,256**	7,180	**(217)**	(317)	**24,290**	21,666
	31 Dec 20	30 Jun 20	**31 Dec 20**	30 Jun 20	**31 Dec 20**	30 Jun 20	**31 Dec 20**	30 Jun 20
Balance sheet	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Total segment assets	**274,874**	305,948	**274,047**	233,449	**625**	1,022	**549,546**	540,419
Total segment liabilities	**84,601**	99,394	**80,644**	55,816	**141,315**	147,989	**306,560**	303,199

(e) Assets and liabilities related to contracts with customers

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

	31 Dec 20 $'000	30 Jun 20 $'000
Current contact assets relating to work in progress	**153,809**	181,565
Non-current contract assets relating to work in progress	**133,988**	123,537
Total contract assets	**287,797**	305,102

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 $71,969,000 (30 June 2020: $66,575,000).

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 20	31 Dec 19
	$'000	$'000
Premises	**1,991**	2,005
Marketing	**6,029**	7,603
HR	**1,331**	1,577
IT and computer	**3,392**	2,719
Printing, postage and stationery	**616**	840
Professional fees	**2,304**	2,228
Fair value losses on unbilled disbursements	**2,933**	2,870
Motor vehicle and travel	**305**	825
Bad and doubtful debts	**142**	380
Sundry	**134**	251
	19,177	21,298

(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 2020 is 31%, which is inline compared to 31% for the six months ended 31 December 2019. 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 2020			
Third Party Disbursement Funding Facility			
Deferred payment agreement			
Principal	**57,500**	**(48,513)**	**8,987**
Accrued interest	**n/a**	**(18,923)**	**n/a**
	n/a	**(67,436)**	**n/a**
Credit contracts and Exclusive Service Provider Deed			
Principal	**n/a**	**(7,018)**	**n/a**
Accrued interest and fees	**n/a**	**(1,247)**	**n/a**
	n/a	**(8,265)**	**n/a**
Total	**n/a**	**(75,701)**	**n/a**
30 June 2020			
Third Party Disbursement Funding Facility			
Deferred payment agreement			
Principal	57,500	(52,867)	4,633
Interest	n/a	(14,204)	n/a
Total facility balance	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
Total	n/a	(71,977)	n/a

5. Dividends

(a) Ordinary shares

	31 Dec 20 $'000	31 Dec 19 $'000
Dividends provided for or paid during the half-year	**4,765**	4,329

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

	31 Dec 20 $'000	31 Dec 19 $'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 2.00 cents unfranked per fully paid ordinary share (31 December 2019: 1.50 cents). The aggregate amount of the proposed dividend expected to be paid on 26 March 2021 out of retained earnings at 31 December 2020, but not recognised as a liability at the end of the half-year, is:	**3,465**	2,599

6. Borrowings

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 EBIDTA on a rolling 12 months basis.

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

Financing arrangements

The Group's borrowing facilities were as follows:

	31 Dec 20 $'000	30 Jun 20 $'000
Floating rate – bank loans		
Expiring within one year	**1,076**	1,341
Expiring beyond one year	**45,000**	45,000
Transformation project costs loan		
Expiring within one year	**2,476**	2,409
Expiring beyond one year	**2,169**	3,424
Vendor finance		
Expiring within one year	**-**	325
	50,721	52,499
Current	**3,552**	4,075
Non-current	**47,169**	48,424

7. Equity securities issued

Issued capital at 31 December 2020 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 2020 remains unchanged at $40,000 (30 June 2020: $40,000).

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

There continues to be limited impact from COVID-19 on the operations and financial results of the Group in the first half.

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.

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 2020**	**784,159**	**524,128**	**4,598,046**	**6,219,828**
	31 Dec 2019	768,775	538,020	3,930,919	6,845,773

Purchases

During the half-year, premises rent totalling $524,128 (31 December 2019: $538,020) was paid to affiliated companies of which Simon Morrison and Stephen Roche are directors and controlling shareholders.

Sales

During the half-year, goods, rent and services fees totalling $784,159 (31 December 2019: $768,775) was sold to Shine Lawyers NZ Limited, an affiliated company of which Simon Morrison and Stephen Roche are directors and controlling shareholders.

Amounts owed by related parties

During the half-year, an additional loan of $399,640 was provided to Shine Lawyers NZ Limited, an affiliated company of which Simon Morrison and Stephen Roche are directors and controlling shareholders. An amount of $313,689 was repaid during the half-year. The balance outstanding is $4,598,046, which includes interest charged of $107,463.

Amounts due to related parties

During the half-year, liabilities associated with right to use assets provided by Simon Morrison, a director and a controlling shareholder and Stephen Roche, a controlling shareholder totalled $6,219,828 (31 December 2019: $6,845,773).

Other transactions

During the half-year, consultancy fees totalling $120,000 were paid to Stephen Roche, a controlling shareholder.

During the half-year, consultancy fees totalling $84,497 were paid to companies owned by Rod Douglas, a non-executive director.

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 measured and recognised at fair value at 31 December 2020 and 30 June 2020 on a recurring basis:

At 31 December 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Unbilled disbursements	**-**	**-**	**95,618**	**95,618**
Total financial assets	**-**	**-**	**95,618**	**95,618**

At 30 June 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Unbilled disbursements	-	-	89,268	89,268
Total financial assets	-	-	89,268	89,268

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

(b) 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.

(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 2020:

	Unbilled disbursements $'000
Opening balance 1 July 2020	89,268
Additions	**41,059**
Settlements	**(31,776)**
Losses recognised in profit or loss	**(2,933)**
Closing balance 31 December 2020	**95,618**

(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 2020. There were also no changes made to any of the valuation techniques applied as of 30 June 2020.

(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 2020	Unobservable inputs	Relationship of unobservable inputs to fair value
Unbilled disbursements	95,618	Internal historical recovery rates	
		Qualitative individual matters	If the recovery rate was 1% (higher) or lower, the fair value would (decrease)/increase by $1,003,158

12. Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2020 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 2020 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 25 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 2020 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
24 February 2021

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

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 from 1 July 2020 to 31 December 2020 (together the Group), which comprises the consolidated balance sheet as at 31 December 2020, 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 2020 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 our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility 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.

PricewaterhouseCoopers, ABN 52 780 433 757
480 Queen Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001
T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

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

pwc

Auditor's responsibility 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 2020 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.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
24 February 2021

ABN 93 162 817 905

Directors

Graham Bradley AM, Non-executive Chair
David Bayes, Non-executive Director
Rod Douglas, Non-executive Director
Teresa Dyson, Non-executive Director
Simon Morrison, Managing Director and CEO

Company secretaries

Annette O'Hara
Ravin Raj

Registered office

Level 13
160 Ann Street
Brisbane, Queensland
Phone: 61 7 3006 6000

Share register

Link Market Services Limited
Level 21,
10 Eagle Street
Brisbane, Queensland

Shine Justice Ltd is listed on the Australian Securities Exchange (ASX)

Bankers

Commonwealth Bank of Australia
Level 21
180 Ann Street
Brisbane, Queensland

Auditors

PwC Australia
480 Queen Street
Brisbane, Queensland