Shine Justice Ltd

Interim Financial Report

For the 6 months ended 31 December 2022

ABN: 93 162 817 905

ASX CODE: SHJ

Shine Justice Ltd
ABN: 93 162 817 905

Interim report – 31 December 2022

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 2022 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 2022.

Directors

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

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 plaintiff legal services throughout mainland Australia and New Zealand.

The Group continues to expand its footprint in Personal Injury (PI) damages-based plaintiff litigation, while also continuing to grow New Practice Areas (NPA) revenue.

The Group is making strong progress on its strategic pillars, allowing it to innovate, grow and strengthen Shine Justice while delivering outstanding outcomes for clients.

During the six-month period, Shine Justice has continued to expand its reach with two new Victorian offices opening in Melton and Pakenham.

During the period, Shine Justice executed a heads of agreement to settle the class action brought by Shine Lawyers on behalf of the group members represented by Kathryn Gill, Diane Dawson and Ann Sanders (Applicants) against Ethicon Sàrl, Ethicon, Inc. and Johnson & Johnson Medical Pty Limited for $300 million.

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

	Segment revenues		Segment results	
	31 Dec 22	31 Dec 21	**31 Dec 22**	31 Dec 21
	$'000	$'000	**$'000**	$'000
Personal Injury	**71,958**	65,443	**16,257**	16,656
New Practice Areas	**37,588**	35,480	**10,182**	10,712
Other	**1,668**	838	**466**	74
Total segment revenue/result	**111,214**	101,761	**26,905**	27,442

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 2022 are described below:

(a) Personal Injury

Shine Lawyers continued to specialise in damages-based plaintiff litigation legal services, primarily relating to personal injuries. During the period, the business saw continued growth in revenue which increased 10.0%, with two new offices opened Melton and Pakenham along with maturing NSW and Victorian business units helping to drive revenue growth.

Due to slower file resolutions and consequential growth in WIP, non-cash provisioning on WIP was required and negatively impacted segment EBITDA which declined marginally to $16,257,000 or 2.4% lower than the comparable period.

(b) New Practice Areas

Overall segment revenues continued to grow across the segment, particularly in the Medical Law business which continues to see strong growth in revenue and gross margins. However, the segment EBITDA of $10,182,000 was 4.9% lower than for the comparable period with impacts from the departure of several key class actions personnel temporarily impacting performance during the half with that business unit.

Despite the headwinds in Class Actions, new appointments have been made to the leadership team and performance has now stabilised with fee resolutions expected in the second half for both the Boston Scientific and Ethicon class actions.

Due to slower file resolutions and consequential growth in WIP, non-cash provisioning on WIP was increased which negatively impacted segment EBITDA, which was 4.9% lower than the comparable period.

Outlook

Shine is continuing to invest in technology to assist with harnessing organic growth opportunities in a scalable manner. During the period, the Casetracker mobile application went live in Queensland PI and it will be progressively rolled out to other jurisdictions and work-types over the remainder of FY23.

Shine Justice also continues to assess non-organic growth opportunities, however, will only deploy capital in a disciplined manner and only after ensuring various investment filters are met.

Shine will also strongly focus on case execution in the second half while also ensuring the businesses apply a strong cost discipline to maintain margins.

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
23 February 2023

Auditor’s Independence Declaration

As lead auditor for the review of Shine Justice Ltd for the half-year ended 31 December 2022, 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.

Kim Challenor	**Brisbane**
Partner	**23 February 2023**
PricewaterhouseCoopers	

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Consolidated statement of profit or loss

	Notes	31 Dec 22 $'000	31 Dec 21 $'000
Revenue from contracts with customers	2	**109,546**	100,838
Other income	2	**1,668**	923
Employee benefits expense		**(60,502)**	(54,845)
Depreciation and amortisation expense		**(7,341)**	(6,484)
Finance costs		**(3,703)**	(2,698)
Other expenses	3(a)	**(23,422)**	(19,342)
Profit before income tax		**16,246**	18,392
Income tax expense		**(5,598)**	(5,657)
Profit from continuing operations		**10,648**	12,735
(Loss)/profit from discontinued operations (attributable to equity holders of the company)		**-**	313
Profit for the half-year		**10,648**	13,048
Profit is attributable to:			
Owners of Shine Justice Ltd		**10,638**	13,010
Non-controlling interest		**10**	38
		10,648	13,048

	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**6.18**	7.34
Diluted earnings per share	**6.00**	7.15
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**6.18**	7.54
Diluted earnings per share	**6.00**	7.35

Consolidated statement of comprehensive income

	31 Dec 22 $'000	31 Dec 21 $'000
Profit for the half-year	**10,648**	13,048
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**(255)**	430
Income tax relating to changes in fair value of cash flow hedges	**77**	(129)
Exchange differences on translation of foreign operations	**94**	87
Other comprehensive income for the half-year, net of tax	**(84)**	388
Total comprehensive income for the half-year	**10,564**	13,436
Total comprehensive income for the half-year is attributable to:		
Owners of Shine Justice Ltd	**10,554**	13,398
Non-controlling interest	**10**	38
	10,564	13,436
Total comprehensive income for the half-year attributable to owners of Shine Justice Ltd arises from:		
Continuing operations	**10,554**	13,085
Discontinued operations	**-**	313
	10,554	13,398

Consolidated balance sheet

	Notes	**31 Dec 22 $'000**	30 Jun 22 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**23,474**	51,864
Trade and other receivables		**13,889**	15,131
Contract assets – work in progress	2(c)	**206,649**	181,598
Income tax receivable		**1,087**	-
Derivative financial instrument	11	**1,139**	893
Unbilled disbursements	11	**86,685**	76,070
Other financial assets at amortised cost		**313**	312
Financial assets at fair value through profit or loss	11	**1,981**	2,182
Other current assets		**3,881**	4,653
Total current assets		**339,098**	332,703
Non-current assets			
Trade and other receivables		**1,877**	623
Contract assets – work in progress	2(c)	**155,610**	150,878
Unbilled disbursements	11	**30,078**	28,179
Investment in unlisted entity		**100**	100
Plant and equipment		**5,909**	3,614
Derivative financial instrument	11	**625**	1,126
Other financial assets at amortised cost		**5,608**	5,041
Financial assets at fair value through profit or loss	11	**9,452**	9,974
Right-of-use assets		**40,132**	34,108
Intangible assets		**47,681**	46,998
Total non-current assets		**297,072**	280,641
Total assets	2(b)	**636,170**	613,344
LIABILITIES			
Current liabilities			
Trade and other payables		**11,928**	14,507
Disbursement creditors		**107,996**	99,357
Borrowings	6	**6,057**	5,196
Lease liabilities		**9,938**	9,102
Other current financial liabilities		**310**	134
Current tax liabilities		**251**	233
Employee benefit obligations		**10,442**	9,989
Provisions		**173**	215
Total current liabilities		**147,095**	138,733

Consolidated balance sheet

	Notes	31 Dec 22 $'000	30 Jun 22 $'000
Non-current liabilities			
Trade and other payables		**-**	1,696
Borrowings	6	**47,250**	45,000
Lease liabilities		**38,348**	33,416
Deferred tax liabilities		**119,103**	113,823
Employee benefit obligations		**1,324**	1,357
Provisions		**1,931**	1,515
Total non-current liabilities		**207,956**	196,807
Total liabilities	2(b)	**355,051**	335,540
Net assets		**281,119**	277,804
EQUITY			
Share capital	7	**53,223**	53,223
Other equity		**(765)**	(1,325)
Reserves		**1,891**	3,720
Retained earnings		**226,594**	222,020
Capital and reserves attributable to the owners of Shine Justice Ltd		**280,943**	277,638
Non-controlling interests		**176**	166
Total equity		**281,119**	277,804

Consolidated statement of changes in equity

	Attributable to owners of Shine Justice Ltd								
	Share capital $'000	Other equity $'000	Retained earnings $'000	Foreign exchange reserves $'000	Hedging reserve $'000	Equity share reserve $'000	Non-controlling interest $'000	Non-controlling interest reserve $'000	Total equity $'000
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
	-	(106)	(5,631)	-	-	(296)	-	-	(6,033)
Balance at 31 December 2021	53,223	(168)	208,219	(452)	301	1,242	179	-	262,544
Balance at 1 July 2022	**53,223**	**(1,325)**	**222,020**	**(534)**	**1,413**	**2,912**	**166**	**(71)**	**277,804**
Profit for the half-year	**-**	**-**	**10,638**	**-**	**-**	**-**	**10**	**-**	**10,648**
Other comprehensive income	**-**	**-**	**-**	**94**	**(178)**	**-**	**-**	**-**	**(84)**
Total comprehensive income for the half-year	**-**	**-**	**10,638**	**94**	**(178)**	**-**	**10**	**-**	**10,564**
Transactions with owners in their capacity as owners:									
Dividends paid	**-**	**-**	**(6,064)**	**-**	**-**	**-**	**-**	**-**	**(6,064)**
Acquisition of treasury shares	**-**	**(1,277)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,277)**
Issue of shares to employees	**-**	**1,837**	**-**	**-**	**-**	**(1,837)**	**-**	**-**	**-**
Share schemes – value of services	**-**	**-**	**-**	**-**	**-**	**92**	**-**	**-**	**92**
	-	**560**	**(6,064)**	**-**	**-**	**(1,745)**	**-**	**-**	**(7,249)**
Balance at 31 December 2022	**53,223**	**(765)**	**226,594**	**(440)**	**1,235**	**1,167**	**176**	**(71)**	**281,119**

Consolidated statement of cash flows

	Notes	Half-year 31 Dec 22 $'000	Half-year 31 Dec 21 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**87,170**	95,467
Payments to suppliers and employees (inclusive of GST)		**(89,602)**	(86,891)
Disbursements recovered		**36,873**	35,122
Disbursements paid		**(44,435)**	(39,278)
Interest received		**385**	132
Finance costs		**(3,026)**	(2,664)
Income taxes paid		**(1,087)**	(30)
Net cash (outflow) / inflow from operating activities	2(b)	**(13,722)**	1,858
Cash flows from investing activities			
Payments for plant and equipment		**(2,763)**	(773)
Payments for acquisition of files		**(196)**	(401)
Loans to related parties		**(568)**	(417)
Proceeds from sale of subsidiaries		**723**	-
Payment for intangible assets		**(2,685)**	(1,730)
Net cash (outflow) from investing activities		**(5,489)**	(3,321)
Cash flows from financing activities			
Payments for treasury shares		**(1,277)**	(1,279)
Proceeds from borrowings		**10,054**	-
Repayment of borrowings		**(9,767)**	(1,187)
Dividends paid to company's shareholders		**(6,064)**	(5,631)
Asset finance facility drawdowns		**2,677**	-
Asset finance facility repayments		**(879)**	(1,254)
Principal elements of lease payments		**(5,031)**	(4,385)
Proceeds from disbursement funding		**7,206**	5,458
Repayments of disbursement funding		**(6,117)**	(3,202)
Net cash (outflow) from financing activities		**(9,198)**	(11,480)
Net (decrease)/increase in cash and cash equivalents		**(28,409)**	(12,943)
Cash and cash equivalents at the beginning of the half-year		**51,864**	55,992
Effects of exchange rate changes on cash and cash equivalents		**19**	6
Cash and cash equivalents at the end of the half-year		**23,474**	43,055

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 3,200 cases during the half-year and procured client damages in excess of $325 million.

New Practice Area segment

The Class Actions business continued its strong performance with further milestones achieved during the half. Despite the loss of several key personnel, a new leadership team has been announced and will continue the growth of the division, with the impacts from the departure of several key class actions personnel temporarily impacting performance during the half.

In September 2022, Shine Justice executed a heads of agreement to settle the class action brought by Shine Lawyers on behalf of the group members represented by Kathryn Gill, Diane Dawson and Ann Sanders (Applicants) against Ethicon Sàrl, Ethicon, Inc. and Johnson & Johnson Medical Pty Limited (Respondents). It has been agreed to settle the actions for $300 million, subject to approval by the Court which is expected early in the second half of FY23. This amount is in addition to amounts previously ordered by the Court in respect of damages for the Applicants, costs and relevant interest.

The Medical Law business is expanding and continues to demonstrate good growth with margins continuing to improve.

Personal Injury segment

The segment revenues result of $71,958,000 was 10.0% higher than the comparable period. File resolutions were slower than anticipated due to slower insurer settlement activity and delays in court processing impacted by COVID-19 related back-logs. This resulted in lower fees billed and higher work in progress which in turn has led to an increase in the provisioning expense and slightly lower EBITDA than the comparable period. File resolution will be an area of focus for the second half.

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 2022 as follows:

Labour Shortages

The Group has been impacted to a limited extent by labour market shortages and associated inflationary pressures. Notwithstanding,

- The Group continues to provide flexible remote working options for its staff
- Revenue growth of 9.3% compared to the prior period
- The Group had $17,417,000 net cash at bank (cash at bank less short-term borrowings), and sufficient liquidity in its banking facilities
- Liquidity levels remain consistent, with the Group having a net current asset position of $192,003,000 (30 June 2022: $193,970,000).

There were no other significant business risks that impacted the financial performance or financial position of the Group as at 31 December 2022.

For further discussion about the Group's performance and financial position please refer to the 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
- abuse law (transferred from NPA on 1 July 2022)

In addition, other 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
- Claimify Legal Pty Ltd

(ii) New Practice Areas

The Shine Lawyers New Practices Areas business includes:

- disability insurance and superannuation claims
- asbestos and dust disease
- federal compensation law
- medical law
- head trauma
- class actions
- commercial disputes
- employment
- private client services, and
- catastrophic injuries

In addition, other brands included within this segment are:

- Shine NZ Services Pty Ltd
- Best Wilson Buckley Family Law Pty Ltd
- Carr & Co Divorce and Family Lawyers Pty Ltd
- Risk Worldwide New Zealand Limited, and
- My Insurance Claim Pty Ltd

The business undertaken by Risk Worldwide New Zealand Limited and My Insurance Claim are winding-down and do 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, tax, 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.

Information about segment revenue is disclosed in note 3.

From 1 July 2022, the Managing Director has restructured the segments to include the abuse law businesses in the PI segment. It is expected that this change will allow a faster resolution of claims, with cases being more actively managed. As part of this restructure, directors and management have considered and assessed the recoverability of the restructured CGU's, with the recoverable amounts exceeding the carrying value under the new structure. As a result of the restructure, comparative period segment disclosures have been restated for comparability with NPA goodwill reallocated to PI in proportion to abuse law revenues.

(b) Segment information provided to the Managing Director

EBITDA

EBITDA excludes discontinued operations and the significant items of income and expenditure (Adjusted EBITDA) which may have an impact on the quality of earnings such as legal expenses and impairments where the impairment is a result of an isolated, non-recurring event. 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:

	31 Dec 22	31 Dec 21
	$'000	$'000
Profit after income tax from continuing operations	**10,648**	12,735
Finance costs	**3,703**	2,698
Depreciation and amortisation	**7,341**	6,484
Income tax expense	**5,598**	5,657
Interest income	**(385)**	(132)
EBITDA from continuing operations	**26,905**	27,442

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

	31 Dec 22	31 Dec 21
	$'000	$'000
Personal Injury	**16,257**	16,656
New Practice Areas	**10,182**	10,712
Other	**466**	74
EBITDA	**26,905**	27,442

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 (outflow) / inflow from operating activities as follows:

	31 Dec 22	31 Dec 21
	$'000	$'000
Net cash (outflow) / inflow from operating activities	**(13,722)**	1,858
Net cash flows from disbursement funding	**1,089**	2,256
Finance costs paid	**3,026**	2,664
Income taxes paid	**1,087**	30
Interest received	**(385)**	(132)
GOCF	**(8,905)**	6,676

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

Profit for the half-year
Profit after income tax reconciles to Net cash (outflow) / inflow from operating activities as follows:

	31 Dec 22 $'000	31 Dec 21 $'000
Profit for the period	**10,648**	13,048
Adjustments for:		
Depreciation and amortisation	**7,341**	6,484
Net (loss)/gain on sale of non-current assets	**(173)**	71
Interest on make good provision	**40**	45
Employee share scheme	**92**	908
Changes in operating assets and liabilities		
Decrease/(increase) in trade receivables	**23**	(2,702)
Decrease in other assets	**1,797**	1,533
Increase in work in progress	**(29,783)**	(17,269)
(Increase)/decrease in disbursements	**(12,514)**	6,510
Increase/(decrease) in trade creditors and accruals	**3,480**	(12,725)
Increase in income taxes receivable	**(847)**	(32)
Increase in deferred tax liabilities	**5,357**	5,799
Increase in provisions	**817**	188
Net cash (outflow) / inflow from operating activities	**(13,722)**	1,858

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

The table below shows additional revenue information by segment provided to the Managing Director as well as balance sheet splits for the reportable segments for the half-year ended 31 December 2022 and also the basis on which revenue is recognised.

	Personal Injury		New Practice Areas		Unallocated items		Total	
	31 Dec 22	31 Dec 21	**31 Dec 22**	31 Dec 21	**31 Dec 22**	31 Dec 21	**31 Dec 22**	31 Dec 21
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue								
Legal services								
• No-win-no-fee variable	**71,958**	65,443	**26,043**	25,021	**-**	-	**98,001**	90,464
• No-win-no-fee fixed fee	**-**	-	**4,301**	4,016	**-**	-	**4,301**	4,016
• Time and materials	**-**	-	**7,244**	6,358	**-**	-	**7,244**	6,358
Revenue from external customers	**71,958**	65,443	**37,588**	35,395	**-**	-	**109,546**	100,838
Interest income	**-**	-	**-**	-	**385**	132	**385**	132
Service management fee	**-**	-	**-**	-	**829**	705	**829**	705
Other revenue	**-**	-	**-**	85	**454**	1	**454**	86
Other income	**-**	-	**-**	85	**1,668**	838	**1,668**	923
Total segment revenue and other income	**71,958**	65,443	**37,588**	35,480	**1,668**	838	**111,214**	101,761

	Personal Injury		New Practice Areas		Unallocated items		Total	
	31 Dec 22	30 Jun 22	**31 Dec 22**	30 Jun 22	**31 Dec 22**	30 Jun 22	**31 Dec 22**	30 Jun 22
Balance sheet	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Total segment assets	**372,680**	281,339	**248,271**	316,545	**15,219**	15,460	**636,170**	613,344
Total segment liabilities	**117,079**	107,498	**67,189**	61,846	**170,783**	166,196	**355,051**	335,540

(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 22 $'000	30 Jun 22 $'000
Current contract assets relating to work in progress	**206,649**	181,598
Non-current contract assets relating to work in progress	**155,610**	150,878
Total contract assets	**362,259**	332,476

There are no liabilities relating to contracts with customers.

Significant accounting judgement

Estimating variable consideration

Under AASB 15 *Revenue from Contracts with Customers*, 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 $74,797,000 (30 June 2022: $70,473,000).

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.

Current and non-current contract assets relating to work in progress

In determining whether to classify WIP as either current or non-current, the Group primarily makes reference to the expected case resolution date for each individual case as determined by the relevant legal team. This is used in conjunction with other qualitative factors (such as case success rates and whether settlement proceeds are currently held on trust), to determine if fees would be become due and payable within the next 12 months.

3. Profit and loss information

(a) Other expenses

	31 Dec 22	31 Dec 21
	$'000	$'000
Premises	**1,793**	1,614
Marketing	**6,488**	5,727
HR, training and recruitment	**2,656**	2,122
IT and computer	**4,337**	4,104
Printing, postage and stationery	**639**	642
Professional fees	**2,617**	2,316
Fair value losses on unbilled disbursements	**2,848**	2,168
Motor vehicle and travel	**1,130**	314
Net impairment losses on financial assets	**644**	333
Sundry	**270**	2
	23,422	19,342

(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 2022 is 34%, compared to 31% for the six months ended 31 December 2021. The tax rate is higher than the company tax rate of 30% due to the non-deductible expenses and adjustments to prior year tax provisions.

4. Disbursement funding

	Facility limit (Principal) $'000	Total facility balance $'000	Undrawn limit available $'000
31 December 2022			
Third Party Disbursement Funding Facility			
Deferred Payment Agreement			
Principal	**57,500**	**(40,507)**	**16,993**
Accrued interest		**(33,409)**	
		(73,916)	
Credit contracts and Exclusive Service Provider Deed			
Principal		**(18,540)**	
Accrued interest and fees		**(3,310)**	
		(21,850)	
Total		**(95,766)**	
30 June 2022			
Third Party Disbursement Funding Facility			
Deferred Payment Agreement			
Principal	57,500	(40,778)	16,722
Interest		(29,966)	
Total facility balance		(70,744)	
Credit contracts and Exclusive Service Provider Deed			
Principal		(14,880)	
Accrued interest and fees		(2,657)	
		(17,537)	
Total		(88,281)	

5. Dividends

(a) Ordinary shares

	31 Dec 22 $'000	31 Dec 21 $'000
Dividends provided for or paid during the half-year	**6,064**	5,631

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

	31 Dec 22 $'000	31 Dec 21 $'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 1.50 cents unfranked per fully paid ordinary share (31 December 2021: 2.50 cents). The aggregate amount of the proposed dividend expected to be paid on 22 March 2023 out of retained earnings at 31 December 2022, but not recognised as a liability at the end of the half-year, is:	**2,599**	4,332

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 22	30 Jun 22
	$'000	$'000
Variable rate – bank loans		
Expiring within one year	**1,213**	3,083
Expiring beyond one year	**9,000**	9,000
	10,213	12,083
Fixed rate – bank loans		
Expiring within one year	**4,417**	1,234
Expiring beyond one year	**36,000**	36,000
	40,417	37,234
Transformation project costs loans		
Expiring within one year	**427**	879
Expiring beyond one year	**2,250**	-
	2,677	879
	53,307	50,196
Current	**6,057**	5,196
Non-current	**47,250**	45,000

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

Variable rate		
Expiring within one year (line of credit)	**-**	**1,500**
Expiring beyond one year (bank loans)	**18,287**	**18,917**
	18,287	**20,417**

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.

7. Equity securities issued

Issued capital at 31 December 2022 remained unchanged from the prior comparative period at $53,223,000 (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 at 31 December 2022 was $0 (30 June 2022: $80,000).

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.

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 2022**	**829,321**	**534,573**	**5,622,540**	**5,515,277**
	31 Dec 2021	704,740	568,366		
	30 Jun 2022			5,041,557	5,814,647

Purchases

During the half-year, premises rent totalling $534,573 (31 December 2021: $568,366) 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 $829,321 (31 December 2021: $704,740) were charged 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 $1,121,218 was provided to Shine Lawyers NZ Limited, a company of which Simon Morrison and Stephen Roche are directors and substantial shareholders. An amount of $672,058 was repaid during the half-year. The balance outstanding is $5,622,540 which includes interest charged of $131,823.

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 $5,515,277 (30 June 2022: $5,814,647).

Other transactions

During the half-year, consultancy fees totalling $132,000 (including GST) were paid to Stephen Roche, a substantial shareholder (31 December 2021: $132,000).

During the half-year, consultancy fees totalling $24,750 (including GST) were paid to a company owned by Rod Douglas, a non-executive director (31 December 2021: $25,278).

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 three 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 4.9% (31 December 2022: 4.9%).

Outstanding balances are unsecured and are repayable in cash.

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 2022 and 30 June 2022 on a recurring basis:

At 31 December 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial Assets at FVPL				
Deferred consideration	-	-	**11,433**	**11,433**
Unbilled disbursements	-	-	**116,763**	**116,763**
Hedging derivatives – interest rate swaps	-	**1,764**	-	**1,764**
Total financial assets	**-**	**1,764**	**128,196**	**129,960**

At 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial Assets at FVPL				
Deferred consideration	-	-	12,156	12,156
Unbilled disbursements	-	-	104,249	104,249
Hedging derivatives – interest rate swaps	-	2,019	-	2,019
Total financial assets	-	2,019	116,405	118,424

There were no transfers into or out of Level 3 fair value measurements during the six months ended 31 December 2022.

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 2022.

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 interest rate swaps – the present value of future cash flows based on observable yield curves
- For other financial instruments – discounted cash flow analysis

(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 2022:

	Unbilled disbursements $'000	Deferred consideration $'000	Total $'000
Opening balance 1 July 2022	104,249	12,156	116,405
Additions and settlements	**15,362**	**(723)**	**14,639**
Losses recognised in profit or loss	**(2,848)**	**-**	**(2,848)**

(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 2022. There were also no changes made to any of the valuation techniques applied as of 31 December 2022.

(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 2022	Unobservable inputs	Relationship of unobservable inputs to fair value
Unbilled disbursements	116,763	Internal historical recovery rates Qualitative individual matters	If the recovery rate was 1% (higher) or lower, the fair value would (decrease)/increase by $1,208,000
Deferred consideration	11,433	Internal historical recovery rates Qualitative individual matters	If the recovery rate was 10% lower, the fair value would decrease by $1,232,000
		Internal historical collection periods Qualitative individual matters	If the collection period was 3 months shorter the fair value would increase by $243,000
		Risk-adjusted discount rate	If the discount rate was 100bps (higher)/lower, the fair value would (decrease)/increase by $299,000

Significant accounting judgement

Estimating deferred consideration

Under the Share Sale Agreement, the original gross deferred sales proceeds due from the purchaser was $19,346,000. However, accounting standards require that adjustments are made for timing of payments, recovery rates and risk-adjusted discount rates which require the Group to make various estimates and judgements. As noted above, the fair value of the deferred consideration is sensitive to changes in any of these estimates and judgements.

Directors' declaration

12. Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2022 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 2022 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 27 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 2022 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
23 February 2023

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 2022, 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 2022 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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Independent auditor’s review report to the members of Shine Justice Ltd

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 2022 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

Kim Challenor
Partner

Brisbane
23 February 2023