Shine Justice Ltd

Interim Financial Report

For the 6 months ended 31 December 2023

ASX CODE: SHJ

Shine Justice Ltd
ABN: 93 162 817 905

Interim report – 31 December 2023

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 2023 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.

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 2023.

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 (Independent 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 invest in future class actions through multiple concurrent investigations currently underway, while the Personal Injury business has a strong pipeline of cases which continue to be worked through.

The Group has significantly improved cash generation during the half with several major cases concluded and continues to implement improvements across the legal businesses to further reduce costs and improve operating efficiency. Despite this, more work remains to be done to improve profitability on completed cases and this will continue to be a focus in 2024.

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

	Segment revenues*		Segment results	
	31 Dec 23	31 Dec 22	**31 Dec 23**	31 Dec 22
	$'000	$'000	**$'000**	$'000
Personal Injury	**75,370**	76,171	**16,108**	17,942
New Practice Areas	**31,147**	33,375	**5,316**	8,497
Other	**1,496**	1,668	**777**	466
Total adjusted segment revenue/result	**108,013**	111,214	**22,201**	26,905

Segment results are adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA), which is the measure of segment result that is reported to the Managing Director to assess the performance of the operating segments. Adjusted EBITDA excludes discontinued operations and the significant items of income and expenditure which may have an impact on the quality of earnings such as legal expenses and impairments where the item is a result of an isolated, non-recurring event.

For a reconciliation to operating profit before tax, refer to note 2(b).

Head trauma is now included in the PI segment effective 1 July 2023. As a result, the Group has restated the previously reported comparative segment information as required by AASB 8.

*Excludes the impact of the WIP write-off associated with Ethicon and Boston Scientific Mesh class actions in the half year ended 31 December 2023 of $7,332,000.

Significant factors that have affected the Group's operations and results during the six months to 31 December 2023 are described below:

(a) Personal Injury (PI)

Shine Lawyers continued to specialise in damages-based plaintiff litigation legal services, primarily relating to personal injuries. During the period, the business consolidated operations and fee earners across the business. As a result, revenue is 1% lower than the comparable period.

Due to rationalisation of work-types, an increase to constraint on revenue and disbursements was required and this negatively impacted segment adjusted EBITDA which declined to $16,108,000 or 10% lower than the comparable period. Elevated staff turnover continues to be a focus area in the segment which is impacting revenue and case resolution.

(b) New Practice Areas (NPA)

Segment revenues were significantly impacted during the period by declines in fee earning headcount and increased constraint on revenue recognised in the medical law practice also impacted the results. The Group was also impacted by a WIP write-off associated with Ethicon and Boston Scientific Mesh class actions in the half year ended 31 December 2023 of $7,332,000.

The segment adjusted EBITDA of $5,316,000 was 37% lower than for the comparable period with impacts from higher staff turnover and disbursement write-offs impacting margins.

Notwithstanding the above, during the period, Shine Justice settled and collected remaining professional fees owing on the Boston Scientific, the Ethicon, the Wreck Bay Contamination and the Multi-site Contamination class actions which helped significantly improve operating cashflow in the Group.

Outlook

Shine is continuing to review its overhead and legal cost structure and build on the benefits flowing from the cost reduction program underway. Legal case workflows and processes are a key focus area for the Group with improvements to recovery rates and case velocity targeted by 30 June 2024. Shine continues to assess non-core business lines as part of its strategic review program.

Non-organic growth opportunities continue to be considered against Shine's investment criteria filters.

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 in 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 2024

Auditor's Independence Declaration

As lead auditor for the review of Shine Justice Ltd for the half-year ended 31 December 2023, 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
Partner
PricewaterhouseCoopers

Brisbane
23 February 2024

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Consolidated statement of profit or loss

	Notes	31 Dec 23 $'000	31 Dec 22 $'000
Revenue from contracts with customers	2(b)	**99,185**	109,546
Other income	2(b)	**1,496**	1,668
Employee benefits expense		**(61,559)**	(60,502)
Depreciation and amortisation expense		**(8,041)**	(7,341)
Finance costs	3(b)	**(5,123)**	(3,703)
Fair value losses on unbilled disbursements		**(4,553)**	(2,848)
Other expenses	3(a)	**(20,974)**	(20,574)
Profit before income tax		**431**	16,246
Income tax expense		**(253)**	(5,598)
Profit for the half-year		**178**	10,648
Profit is attributable to:			
Owners of Shine Justice Ltd		**177**	10,638
Non-controlling interest		**1**	10
		178	10,648

	Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**0.10**	6.18
Diluted earnings per share	**0.10**	6.00

Consolidated statement of comprehensive income

	31 Dec 23 $'000	31 Dec 22 $'000
Profit for the half-year	**178**	10,648
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**(746)**	(255)
Income tax relating to changes in fair value of cash flow hedges	**224**	77
Exchange differences on translation of foreign operations	**22**	94
Other comprehensive income for the half-year, net of tax	**(500)**	(84)
Total comprehensive income for the half-year	**(322)**	10,564
Total comprehensive income for the half-year is attributable to:		
Owners of Shine Justice Ltd	**(323)**	10,554
Non-controlling interest	**1**	10
	(322)	10,564

Consolidated balance sheet

	Notes	31 Dec 23 $'000	30 Jun 23 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**20,899**	21,088
Trade and other receivables		**13,226**	12,796
Contract assets – work in progress	2(c)	**218,624**	210,521
Income tax receivable		**2,988**	2,095
Derivative financial instrument	11	**651**	1,398
Unbilled disbursements	11	**62,124**	53,812
Other financial assets at amortised cost		**-**	1
Financial assets at fair value through profit or loss	11	**2,409**	1,894
Other current assets		**3,361**	4,493
Total current assets		**324,282**	308,098
Non-current assets			
Trade and other receivables		**447**	536
Contract assets – work in progress	2(c)	**144,624**	170,412
Unbilled disbursements	11	**32,666**	35,240
Investment in unlisted entity		**100**	100
Plant and equipment		**4,770**	5,078
Other financial assets at amortised cost		**6,510**	6,243
Financial assets at fair value through profit or loss	11	**8,327**	9,452
Right-of-use assets		**31,836**	39,070
Intangible assets		**45,574**	47,068
Total non-current assets		**274,854**	313,199
Total assets	2(b)	**599,136**	621,297
LIABILITIES			
Current liabilities			
Trade and other payables		**11,497**	12,886
Disbursement creditors		**97,656**	94,781
Borrowings	6	**3,916**	64,424
Lease liabilities		**15,245**	16,449
Other current financial liabilities		**633**	660
Employee benefit obligations		**9,569**	10,596
Provisions		**353**	115
Total current liabilities		**138,869**	199,911

Consolidated balance sheet

	Notes	**31 Dec 23 $'000**	30 Jun 23 $'000
Non-current liabilities			
Borrowings	6	**45,000**	-
Lease liabilities		**24,884**	31,007
Deferred tax liabilities		**116,030**	116,083
Employee benefit obligations		**1,480**	1,364
Provisions		**1,940**	2,088
Total non-current liabilities		**189,334**	150,542
Total liabilities	2(b)	**328,203**	350,453
Net assets		**270,933**	270,844
EQUITY			
Share capital	7	**53,223**	53,223
Other equity		**(965)**	(765)
Reserves		**1,662**	1,551
Retained earnings		**216,849**	216,672
Capital and reserves attributable to the owners of Shine Justice Ltd		**270,769**	270,681
Non-controlling interests		**164**	163
Total equity		**270,933**	270,844

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 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
Balance at 1 July 2023	**53,223**	**(765)**	**216,672**	**(474)**	**978**	**1,118**	**163**	**(71)**	**270,844**
Profit for the half-year	**-**	**-**	**177**	**-**	**-**	**-**	**1**	**-**	**178**
Other comprehensive income	**-**	**-**	**-**	**22**	**(522)**	**-**	**-**	**-**	**(500)**
Total comprehensive income for the half-year	**-**	**-**	**177**	**22**	**(522)**	**-**	**1**	**-**	**(322)**
Transactions with owners in their capacity as owners:									
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Acquisition of treasury shares	**-**	**(432)**	**-**	**-**	**-**	**-**	**-**	**-**	**(432)**
Issue of shares to employees	**-**	**232**	**-**	**-**	**-**	**(232)**	**-**	**-**	**-**
Share schemes – value of services	**-**	**-**	**-**	**-**	**-**	**843**	**-**	**-**	**843**
	-	**(200)**	**-**	**-**	**-**	**611**	**-**	**-**	**411**
Balance at 31 December 2023	**53,223**	**(965)**	**216,849**	**(452)**	**456**	**1,729**	**164**	**(71)**	**270,933**

Consolidated statement of cash flows

	Notes	Half-year 31 Dec 23 $'000	Half-year 31 Dec 22 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**128,196**	87,170
Payments to suppliers and employees (inclusive of GST)		**(88,529)**	(84,029)
Disbursements recovered		**35,136**	29,907
Disbursements paid		**(45,096)**	(45,219)
Interest received		**279**	385
Finance costs		**(5,023)**	(3,026)
Income taxes paid		**(976)**	(1,087)
Net cash (outflow) / inflow from operating activities	2(b)	**23,987**	(15,899)
Cash flows from investing activities			
Payments for plant and equipment		**(404)**	(2,763)
Payments for acquisition of files		**-**	(196)
Proceeds from sale of files		**75**	-
Loans to related parties		**(284)**	(568)
Proceeds from sale of subsidiaries		**-**	723
Payment for intangible assets		**(615)**	(2,685)
Net cash (outflow) from investing activities		**(1,228)**	(5,489)
Cash flows from financing activities			
Payments for treasury shares		**(433)**	(1,277)
Proceeds from borrowings		**11,165**	10,054
Repayment of borrowings		**(27,558)**	(9,767)
Dividends paid to company's shareholders		**-**	(6,064)
Asset finance facility drawdowns		**-**	2,677
Asset finance facility repayments		**(230)**	(879)
Principal elements of lease payments		**(5,293)**	(5,031)
Proceeds from disbursement funding		**18,068**	17,240
Repayments of disbursement funding		**(18,667)**	(13,974)
Net cash (outflow) from financing activities		**(22,948)**	(7,021)
Net (decrease)/increase in cash and cash equivalents		**(189)**	(28,409)
Cash and cash equivalents at the beginning of the half-year		**21,088**	51,864
Effects of exchange rate changes on cash and cash equivalents		**-**	19
Cash and cash equivalents at the end of the half-year		**20,899**	23,474

As noted in the annual report for the year ended 30 June 2023, Shine has restated the comparatives in the Statement of Cash flows with respect to transactions related to disbursement funding creditors. These cash flows have been reclassified from Operating Activities to Financing Activities to better reflect the nature of these arrangements.

1. Significant changes in the current reporting period

The financial position and performance of the Group during the period, was affected by the finalisation of the remaining fees owing from the Ethicon and Boston Scientific Mesh class actions. As a result of court orders dated 23 and 28 November 2023, approximately $12.1m of fees were paid to the Group with the remaining carrying amount of the asset being written-off to the profit or loss statement ($7.3m) in accordance with a disallowed portion of fees.

Shine continues to prepare further submissions in relation to recovery of an amount of interest on the disbursement funding facilities used in the Ethicon Mesh class action with an application expected to be made in early 2024.

The group continues to rationalise costs across the business which also resulted in a reduction of headcount in certain areas. As a result of these cost rationalisation activities, costs of $0.9m were incurred during the period.

During the period, the Group extended its debt facilities with its main financier until March 2026, while also increasing the facility limit on its working capital facility. As at 31 December 2023, the full amount of the increased working capital facility remained undrawn. 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.

Emerging business risks

There were no new significant business risks that impacted the financial performance or financial position of the Group as at 31 December 2023.

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

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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 (PI)

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
- head trauma (transferred from NPA on 1 July 2023)

In addition, other brands included within this segment are:

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

Head trauma is now included in the PI segment effective 1 July 2023. It is expected that this change will allow a faster resolution to 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. The Group has restated the previously reported comparative segment information as required by AASB 8.

(ii) New Practice Areas (NPA)

The Shine Lawyers New Practices Areas business includes:

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

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 NPA, 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.

(b) Segment information provided to the Managing Director

Adjusted EBITDA

Adjusted EBITDA excludes discontinued operations and the significant items of income and expenditure which may have an impact on the quality of earnings such as legal expenses and impairments where the item 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.

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

Adjusted EBITDA reconciles to operating profit after income tax as follows:

	31 Dec 23 $'000	31 Dec 22 $'000
Profit after income tax	**178**	10,648
Finance costs	**5,123**	3,703
Depreciation and amortisation	**8,041**	7,341
Income tax expense	**253**	5,598
Interest income	**(279)**	(385)
WIP write-off associated with Ethicon and Boston Scientific Mesh class actions	**7,332**	-
Fair value losses on deferred consideration	**610**	-
Restructuring costs	**943**	-
Adjusted EBITDA	**22,201**	26,905

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

	31 Dec 23 $'000	31 Dec 22 $'000
Personal Injury	**16,108**	17,942
New Practice Areas	**5,316**	8,497
Other	**777**	466
Adjusted EBITDA	**22,201**	26,905

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 inflow / (outflow) from operating activities as follows:

	31 Dec 23 $'000	31 Dec 22 $'000
Net cash inflow / (outflow) from operating activities	**23,987**	(15,899)
Net cash flows from disbursement funding	**(599)**	3,266
Finance costs paid	**5,023**	3,026
Income taxes paid	**976**	1,087
Interest received	**(279)**	(385)
GOCF	**29,108**	(8,905)

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

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

	31 Dec 23	31 Dec 22
	$'000	$'000
Profit for the period	**178**	10,648
Adjustments for:		
Depreciation and amortisation	**8,041**	7,341
Net gain on sale of non-current assets	**(607)**	(173)
Interest on make good provision	**89**	40
Employee share scheme	**843**	92
Fair value adjustment to deferred consideration	**610**	-
Changes in operating assets and liabilities		
(Increase)/decrease in trade receivables	**(392)**	23
Decrease in other assets	**2,247**	1,797
Decrease/(increase) in work in progress	**17,678**	(29,783)
(Increase) in disbursements	**(5,737)**	(12,514)
Increase in trade creditors and accruals	**2,143**	1,303
(Increase) in income taxes receivable	**(893)**	(847)
Increase in deferred tax liabilities	**171**	5,357
(Decrease)/increase in provisions	**(384)**	817
Net cash inflow / (outflow) from operating activities	**23,987**	(15,899)

(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 2023 and also the basis on which revenue is recognised.

	Personal Injury		New Practice Areas		Unallocated items		Total	
	31 Dec 23	31 Dec 22	**31 Dec 23**	31 Dec 22	**31 Dec 23**	31 Dec 22	**31 Dec 23**	31 Dec 22
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Legal services								
• No-win-no-fee variable	**75,370**	76,171	**11,947**	21,830	**-**	-	**87,317**	98,001
• No-win-no-fee fixed fee	**-**	-	**4,451**	4,301	**-**	-	**4,451**	4,301
• Time and materials	**-**	-	**7,417**	7,244	**-**	-	**7,417**	7,244
Revenue from external customers	**75,370**	76,171	**23,815**	33,375	**-**	-	**99,185**	109,546
Interest income	**-**	-	**-**	-	**279**	385	**279**	385
Service management fee	**-**	-	**-**	-	**778**	829	**778**	829
Other revenue	**-**	-	**-**	-	**439**	454	**439**	454
Other income	**-**	-	**-**	-	**1,496**	1,668	**1,496**	1,668
Total segment revenue and other income	**75,370**	76,171	**23,815**	33,375	**1,496**	1,668	**100,681**	111,214
WIP write-off associated with mesh class actions	**-**	-	**7,332**	-	**-**	-	**7,332**	-
Total excluding mesh WIP write-off	**75,370**	76,171	**31,147**	33,375	**1,496**	1,668	**108,013**	111,214

	31 Dec 23	30 Jun 23	**31 Dec 23**	30 Jun 23	**31 Dec 23**	30 Jun 23	**31 Dec 23**	30 Jun 23
Balance sheet	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Total segment assets	**420,543**	402,369	**163,263**	202,861	**15,330**	16,067	**599,136**	621,297
Total segment liabilities	**100,425**	107,883	**61,035**	61,074	**166,743**	181,496	**328,203**	350,453

(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 23 $'000	30 Jun 23 $'000
Current contract assets relating to work in progress	**218,624**	210,521
Non-current contract assets relating to work in progress	**144,624**	170,412
Total contract assets	**363,248**	380,933

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 $89,389,000 (30 June 2023: $82,680,000).

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 23 $'000	31 Dec 22 $'000
Premises	**2,301**	1,793
Marketing	**5,631**	6,488
HR, training and recruitment	**1,631**	2,656
IT and computer	**4,805**	4,337
Printing, postage and stationery	**545**	639
Professional fees	**2,643**	2,617
Motor vehicle and travel	**637**	1,130
Net impairment losses on financial assets	**654**	644
Restructuring costs	**943**	-
Fair value losses on deferred consideration	**610**	-
Sundry	**574**	270
	20,974	20,574

(b) Finance costs

	31 Dec 23 $'000	31 Dec 22 $'000
Interest and finance charges paid/payable for lease liabilities	**1,182**	1,152
Interest on other debt facilities	**1,539**	1,218
Other	**90**	41
	2,811	2,411
Disbursement funding related interest		
Disbursement funding interest – deferred payment agreement not recovered	**2,312**	1,292
Disbursement funding interest – funding agreements with recovery rights	**7,177**	7,503
Disbursement funding interest income – unbilled disbursements	**(7,177)**	(7,503)
	2,312	1,292
	5,123	3,703

(c) Income tax

The average tax rate for the year to 31 December 2023 is 59%, compared to 34% for the six months ended 31 December 2022. This rate is expected to normalise at year end and 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 2023			
Third Party Disbursement Funding Facility			
Deferred Payment Agreement			
Principal	**60,500**	**(36,993)**	**23,507**
Accrued interest		**(14,597)**	
		(51,590)	
Credit contracts and Exclusive Service Provider Deed			
Principal		**(26,171)**	
Accrued interest and fees		**(4,669)**	
		(30,840)	
Total		**(82,430)**	
30 June 2023			
Third Party Disbursement Funding Facility			
Deferred Payment Agreement			
Principal *	60,500	(39,813)	20,687
Interest		(13,589)	
Total facility balance		(53,402)	
Credit contracts and Exclusive Service Provider Deed			
Principal		(22,365)	
Accrued interest and fees		(3,908)	
		(26,273)	
Total		(79,675)	

*The comparative figures have been adjusted to recognise an increased facility limit and undrawn limit available.

5. Dividends

(a) Ordinary shares

	31 Dec 23 **$'000**	31 Dec 22 $'000
Dividends provided for or paid during the half-year	**-**	6,064

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

	31 Dec 23 **$'000**	31 Dec 22 $'000
Since the end of the half-year, the Directors have recommended the payment of an interim dividend of 1.50 cents unfranked per fully paid ordinary share (31 December 2022: 1.50 cents). The aggregate amount of the proposed dividend expected to be paid on 22 March 2024 out of retained earnings at 31 December 2023, but not recognised as a liability at the end of the half-year, is:	**2,599**	2,599

6. Borrowings

Financial covenants

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

- The WIP Gearing Ratio does not exceed 30%
- The Total Gearing Ratio does not exceed 40% of the value of Net WIP & Unbilled disbursement assets, and
- The Debt to Group 12 Month EBITDA Ratio does not exceed 2.25:1.00.

During the period the Group renegotiated and extended the borrowing facilities. The Group complied with the above covenants at the end of the reporting period.

Financing arrangements

The Group's borrowing facilities were as follows:

	31 Dec 23	30 Jun 23
	$'000	$'000
Variable rate – bank loans		
Expiring within one year	**1,222**	24,543
Expiring beyond one year	**9,000**	-
	10,222	24,543
Fixed rate – bank loans		
Expiring within one year	**352**	37,310
Expiring beyond one year	**36,000**	-
	36,352	37,310
Transformation project costs loans		
Expiring within one year	**2,342**	2,571
Expiring beyond one year	**-**	-
	2,342	2,571
	48,916	64,424
Current	**3,916**	64,424
Non-current	**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)	**11,858**	11,904
Expiring beyond one year (bank loans)	**25,778**	11,458
	37,636	23,362

The line of credit may be drawn at any time and may be terminated by the bank without notice. The 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 2023 remained unchanged from the prior comparative period at $53,223,000 (173,261,812 ordinary shares).

8. Contingencies

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 2023 was $300,000 (30 June 2023: $380,000).

9. Events occurring after the reporting period

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 2023**	**778,076**	**417,283**	**6,510,376**	**3,342,725**
	31 Dec 2022	829,321	534,573		
	30 Jun 2023			6,242,758	5,318,013

Sales

During the half-year, goods, rent and services fees totalling $778,076 (31 December 2022: $829,321) were charged to Shine Lawyers NZ Limited, an affiliated company of which Simon Morrison and Stephen Roche are directors and substantial shareholders.

Purchases

During the half-year, premises rent totalling $417,283 (31 December 2022: $534,573) was paid to companies 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 $616,663 was provided to Shine Lawyers NZ Limited, a company of which Simon Morrison and Stephen Roche are directors and substantial shareholders. An amount of $498,337 was repaid during the half-year. The balance outstanding is $6,510,376 which includes interest charged of $149,292.

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 $3,342,725 (30 June 2023: $5,318,013).

Other transactions

During the half-year, consultancy fees totalling $132,000 (including GST) were paid to Stephen Roche, a substantial shareholder (31 December 2022: $132,000).

During the half-year, consultancy fees totalling $17,889 (including GST) were paid to a company owned by Rod Douglas, a non-executive director (31 December 2022: $24,750).

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 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 2023 and 30 June 2023 on a recurring basis:

At 31 December 2023	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial Assets at FVPL				
Deferred consideration	**-**	**-**	**10,736**	**10,736**
Unbilled disbursements	**-**	**-**	**94,790**	**94,790**
Hedging derivatives – interest rate swaps	**-**	**651**	**-**	**651**
Total financial assets	**-**	**651**	**105,526**	**106,177**

At 30 June 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial Assets at FVPL				
Deferred consideration	-	-	11,346	11,346
Unbilled disbursements	-	-	89,052	89,052
Hedging derivatives – interest rate swaps	-	1,398	-	1,398
Total financial assets	-	1,398	100,398	101,796

There were no transfers into or out of Level 3 fair value measurements during the six months ended 31 December 2023.

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 2023.

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 2023:

	Unbilled disbursements $'000	Deferred consideration $'000	Total $'000
Balance at 1 July 2023	89,052	11,346	100,398
Additions and settlements	**10,291**	**-**	**10,291**
Losses recognised in profit or loss	**(4,553)**	**(610)**	**(5,163)**
Balance at 31 December 2023	**94,790**	**10,736**	**105,526**

(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 2023. There were also no changes made to any of the valuation techniques applied as of 31 December 2023.

(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 2023	Unobservable inputs	Relationship of unobservable inputs to fair value
Unbilled disbursements	94,790	Internal historical recovery rates Qualitative individual matters	If the recovery rate was 1% (higher) or lower, the fair value would (decrease)/increase by $1,361,000
Deferred consideration	10,736	Internal historical recovery rates Qualitative individual matters	If the recovery rate was 10% higher or (lower), the fair value would increase/(decrease) by $1,187,000
		Internal historical collection periods Qualitative individual matters	If the collection period was 3 months shorter or (longer) the fair value would increase/(decrease) by $189,000
		Risk-adjusted discount rate	If the discount rate was 100bps (higher)/lower, the fair value would (decrease)/increase by $222,000

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.

12. Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2023 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 2023 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.

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. In particular, following our preliminary view presented at 30 June 2023, we have completed our assessment and confirmed that AASB 17 *Insurance Contracts* is not applicable to the financial reporting of Shine Justice Limited and no adjustments or further disclosures are required regarding this new accounting standard.

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 2023 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 2024

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 2023, 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, selected 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 2023 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.

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 2023 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*.

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

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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

PricewaterhouseCoopers

K Challenor

Kim Challenor
Partner

Brisbane
23 February 2024