


Shine Corporate Ltd

ABN 93 162 817 905



ANNUAL REPORT 2016



SHINE A LIGHT ON INJUSTICE AND MAKE THE WORLD A BETTER PLACE ONE CLIENT AT A TIME

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[FY16 IN REVIEW

| (\$M) | FY2016 | FY2015 | VARIANCE % |
|---|--------|--------|------------|
| Total Revenue | 151.5 | 150.9 | 0.4 |
| Earnings Before Interest and Tax (EBIT) – Statutory | 21.6 | 41.7 | (48.2) |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) – Statutory | 25.0 | 44.0 | (43.2) |
| Statutory Net Profit After Tax (NPAT) | 14.8 | 29.6 | (50.0) |
| Statutory Net Profit Before Tax (NPBT) | 18.4 | 40.1 | (54.1) |
| Gross Operating Cash Flow (GOCF) | 18.8 | 13.0 | 44.8 |
| Final Dividend (cps) | 2.5 | 1.75 | 42.9 |
| Interim Dividend (cps) | 0.0 | 2.0 | (100.0) |
| Total Dividend (cps) | 2.5 | 3.75 | (33.3) |
| Earnings Per Share (EPS) | 8.6 | 17.2 | (50.0) |

CHAIRMAN'S ADDRESS

Dear Shareholders,

In FY2016, we continued to deliver on our promise to “right wrong” and procure justice for our clients. We settled or won more than 4,500 cases on behalf of our clients and procured damages exceeding \$750m.

Shine achieved a number of significant milestones in FY2016, including the celebration of its 40th anniversary. It was also a record year in terms of the Company’s ability to generate cash with a gross operating cash flow for the Group of \$18.8m. Other milestones included:

- > DePuy class action settlement¹ – \$250m (inclusive of costs and disbursements) plus interest;
- > the launch of a new major marketing campaign; and
- > new \$88m Group banking facilities.

While we celebrated the above highlights, we also faced some challenges. Our half-year results were adversely impacted by an adjustment to our provisions prompted by the adoption of actuarial methodologies. Although these challenges were difficult, we have emerged stronger and more resilient.

Our full year EBITDA result of \$25.0m, whilst lower than the prior corresponding period, is reflective of the resetting of our provisions. Management has taken action and continues to focus its energy on improving recoverability rates across the Group.

A number of new senior executives have been recruited during the period, bringing with them broader senior management experience, business acumen and strong leadership skills. Courtney Petersen joined Shine Lawyers as Chief Executive Officer in March 2015 and was appointed to the Shine Corporate Ltd Board as an Executive Director in early 2016. The Board is delighted to announce her appointment as Managing Director and is confident that she will build on the legacy created by those before her.

I would like to acknowledge the contribution of Simon Morrison who is today transitioning from Managing Director to

Executive Director. We are delighted that Simon continues with Shine in the capacity of Executive Director, exploring growth opportunities and new initiatives to create shareholder value in a highly competitive marketplace. Stephen Roche retired from the Board during the year, however, he continues to consult to the Group. Simon and Stephen grew the firm from a single office in Toowoomba to a national firm with over 700 employees in more than 40 locations. The Board acknowledges their achievements and contribution.

Building on our bench strength, we have welcomed Geniere Aplin as Chief Operating Officer, Christopher Hughes as Head of Integration and Enterprise Services and Melissa Leahy as Head of People & Culture. We have also recently appointed Jim Holding, former Queensland Managing Partner of DLA Piper, as our Chief Legal Officer. These new additions complement the appointment last year of Daniel Wilkie as Chief Financial Officer & Company Secretary. It also marks the completion of the Board’s work to ensure that Shine has the bench strength required to deliver sustainable results.

In light of our half-year results, the Board had determined not to declare a dividend for the half-year. I am, however, pleased to announce that the Board has declared a final unfranked dividend in respect of FY2016 of 2.5 cents per share.

I would also like to take this opportunity to thank my fellow Directors for their valuable contribution to the Company and to our shareholders for their ongoing support. I am confident that Shine is well positioned for the future and equipped to meet the challenges that lie ahead.



TONY BELLAS
CHAIRMAN, 24 AUGUST 2016

¹ This matter was conducted jointly with another firm.

DIRECTORS' REPORT

Your Directors present their report for the financial year ended 30 June 2016

1. TONY BELLAS

MBA, BEcon, DipEd, FAIM, FAICD, FCPA (Age 62)

Tony joined Shine in 2013 as Independent Non-executive Chairman.

Prior to joining the Board, Tony was an experienced senior executive in the public and private sectors and held roles including Chief Executive Officer of Seymour Group, Ergon Energy Corporation Limited and CS Energy Limited. Tony also had a distinguished career with Queensland Treasury where he reached the position of Deputy Under Treasurer and had oversight of operations including Fiscal Strategy, Office of Government Owned Corporations and Office of State Revenue.

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

Other Australian listed company directorships held in the past three years: Graphitecorp Limited (August 2015 – present), Corporate Travel Management Limited (June 2010 – present) and ERM Power Limited (December 2009 – present).

2. CAROLYN BARKER AM

BBus, MBA, FAIM (Age 57)

Carolyn joined Shine Lawyers in 2009 and was appointed to the Board of Shine as a Non-executive Director in 2013.

Carolyn is an experienced senior executive and is the current Chief Executive Officer of Endeavour and Executive Director of the Higher Education Division of the global private education company, Study Group. Previously, Carolyn was Chief Executive Officer of the Australian Institute of Management and founder and Managing Director of The Cyber Institute Pty Ltd.

Carolyn contributes skills and expertise to the Board including executive management, digital technologies, strategic marketing, general commercial, and policy, regulation and stakeholder management.

Carolyn is the Chair of Brisbane's Transport Advisory Board and a member of Brisbane City Council's Audit Committee.

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

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

3. GREG MOYNIHAN

BCom, Grad Dip SIA, CPA, FFin, MAICD (Age 59)

Greg joined the Board of Shine in 2013 as a Non-executive Director.

He is a former Chief Executive Officer of Metway Bank Limited and has held senior executive positions with Citibank Australia and Suncorp-Metway over a range of disciplines including financial and capital management, investment management and corporate strategy.

Greg is currently a Non-executive Director of Corporate Travel Management Limited and several private companies in Australia and overseas.

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

Other Australian listed company directorships held in the past three years: Corporate Travel Management Limited (June 2010 – present) and Ausenco Limited (2009-2013).

4. SIMON MORRISON

LLB (Age 47)

Simon became the Managing Director of Shine in 2012, having joined Shine Lawyers in 1988 and becoming a partner of the firm in 1995. With effect from 24 August 2016, Simon will transition from his role as Managing Director to Executive Director.

Simon is a former National President of the Australian Lawyers' Alliance (ALA) and chaired the ALA's National

The Directors during the Financial Year were:

| DIRECTOR | POSITION | APPOINTMENT |
|-------------------|---|--------------------------------------|
| Tony Bellas | Independent Chairman & Non-executive Director | 13 March 2013 to present |
| Carolyn Barker AM | Non-executive Director | 13 March 2013 to present |
| Greg Moynihan | Non-executive Director | 13 March 2013 to present |
| Simon Morrison | Managing Director* | 13 March 2013 to present |
| Courtney Petersen | CEO & Executive Director** | 29 February 2016 to present |
| Stephen Roche | Non-executive Director | 13 March 2013 to 4 September 2015*** |

* Simon Morrison retired as Managing Director on 24 August 2016 but continues as an Executive Director.

** Courtney Petersen was appointed as Managing Director on 24 August 2016.

*** Stephen Roche held the position of Executive Director from 13 March 2013 to 1 July 2014 and then became a Non-executive Director for the period 2 July 2014 to 4 September 2015.



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

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

Special responsibilities held include member of the Nomination Committee, Managing Director (until 24 August 2016) and Executive Director (from 24 August 2016).

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

5. COURTNEY PETERSEN
BA, LLB (Hons) (Age 46)

Courtney joined Shine as Chief Executive Officer of Shine Lawyers in March 2015 and was appointed to the Board as an Executive Director in February 2016.

Courtney has almost 25 years' experience in the corporate sector and has held senior strategic, customer focussed roles in major Australian companies such as Aurizon, Queensland Rail, Telstra and Tabcorp. She has deep experience in driving

transformational change and has led many diverse portfolios including strategy, marketing, IT, procurement and property. Courtney is also a former Director of the National Foundation for Australian Women, Telstra Rewards Pty Ltd and API (Qld) Pty Ltd.

Special responsibilities held include member of the Nomination Committee, Chief Executive Officer of Shine Lawyers (until 24 August 2016) and Managing Director (from 24 August 2016).

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

6. STEPHEN ROCHE
LLB, LL.M, GAICD (Age 52)

Stephen resigned as Non-executive Director of Shine on 4 September 2015.

Stephen joined the Group in 1981 and is a former Managing Partner. Stephen was among the first solicitors in Queensland to be awarded Specialist Accreditation in Personal Injuries by the Queensland Law Society. He is admitted to practice in several States within Australia and also New Zealand. Stephen is an active member of The Executive Connection. He continues to consult to Shine on strategic opportunities.

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

7. VICKI CLARKSON
Company Secretary
BA/LLB (Hons), FGIA, FCIS, GAICD (Age 37)

Vicki joined Shine in 2015 as Company Secretary and General Counsel. Vicki has extensive experience as a corporate lawyer having commenced practice at Blake Dawson Waldron (now Ashurst) before joining Clayton Utz and then moving in-house at Flight Centre Limited. Prior to joining Shine, Vicki worked for Aurizon Holdings Limited, where she held senior roles including Managing Counsel (Major Projects), Assistant Company Secretary and Reporting Manager & Executive Committee Secretary, and was a member of the Management Leadership Team.

Vicki is an active member and Deputy Chair of the Queensland State Council of the Governance Institute of Australia and volunteers as the Company Secretary of the not-for-profit Australian Association of Graduate Employers Limited.

8. DANIEL WILKIE
Company Secretary
BA (Accounting & Economics), CA (Age 59)

Daniel joined Shine in 2014 to manage the firm's newly acquired subsidiaries and the key acquisitions strategy for the Group. He was appointed to the role of Chief Financial Officer and Company Secretary in April 2015 and leads the Finance function.

Daniel commenced his professional career with KPMG and has had extensive experience at senior executive and CFO level, including with Suncorp and NRMA Insurance. He has strong credentials in corporate finance, commercial management, mergers and acquisitions and driving performance improvement.



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DIRECTORS' REPORT (CONT)

REMUNERATION REPORT

1. INTRODUCTION

This Remuneration Report sets out information about the remuneration of Shine's key management personnel (**KMP**) for the financial year ended 30 June 2016 in accordance with the Corporations Act and its Regulations.

The information in this Remuneration Report has been audited.

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2. DIRECTORS AND EXECUTIVES

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

The Non-executive Directors and executives who were KMP for the whole of the financial year ended 30 June 2016 are identified in Table 2.

TABLE 2 – KEY MANAGEMENT PERSONNEL

| NAME | POSITION |
|-------------------------|---|
| NON-EXECUTIVE DIRECTORS | |
| Tony Bellas | Independent Chairman & Non-executive Director |
| Carolyn Barker AM | Independent Non-executive Director |
| Greg Moynihan | Independent Non-executive Director |
| EXECUTIVE KMP | |
| Simon Morrison* | Managing Director |
| Courtney Petersen** | Chief Executive Officer & Executive Director |
| Daniel Wilkie | Chief Financial Officer & Company Secretary |

* Simon Morrison retired as Managing Director on 24 August 2016 but remains an Executive Director.

** Courtney Petersen was appointed as an Executive Director on 29 February 2016. She was subsequently appointed Managing Director on 24 August 2016.

Table 3 below identifies other persons who were KMP at some time during the financial year ended 30 June 2016.

TABLE 3 – FORMER KEY MANAGEMENT PERSONNEL

| NAME | POSITION | DATE RESIGNED |
|---------------|------------------------|------------------|
| Stephen Roche | Non-executive Director | 4 September 2015 |

DIRECTORS' REPORT (CONT)

REMUNERATION REPORT

3. REMUNERATION FRAMEWORK

Shine's executive remuneration practices and strategy are designed to attract and retain high calibre talent in order to drive the creation of shareholder value.

The current executive remuneration framework includes three components:

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

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

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

TABLE 4 – KEY ELEMENTS OF REMUNERATION FRAMEWORK

| | CONSIDERATIONS | PERFORMANCE MEASURE | STRATEGIC OBJECTIVE |
|-----------------------------|--|--|--|
| Fixed Remuneration | <ul style="list-style-type: none"> > Role responsibility & accountabilities > Executive experience and qualifications > Market relativities | Not applicable | To attract and retain top executive talent focussed on performance and results |
| Short Term Incentive | <ul style="list-style-type: none"> > Market relativities > 12 month performance period > Cash component | <p>FY16 Financial metrics only</p> <p>FY17 A financial performance metric prescribed by the Remuneration Committee must first be satisfied for any STI to be payable</p> <p>If the financial performance metric is satisfied, the amount of the STI payable is determined based on the achievement of Financial, People & Values, Operational and Strategic measures</p> | <p>Drives focus on delivering key strategic initiatives and outcomes by incentivising over a 12 month period</p> <p>Delivers financial benefits to shareholders and aligns focus to grow the firm through improved capability of systems, processes and people</p> |
| Long Term Incentive | <ul style="list-style-type: none"> > Market relativities > Performance period: <ul style="list-style-type: none"> – FY16 – 1 year and must remain in full-time employment until 1 July 2018 – FY17 – 3 years > Equity component | <p>FY16 Financial and Transformation based project initiatives</p> <p>FY17 The Remuneration Committee is in the process of determining the FY17 LTI performance measures</p> | Drives focus on delivering longer term financial outcomes to shareholders and is a key retention tool of executive talent |

Total Remuneration

Executive remuneration has been designed to drive performance and support the delivery of improved shareholder returns by placing a significant portion of remuneration at risk including both cash and equity.

DIRECTORS' REPORT (CONT)

REMUNERATION REPORT

Executive Remuneration Governance

Figure 1 represents Shine's remuneration governance framework.

The Group did not use a remuneration consultant during FY2016, however, an independent remuneration consultant was engaged in July 2016 to provide benchmarking advice in relation to the FY2017 period.

Details on the composition of the Remuneration Committee are set out on page 13 of this Report. The Remuneration Committee's Charter is available on the Company's website.

4. FIXED REMUNERATION AND BENEFITS

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

The Group's remuneration strategy is to recruit high calibre individuals by offering highly competitive remuneration. Executives are offered a competitive base remuneration package that comprises the fixed component of remuneration and rewards. Base remuneration is reviewed annually to ensure executive remuneration is competitive. There is no guaranteed base remuneration increase included in any executive's contract.

Executives receive benefits which may include motor vehicle and car parking benefits.

Superannuation contributions are paid in accordance with relevant government legislation, to employee nominated superannuation funds.

FIGURE 1 – KEY ELEMENTS OF REMUNERATION FRAMEWORK

BOARD

The Board:

- > approves the remuneration policy and ensures it is competitive, fair and aligned with the Company's long term interests
- > approves the remuneration of Executive Directors, Non-executive Directors and the Executive Management Team
- > assesses the performance of the MD, Executive Director, CFO and Company Secretaries.

REMUNERATION COMMITTEE

The Board has delegated responsibility to the Remuneration Committee to review and make recommendations regarding:

- > the Company's remuneration practices, equity participation and other incentive programs
- > performance management
- > superannuation.

The Remuneration Committee may seek the advice of independent external experts.

EXECUTIVE MANAGEMENT TEAM

Members of the Executive Management Team may from time to time provide information that is relevant to remuneration decisions and make recommendations to the Remuneration Committee.

Executive Management Team members may obtain this information from external advisors in order to assist the Remuneration Committee.

DIRECTORS' REPORT (CONT)

REMUNERATION REPORT

5. SHORT TERM INCENTIVES

Short Term Incentive Plan

A Short Term Incentive Plan was in place for FY2016.

WHAT IS THE SHORT TERM INCENTIVE PLAN AND WHO PARTICIPATES?

The Short Term Incentive Plan was developed to reward short term performance with the following objectives:

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

The Short Term Incentive Plan is reviewed annually. All legal, management and other professional staff are eligible to participate.

WHAT ARE THE KEY PERFORMANCE INDICATORS?

The key performance indicators (**KPIs**) which apply to all participants are set at the beginning of each financial year and are aligned with corporate objectives.

In FY2016, the KPIs were reviewed following the provision of revised EBITDA guidance. This review was undertaken to ensure that employees were incentivised to assist the Company in achieving its organisational objectives.

Executive KMPs' short term incentives provide for an incentive of up to 50% of total fixed remuneration, subject to the achievement of an agreed financial KPI. While the Company reviewed the KPIs for fee earning employees, it did not change the KPIs for KMPs.

FY2016 OUTCOME FOR KMP

The financial KPI for FY2016 for KMP was not met.

The Directors resolved that no award be granted to KMP in respect of FY2016 on account of the Group not meeting its original EBITDA guidance.

6. LONG TERM INCENTIVES

Long Term Incentive Plan

The Long Term Incentive Plan commenced on 1 July 2015 and provides for the issue of performance rights to eligible employees.

WHAT IS THE LONG TERM INCENTIVE PLAN AND WHO PARTICIPATES?

The Remuneration Committee recommended to the Board, and the Board approved, a Long Term Incentive Plan for the Managing Director, Courtney Petersen, in respect of FY2016 and will expand the Plan to include KMP and senior executives in respect of FY2017. Once finalised, the terms of the CFO's LTI will be effective from 1 July 2016.

LTI performance measures for the expanded executive group are yet to be finalised.

Under the Long Term Incentive Plan, annual grants of performance rights may be made to executives to align remuneration with the creation of shareholder value over the long term. Performance rights awarded under the Plan vest subject to the satisfaction of performance measures during the relevant performance period (one year for FY16 and expected to be three years for future grants) and, in respect of FY16, the executive remaining in full-time employment with the Company until at least 1 July 2018. Upon vesting, Shares are issued or transferred to the executive at no cost to the executive.

The Managing Director's contract provides for an LTI equivalent to 50% of total fixed remuneration, subject to the achievement of the performance measures relating to financial and transformation based project initiatives.

As an alternative to the LTI, the Managing Director may elect to exercise options to subscribe for Shares (which must be retained for at least 12 months) in respect of FY18 or FY19. The options will become exercisable by the Managing Director (or her nominee) at an exercise price equivalent to the 28 day VWAP of Shares (14 days before and 14 days from and including 24 August 2016) in two tranches as follows:

- > 400,000 options will become exercisable on or before 7 September 2018 if the VWAP of Shares equals or exceeds \$2.25 on at least seven days (consecutive or non-consecutive) between 24 August 2016 and 31 August 2018; and
- > 400,000 options will become exercisable on or before 7 September 2019 if the VWAP of Shares equals or exceeds \$3.00 on at least seven days (consecutive or non-consecutive) between 24 August 2016 and 31 August 2019.

Should the Managing Director exercise any of the options, she will forfeit any performance rights due to her under the LTI Plan in respect of the financial year immediately prior to the expiry date of the options (i.e. FY18 or FY19).

The performance measures used in relation to the LTI Plan are chosen to ensure the strong alignment between shareholder and executive interests.

FY2016 OUTCOME FOR MANAGING DIRECTOR

The financial performance measure, which made up 50% of the potential award, was not achieved in FY2016. Two-thirds of the transformation measures were achieved as determined by the Remuneration Committee, with the result that 66.66% of the transformation award, being 33.33% of the aggregate potential award, accrued (i.e. equivalent to 16.66% of TFR). This equates to the issue of performance rights with the underlying market value of \$100,000.

Subject to the Managing Director remaining in full-time employment with the Company until 1 July 2018, the performance rights will vest and the Company will issue Shares or acquire Shares on market to transfer to the Managing Director.

DIRECTORS' REPORT (CONT)

REMUNERATION REPORT

TABLE 5 – PROPORTIONAL REMUNERATION SUMMARY

| | FIXED REMUNERATION | | REMUNERATION LINKED TO PERFORMANCE | |
|-------------------------|--------------------|------|------------------------------------|------|
| | 2015 | 2016 | 2015 | 2016 |
| NON-EXECUTIVE DIRECTORS | | | | |
| Tony Bellas | 100% | 100% | – | – |
| Carolyn Barker AM | 100% | 100% | – | – |
| Greg Moynihan | 100% | 100% | – | – |
| Stephen Roche | 100% | 100% | – | – |
| EXECUTIVE KMP | | | | |
| Simon Morrison | 100% | 100% | – | – |
| Courtney Petersen | 82.5% | 86% | 17.5% | 14% |
| Daniel Wilkie | 100% | 100% | – | – |

7. COMPANY PERFORMANCE FY2016

Tables 6 and 7 set out summary information about the Group's earnings and movements in shareholder wealth for the four years (since listing) to 30 June 2016:

TABLE 6 – GROUP EARNINGS

| | 2016 \$M | 2015 \$M | 2014 \$M | 2013 \$M |
|-----------------------|-------------|-------------|-------------|-------------|
| REVENUE | 151.5 | 150.9 | 115.8 | 105.2 |
| NET PROFIT BEFORE TAX | 18.4 | 40.1 | 31.5 | 25.3 |
| NET PROFIT AFTER TAX | 14.8 | 29.6 | 22.2 | 17.5 |

TABLE 7 – MOVEMENT IN SHAREHOLDER WEALTH

| | 2016 \$M | 2015 \$M | 2014 \$M | 2013 \$M |
|---------------------------|-------------|-------------|-------------|-------------|
| SHARE \$** AT START OF FY | 2.55 | 2.35 | 1.44 | 1.00* |
| SHARE \$ AT END OF FY | 1.07 | 2.46 | 2.45 | 1.449 |
| INTERIM DIVIDEND (cps) | Nil | 2 | 1.75 | 0.643 |
| FINAL DIVIDEND (cps) | 2.5 | 1.75 | 1.75 | 1.75 |
| EPS (c) | 8.6 | 17.2 | 14.3 | 12.3 |

* \$1.00 on listing and closed at \$1.489 at the end of the first day of trading.

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

DIRECTORS' REPORT (CONT)

REMUNERATION REPORT

8. KMP CONTRACTUAL ARRANGEMENTS

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

Details of the standard termination provisions for each KMP contractual arrangement are summarised in Table 9.

TABLE 8 – DURATION OF CONTRACTUAL ARRANGEMENTS

| NAME | DURATION |
|-------------------------|---|
| NON-EXECUTIVE DIRECTORS | |
| Tony Bellas | Ongoing subject to shareholder approval |
| Carolyn Barker AM | Ongoing subject to shareholder approval |
| Greg Moynihan | Ongoing subject to shareholder approval |
| EXECUTIVE KMP | |
| Simon Morrison | Permanent |
| Courtney Petersen | Permanent |
| Daniel Wilkie | Permanent |

TABLE 9 – SUMMARY OF KMP CONTRACTUAL ARRANGEMENTS

| | NON-EXECUTIVE DIRECTORS | | EXECUTIVE DIRECTOR* | | MANAGING DIRECTOR ** | | CFO | |
|---------------------------|-------------------------|---------------|---------------------|---------------------------|----------------------|---------------------------|---------------|---------------------------|
| | NOTICE PERIOD | NOTICE PERIOD | NOTICE PERIOD | PAYMENT IN LIEU OF NOTICE | NOTICE PERIOD | PAYMENT IN LIEU OF NOTICE | NOTICE PERIOD | PAYMENT IN LIEU OF NOTICE |
| RESIGNATION | None | None | 6 months | 6 months | 6 months | 6 months | 6 months | 6 months |
| TERMINATION FOR CAUSE | None | None | None | None | None | None | None | None |
| TERMINATION WITHOUT CAUSE | Statutory | Statutory | 6 months | 6 months | 6 months | 6 months | 3 months | 3 months |

* Simon Morrison held the role of Managing Director during the Financial Year and transitioned to Executive Director on 24 August 2016.

** Courtney Petersen held the role of Chief Executive Officer during the Financial Year and was appointed Executive Director on 29 February 2016. She was subsequently appointed Managing Director on 24 August 2016.

Details of the number of ordinary shares held beneficially by each KMP of the Group during FY2016 are set out in Table 10.

TABLE 10 – KMP SHAREHOLDING AS AT 30 JUNE 2016

| NAME | BALANCE AT THE START OF THE YEAR | ACQUIRED DURING THE YEAR | DISPOSED DURING THE YEAR | BALANCE AT THE END OF THE YEAR |
|-------------------------|----------------------------------|--------------------------|--------------------------|--------------------------------|
| NON-EXECUTIVE DIRECTORS | | | | |
| Tony Bellas | 140,000 | – | – | 140,000 |
| Carolyn Barker AM | 110,000 | 76,000 | – | 186,000 |
| Greg Moynihan | 130,151 | – | – | 130,151 |
| EXECUTIVES | | | | |
| Simon Morrison | 42,339,902 | 204,830 | – | 42,544,732 |
| Courtney Petersen | – | 340,000 | – | 340,000 |
| Daniel Wilkie | – | 200,000 | – | 200,000 |

DIRECTORS' REPORT (CONT)

REMUNERATION REPORT

9. EXECUTIVE REMUNERATION FY2016

TABLE 11 – EXECUTIVE DIRECTORS' AND OTHER KMP REMUNERATION

| NAME | YEAR | SHORT-TERM EMPLOYMENT BENEFITS | | | LONG-TERM EMPLOYMENT BENEFITS | | POST EMPLOYMENT BENEFITS | | TOTAL REMUNERATION \$ |
|---|------|--------------------------------|--------------------|---------------------------------------|-------------------------------|---------------|--------------------------|----------|-----------------------|
| | | SALARY AND FEES \$ | CASH INCENTIVES \$ | NON MONETARY BENEFITS ¹ \$ | LONG SERVICE LEAVE \$ | INCENTIVES \$ | SUPER-ANNUATION \$ | OTHER \$ | |
| Simon Morrison | 2016 | 478,134 | – | 41,334 | – | – | 19,308 | – | 538,776 |
| | 2015 | 429,288 | – | 30,028 | – | – | 25,000 | – | 484,316 |
| Courtney Petersen (appointed Feb 2015) | 2016 | 577,723 | – | 11,876 | – | 100,000 | 19,308 | – | 708,907 |
| | 2015 | 161,538 | – | – | – | 37,500 | 15,346 | – | 214,384 |
| Daniel Wilkie (appointed April 2015) | 2016 | 334,786 | – | 10,076 | – | – | 19,308 | – | 364,170 |
| | 2015 | 55,695 | – | – | – | – | 3,522 | – | 59,217 |
| Former Director | | | | | | | | | |
| Stephen Roche (resigned 4 Sept 2015) | 2016 | 44,000 | – | 2,048 | – | – | – | – | 46,048 |
| | 2015 | 55,695 | – | – | – | – | 3,522 | – | 59,217 |

1 Non-monetary benefits include motor vehicles and car parking

Simon Morrison retired as Managing Director, and Courtney Petersen was appointed to that role, on 24 August 2016. The key terms of her employment contract are as follows:

- > TFR of \$700,000 per annum;
- > an annual STI (as described in section 5 of this Remuneration Report) of up to 50% of TFR, subject to the achievement of KPIs;
- > an annual LTI (as described in section 6 of this Remuneration Report) of up to 50% of TFR, subject to the achievement of KPIs;
- > as an alternative to the LTI in FY18 and FY19, Ms Petersen may elect to exercise options as set out in section 6 of this Remuneration Report;
- > benefits conferred under her previous employment contract remain on foot, being:
 - 100,000 performance rights, vesting on the second anniversary of employment into a number of Shares calculated as 100,000 x (Share price on 23 March 2017 minus Share price on 13 February 2015); and
 - issue of 31,056 Shares on appointment as Managing Director;
- > cash sign-on bonus of \$66,000; and
- > cash sign-on bonus of \$100,000 following the release to ASX of Shine's half year results to 31 December 2016.

10. NON-EXECUTIVE DIRECTOR REMUNERATION FY2016

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

What are the aggregate fees approved by shareholders?

Non-executive Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum amount currently stands at \$500,000, which was approved at the annual general meeting of shareholders on 22 October 2014. The Non-executive Directors have not had an increase in their fees since the IPO in 2013.

How are individual fees determined?

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

The actual remuneration outcomes of the Non-executive Directors of the Group are summarised in Table 12.

DIRECTORS' REPORT (CONT)

REMUNERATION REPORT

TABLE 12 – NON-EXECUTIVE DIRECTORS' REMUNERATION

| NAME | YEAR | SHORT-TERM EMPLOYMENT BENEFITS | | POST EMPLOYMENT BENEFITS | | TOTAL REMUNERATION \$ |
|-------------------|------|--------------------------------|--------------------------|--------------------------|----------|-----------------------|
| | | FEES \$ | NON MONETARY BENEFITS \$ | SUPERANNUATION \$ | OTHER \$ | |
| Tony Bellas | 2016 | 120,000 | – | 11,400 | – | 131,400 |
| | 2015 | 120,000 | – | 11,400 | – | 131,400 |
| Carolyn Barker AM | 2016 | 80,000 | – | 7,600 | – | 87,600 |
| | 2015 | 80,000 | – | 7,600 | – | 87,600 |
| Greg Moynihan | 2016 | 80,000 | – | 7,600 | – | 87,600 |
| | 2015 | 80,000 | – | 7,600 | – | 87,600 |

11. TRANSACTIONS WITH KMP AND RELATED PARTIES

During the Financial Year transactions totalling \$961,095 were paid to entities controlled by Simon Morrison and Stephen Roche, primarily for leases over commercial properties occupied by parts of the Group. Entities controlled by Simon Morrison and Stephen Roche paid for rent and services to Group entities totalling \$381,940, and paid interest to Group entities totalling \$56,312. All transactions were on commercial terms.

DIRECTORS' INTERESTS

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

| DIRECTOR | NUMBER OF SHARES |
|-------------------|------------------|
| Tony Bellas | 140,000 |
| Carolyn Barker AM | 186,000 |
| Greg Moynihan | 130,151 |
| Simon Morrison | 42,544,732 |
| Courtney Petersen | 340,000 |

END OF REMUNERATION REPORT

MEETINGS OF DIRECTORS AND COMMITTEES

The number of Board meetings (including meetings of Board Committees) and the number of meetings attended by each Director who was a member of the Board or relevant Committee during the Financial Year are listed in Table 13 below.

TABLE 13 – DIRECTORS' AND COMMITTEE MEETINGS

| | DIRECTORS' MEETINGS | | AUDIT & RISK MANAGEMENT COMMITTEE | | NOMINATIONS COMMITTEE | | REMUNERATION COMMITTEE | |
|--------------------|---------------------|----------|-----------------------------------|----------|-----------------------|----------|------------------------|----------|
| | HELD | ATTENDED | HELD | ATTENDED | HELD | ATTENDED | HELD | ATTENDED |
| Tony Bellas | 10 | 10 | 8 | 8 | 3 | 3 | 7 | 6 |
| Carolyn Barker AM | 10 | 10 | 8 | 7 | 3 | 3 | 7 | 7 |
| Greg Moynihan | 10 | 10 | 8 | 8 | 3 | 3 | 7 | 7 |
| Simon Morrison | 10 | 10 | – | – | 3 | 2 | – | – |
| Courtney Petersen* | 6 | 6 | – | – | 2 | 2 | – | – |
| Stephen Roche ** | 1 | 1 | 2 | 2 | 1 | 1 | – | – |

* Only meetings held during the period of appointment are noted in the above table for Ms Petersen and Mr Roche.

** Mr Roche resigned as Non-executive Director effective 4 September 2015.

DIRECTORS' REPORT (CONT)

OFFICERS' INDEMNITIES AND INSURANCE

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

The Company has entered into a Deed of Access, Indemnity and Insurance with each of the Directors and Company Secretaries. The Company has paid a premium for insurance for the Directors and officers of the Group against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of directors and officers of the Group, other than conduct involving a wilful breach of duty in relation to the Group. The total amount of directors' and officers' insurance contract premiums paid was \$255,971 (2015: \$110,943).

INDEMNIFYING AUDITORS

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during, or since the end of, FY2016.

NO LEAVE TO BRING PROCEEDINGS ON BEHALF OF SHINE

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

ENVIRONMENTAL REGULATION

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

DIVIDENDS

In respect of the financial year ended 30 June 2016, no interim dividend was declared. A final dividend of 2.5 cents per Share (unfranked) was declared in August 2016 and is expected to be paid on 7 October 2016.

In respect of the financial year ended 30 June 2015, as detailed in the Directors' Report for that financial year, a final dividend of 1.75 cents per Share (unfranked) was paid to the holders of Shares on 9 October 2015.

STATE OF AFFAIRS

In the opinion of the Directors, other than the revised WIP provisioning methodology announced in January 2016 and the consequential revised EBITDA guidance for FY2016, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

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

PERFORMANCE RIGHTS

See the Remuneration Report.

NON-AUDIT SERVICES

During the Financial Year, the Company's auditor, EY, performed other services in addition to its audit responsibilities. EY's engagement to perform non-audit services was approved on the basis that it was more cost-effective than engaging a firm without knowledge of the Group.

The Board, in accordance with advice from the Audit & Risk Management Committee, is satisfied that the provision of non-audit services by EY (or by another person or firm on EY's behalf) during the reporting period is compatible with the general standard of independence for auditors imposed by the Corporations Act for the following reasons:

- > all non-audit services are reviewed and approved by the Audit & Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- > the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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

DIRECTORS' REPORT (CONT)

OPERATING AND FINANCIAL REVIEW

Details of the amounts paid or payable to EY for non-audit services provided through the year are as set out in Table 14.

TABLE 14: NON-AUDIT SERVICES

| NON-AUDIT SERVICE | \$ |
|------------------------------------|---------|
| Other assurance services | 93,964 |
| Taxation advice and other services | 183,245 |
| TOTAL | 277,209 |

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration required under section 307C of the Corporations Act is set out at page 19.

MD, CEO AND CFO DECLARATION

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

ROUNDING OF AMOUNTS

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

PRINCIPAL ACTIVITIES

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

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

OVERVIEW AND STRATEGIES

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

Whilst the Company was founded in Queensland, a core element of the Group strategy is to continue to extend its reach into other jurisdictions to mitigate the impact of exposure to a single market. The Group has been successful in achieving this with the majority of its revenue as at 30 June 2016 earned in markets outside Queensland. As Shine personal injury products operate under state government schemes, diversification into other markets is important in respect of managing exposure to tort reform.

The Group also has a clear objective of diversifying its product range across Australia in plaintiff centric damages based litigation. These are products developed and offered in the Emerging Practices Area (EPA).

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

Through its critical mass, the Group is able to leverage its investment in technology and provide better training and access to specialisation for staff. The Group anticipates market consolidation as the legislators around Australia seek to reduce premiums for workers' compensation and Compulsory Third Party (CTP) schemes.

REVIEW OF OPERATIONS

The Group specialises primarily in damages based plaintiff litigation legal services, primarily relating to personal injury from which 73% of the Group's revenue for the financial year ended 30 June 2016 was derived (2015: 78%). The balance of the Financial Year's revenue derived from expanding practice areas such as professional negligence, class actions, landowner rights and environmental cases.

The Group contains one of the three largest plaintiff litigation firms in Australia, Shine Lawyers. Whilst the Group and its largest competitors have grown significantly in recent years, the Directors estimate that the market share of the Group and those competitors in the personal legal services industry is still less than 20%. With over 12,000 open client matters, the Group does not have any dependencies on key customers.

Revenue has increased by 0.4% this year (2015: increase of 30%). The lower rate of growth in FY16 is primarily as a result of the impact of the provision adjustment in Shine Lawyers which had the consequence of reducing revenue by \$14.4m in the current year.

The year ended 30 June 2016 was a challenging one for the Group. Competition in its major markets continued to increase with many smaller local firms as well as the larger national competitors spending more on marketing activity than had been the case previously. This primarily impacted organic growth.

DIRECTORS' REPORT (CONT)

OPERATING AND FINANCIAL REVIEW

Shine Lawyers

Shine Lawyers was able to secure more than \$750 million in damages for its clients in FY2016. This was significantly higher than in any prior year and was aided by the DePuy class action settlement.

The most significant event during the course of the year was the restatement of provisioning levels for WIP, debtors and disbursements. This had a material one-off impact on reported results for the half year ended 31 December 2015 resulting in a total additional provision of \$17.5m and revised FY2016 EBITDA guidance of \$24m – \$28m. The impact of this change of provisioning and estimate has flowed through to the full year results.

The majority of the adjustment related to a component of provisioning against WIP, reflecting the risk component of files in Shine Lawyers' portfolio that are not currently known to require a write off (in whole or in part) but which according to actuarial analysis, statistically are likely to be written off at some stage in the future.

In addition to the revised WIP accounting methodology, an increased focus has been placed on recoverability of WIP. This includes work to substantially improve processes so that WIP recoverability may continue to improve. Over time, this should provide an opportunity to improve profitability.

The EPA practice has grown, assisting the Group in its goal of diversifying its sources of income. Its most significant achievement during the year was the settlement of the DePuy class action for \$250 million (inclusive of costs and disbursements) plus interest.

During the course of the year, work was also undertaken to rebalance resourcing requirements to better match the work available. This provides Shine Lawyers with an improved fee earner to file ratio and location of resources.

Other Subsidiaries

During FY2016, the Group completed the acquisition of Bradley Bayly and Best Wilson Buckley Family Law. Bradley Bayly had a full year impact on the Group's results for the first time. The acquisition of Best Wilson Buckley Family Law occurred in October 2015. Shine sees significant potential for this acquisition to develop a national footprint.

The Group's subsidiaries had a slow start to the first half of the year but generally performed better in the second half.

- > Emanate has historically operated in the challenging energy, resources and mining sectors. This practice has now grown a significant commercial litigation and commercial property area which is supplementing income from traditional sources. It finished the year well and has a substantial pipeline of business which will generate income for a number of years.
- > The two Western Australian businesses, Stephen Browne Lawyers and Bradley Bayly, continue to perform well in a stable and well regulated market.
- > Sciaccas was impacted by the tail end of the Qld WorkCover reforms that were only repealed in September 2015 (but backdated to February 2015). This business has stabilised and experienced an increase in the number of file openings.

The Group appointed a Head of Integration and Enterprise Services in FY2016.

FUTURE DEVELOPMENTS AND PROSPECTS

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

Damages based plaintiff litigation

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

In line with this strategy, in August 2015, the Group announced the acquisition of Bradley Bayly, a personal injury litigation firm operating in Western Australia.

Whilst personal injury litigation remains a significant part of the strategy, the Group also considers other opportunities to broaden its service offerings. To this end, the Group strategically acquired a family law firm, Best Wilson Buckley Family Law in October 2015 in order to diversify and extend its reach.

Tort Reform Opportunities

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

The New South Wales Government has announced proposed regulatory reform in relation to the CTP scheme in that State. This may alter the statutory regime by introducing a defined benefits scheme, thereby reducing a client's ability to seek common law compensation. This would affect the ability of those suffering loss to bring a common law action for compensation. The New South Wales Government has released an issues paper for consultation and advised that it expects the regulatory changes to take effect on 1 July 2017.

International Opportunities

Whilst the Directors believe there are ample opportunities for the Group to continue to grow domestically, the Directors will continue to monitor opportunities internationally. With the current reforms in the UK and difficulties in that market, the Group is not actively pursuing opportunities in the UK but maintains a "watching brief".

Given the Group's relationship with Erin Brockovich, her strong referral base and other opportunities, the Directors have also kept a watching brief on the US legal market.

DIRECTORS' REPORT (CONT)

OPERATING AND FINANCIAL REVIEW

Continuous Improvement and the Engine Room Project

The Group is committed to continuous improvement in its case management systems and legal enterprise management tools. The Engine Room Project is tasked with a number of important business improvement goals, including to increase the level of damages recovered for the Group's clients, reduce the cycle time (the speed with which a matter is brought to a conclusion for clients), improve recoverability of fees, increase the ratio of fee earning to non-fee earning employees in the business, and make the Group's systems and processes increasingly scalable and agile across different geographies and work types.

CONSOLIDATED FINANCIAL CONDITIONS

The Group seeks to maintain an optimal capital structure by ensuring that there is an appropriate balance of debt and equity funding. The Group targets a maximum debt to equity ratio of 30%.

Due to the nature of the personal injury litigation business, the Group experiences seasonal fluctuations in cash flows as a greater proportion of resolutions and settlements occur in November and May in the lead up to the end of each financial half year. The Group utilises a combination of short and long term debt to ensure that it has an appropriate level of liquidity available throughout the financial year.

During FY2016, the Group's finance facilities with the Commonwealth Bank of Australia (CBA) were renewed and expanded. The Group consolidated its principal and interest loans and overdraft facilities into a new facility structure comprising interest only market rate term loans of varying tenors from 2 to 5 years. The new arrangement also incorporated a line of credit and committed facilities available to fund capital expenditure, deferred consideration payments, new acquisitions, equipment leasing or file purchases. Details of these facilities are set out in Note 21 to the Financial Statements.

These facilities are subject to financial covenants including a gearing ratio (debt cannot exceed 60% of net WIP) and debt to EBITDA ratio (not to exceed 2.25:1). The Group was in compliance with these financial covenants as at 30 June 2016 and has significant headroom available to increase funding levels if required. In addition to the CBA facilities, the Group also has a disbursement funding facility available to provide eligible clients with loans to fund disbursements in relation to their claims. Disbursement loans are entered into between the lender and each client. The use of disbursement funding is expected to improve operating cash flow in the current and future years as client disbursements will have a diminishing impact on the Group's operating cash flows.

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

RISK MANAGEMENT AND GOVERNANCE PRACTICES

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

Conflict of Duties

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

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

Regulatory Environment

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

To mitigate this risk, Group senior legal practitioners seek to meet with policymakers and participate in stakeholder working groups when reform is being considered in the areas of law in which the Group practises. In addition, the Group's strategy of growing all areas of damages based plaintiff litigation, helps to diversify the Group's revenue stream and lessen the impact of individual legislative reform.

The Group's recent expansion into family law through its October 2015 acquisition of Best Wilson Buckley Family Law also assists by diversifying into an alternative area of practice and lessening the impact of individual legislative reform.

WIP Recoverability

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

To mitigate risk in relation to the Personal Injuries practice area, and as part of the Group's commitment to continuously improve its case management systems and processes, one of the goals of the Engine Room Project is to improve WIP recoverability and predictability. Shine has also adopted actuarial methodologies to assist in analysing its WIP recoverability rates, which will assist in managing the Group's portfolio in the future by enabling earlier intervention if required.

Growth and Integration Risk

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

DIRECTORS' REPORT (CONT)

To mitigate this risk, the Group continually refines its growth criteria to ensure there is strategic alignment, adequate financial return and integration risks considered before expansion opportunities are approved. In addition, large acquisitions are subject to earn-outs where part of the purchase price offered is subject to the delivery of certain KPIs post-acquisition. At this point in time, each of the Bradley Bayly and Best Wilson Buckley Family Law acquisitions remain subject to earn-outs.

Case Management Systems

The Group's business is reliant on its case management systems. The Group is implementing the Engine Room Project which is designed to improve efficiencies in case selection and management. Given the importance of the Group's systems in managing its business processes, any delays, cost overruns or integration issues with the project could have an adverse effect on the Group's operations and profitability.

To mitigate this risk, the Group has commenced the Engine Room Project and established a robust corporate governance framework to oversee the project.

Our People

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

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

Brand and Reputational Risk

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

To mitigate this risk, the Group has strong case management systems and processes to identify cases where brand and reputation risk could emerge, particularly through the initial case selection process. The Group undertakes client surveys throughout the life of a case to help identify potential client service shortcomings so that they can be addressed in a timely manner. The Group also has a disciplined public relations process to ensure that the views of the Group are not misrepresented.

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

Professional Services Sector Risk

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

Digital Disruption & Cybersecurity

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

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

Economic, Environmental and Social Sustainability Risks

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

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

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

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

On behalf of the Directors



TONY BELLAS
Chairman, 24 August 2016

AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration to the Directors of Shine Corporate Ltd

As lead auditor for the audit of Shine Corporate Ltd for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Shine Corporate Ltd and the entities it controlled during the financial year.

Ernst & Young

Ric Roach
Partner
24 August 2016

CORPORATE GOVERNANCE STATEMENT

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

The ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (Guidelines)* set out recommended corporate governance practices for ASX listed entities. The Guidelines state that they are designed to "achieve good governance outcomes and meet the reasonable expectations of most investors in most situations." The Board has assessed the Group's current practice against the Guidelines and outlines its assessment as follows.

PRINCIPLES AND RECOMMENDATIONS

SHINE'S COMPLIANCE

Principle 1 – Lay solid foundations for management and oversight

| | | |
|---|---|---|
| 1.1 A listed entity should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the board and those delegated to management. | The Board is responsible for overall strategic guidance and corporate governance of the Group. It has distinguished which functions and responsibilities are reserved for the Board and which are delegated to management. This is set out in the Shine Board Charter (Charter), which also sets out the role of the Chairman, Directors and Executives. The Charter is available on the Company's website (being www.shine.com.au until 26 August 2016 and www.shinecorporate.com.au thereafter). | ✓ |
| 1.2 A listed entity should undertake appropriate checks before appointing a person as a director and provide shareholders with all material information relevant to a decision on whether or not to elect or re elect a director. | Shine conducts appropriate checks to verify the suitability of candidates considered for nomination to the Board of Directors, having regard to each candidate's character, experience, education and skills, in addition to any interests and associations of the candidate. Comprehensive biographical information is provided to shareholders in the notices of meetings to enable them to make an informed decision on whether to elect or re-elect a Director. | ✓ |
| 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment. | All Directors and senior executives have a written agreement which formalises the terms of their appointment. Each Director commits to a letter of appointment which specifies the term of their appointment, the envisaged time commitment, expectations and duties relating to the position, remuneration, disclosure and confidentiality obligations, insurance and indemnity entitlements, details of the Company's corporate governance policies, and reporting lines. Each executive and KMP enters into a contract which describes their role and duties, remuneration, and termination rights and entitlements. | ✓ |
| 1.4 The Company Secretary of a listed entity should be accountable directly to the Board on all matters to do with the proper functioning of the Board. | The Company Secretaries are accountable to the Board for facilitating the Company's corporate governance processes and the functioning of the Board. The Board is responsible for the appointment and removal of any Company Secretary, and all Directors are able to access the advice and services of a Company Secretary. Details of the Company Secretaries' qualifications and experience are available on the Company's website and are set out on page 5 of the Annual Report. | ✓ |

PRINCIPLES AND RECOMMENDATIONS

SHINE'S COMPLIANCE

| | | |
|--|--|---|
| <p>1.5 A listed entity should have a diversity policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them, for reporting against in each reporting period.</p> | <p>Shine aims to actively promote a corporate culture that supports diversity in the workplace and in the composition of its Board and senior management and throughout the Group. Shine defines diversity as including, but not limited to, diversity of gender, age, ethnicity and cultural background.</p> <p>Shine's Diversity Policy is disclosed on the Company's website and sets out its objectives and reporting practices regarding diversity.</p> <p>The Remuneration Committee continues to review and report to the Board on the Group's diversity profile with a view to setting meaningful targets for the advancement of diversity within the Group. At present, the targets include:</p> <ul style="list-style-type: none"> > at least 50% female representation at all role levels; and > to meet or exceed the AICD target for female representation on Boards. <p>The Board continues to investigate additional targets including in relation to age, ethnicity and cultural diversity.</p> <p>As at 30 June 2016, the:</p> <ul style="list-style-type: none"> > Board is comprised of 40% women > Executive Management team comprised of 50% women > Employees of Shine Lawyers Pty Ltd are comprised of 77% women. |  |
| <p>1.6 A listed entity should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors, and, at the end of each reporting period, disclose whether such performance evaluation was undertaken in that period.</p> | <p>The Board undertakes an evaluation process in July each year to assess its performance. The assessment is conducted by an independent third party consultant who seeks Board and Management feedback on the performance of the Board and Committees as a whole as well as feedback on individual directors and the Group's reporting and governance practices. The most recent evaluation was completed in July 2016.</p> <p>Further information about the annual review process is outlined in the Board Charter and Nomination Committee Charter available on the Company's website.</p> |  |
| <p>1.7 A listed entity should have and disclose a process for periodically evaluating the performance of the Company's senior executives, and at the end of each reporting period, disclose whether such performance evaluation was undertaken in that period.</p> | <p>The Board is responsible for evaluating the performance of the Executive Management team.</p> <p>At least annually, the Board formally evaluates the performance of the Executive Management team against their previously approved KPIs. The Chair of the Board is also responsible for periodically reviewing the performance of the Managing Director, Executive Director, CFO and Company Secretaries. These reviews are documented.</p> <p>Performance reviews have been undertaken for the current reporting period.</p> |  |

CORPORATE GOVERNANCE STATEMENT (CONT)

PRINCIPLES AND RECOMMENDATIONS

SHINE'S COMPLIANCE

Principle 2 – Structure the Board to add value

| | | | |
|-----|---|---|---|
| 2.1 | The board of a listed entity should have a nomination committee, which has at least three members, a majority of independent directors and is chaired by an independent director. The functions and operations of the nomination committee should be disclosed. | A Nomination Committee has been established with its own charter and consists of all five of the Directors, three of whom are independent. The chair of the Nomination Committee is Carolyn Barker AM who is an Independent Non-executive Director. Details of the Nomination Committee's functions are set out in the Nomination Committee Charter which is available on the Company's website. Details of and the number of meetings and attendance by the directors at those meetings is disclosed on page 13 of the Annual Report. | ✓ |
| 2.2 | A listed entity should have and disclose a Board skills matrix, setting out what the Board is looking to achieve in its membership. | The skills, knowledge and experience set out in Table X below have been identified as those that are required for the effective management of the Group. The Board possesses broad coverage of these skills and attributes. The Board has determined that if a new Director is appointed, a candidate with a skills base including digital expertise will be sought. Further details regarding the skills and experience of each Director are included on pages 4 and 5 of the Annual Report. | ✓ |

TABLE X: DIRECTORS' SKILLS MATRIX

| DIRECTORS' SKILL | HELD BY 2 OR MORE DIRECTORS |
|--|-----------------------------|
| Executive leadership for a listed company: Sustainable success in business at a senior executive level in a successful career | ✓ |
| Strategy: Track record of developing and implementing a successful strategy, including appropriate probing and challenging management on the delivery of agreed strategic planning objectives. In-depth understanding of the business strategy, markets, competitors, operational issues, technology and regulatory concerns. | ✓ |
| Going global: Senior executive or equivalent experience to enter into global markets/jurisdictions, exposed to a range of political, regulatory, and business environments. | ✓ |
| M&A: Experience working with strategic identification of M&A opportunities and long term investment horizons, including successful implementation | ✓ |
| Governance: Commitment to the highest standards of governance, including experience with a medium to large organisation that is subject to rigorous governance standards, and an ability to assess the effectiveness of senior management. | ✓ |
| Risk & Compliance: Identification of key risks to the organisation related to each key area of operations and the ability to monitor risk and compliance and knowledge of legal and regulatory requirements. | ✓ |
| Financial literacy: Senior executive or equivalent experience in financial markets, financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls. | ✓ |
| Innovation & technology: Senior executive or equivalent experience in systemic innovation and emerging technology solutions, business process engineering or improvement initiatives, including an ability to probe the adequacies of key strategic IT projects and infrastructure. | ✓ |
| Industry experience (personal injury, emerging practice areas, insurance): Senior executive experience in a medium to large organisation with an understanding to create long term shareholder value through the development, marketing and delivery of services/solutions. | ✓ |
| Strategic Marketing: Senior executive experience in a medium to large organisation to create long term shareholder value through strategic marketing (including social/digital) for customer engagement and to expand the geographic (national, international) footprint. | ✓ |
| Policy, Regulation and Stakeholder Management: Identification and management of diverse stakeholder groups including shareholders, clients, employees, financial markets, regulators and others. | ✓ |
| Executive Management: Experience in evaluating performance of senior management and overseeing resourcing and change management. | ✓ |

PRINCIPLES AND RECOMMENDATIONS**SHINE'S COMPLIANCE**

| | | | |
|--|--|---|---|
| 2.3 | A listed entity should disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts on independence applies to a director, and disclose the length of service of each director. | The Group currently has a five member Board, of which three are independent Non-executive Directors. Together, the Directors have a broad range of experience, expertise, skills, qualifications and contacts relevant to the Group and its business. The date of appointment of each Director and details of their skills and experience are set out on pages 4 and 5 of the Annual Report and on the Company's website. | ✓ |
| 2.4 | A majority of the Board should be independent directors. | Three of the five Board members are considered to be independent – Tony Bellas, Carolyn Barker AM and Greg Moynihan. In accordance with the Board Charter which is available on the Company website, a Director is considered independent if the Director is independent of management and free of any business or other relationship that could materially interfere, or be perceived as interfering, with the exercise of an unfettered and independent judgment in relation to matters concerning Shine. The decision as to whether a Director is independent is a decision made by the Board. | ✓ |
| 2.5 | The chairman of the Board should be an independent director and should not be the CEO. | The Chairman, Tony Bellas, is an independent Non-executive Director and neither the Company's Managing Director nor executive Director are the same individual as the Chairman. Further details regarding the Chairman are set out on page 4 of the Annual Report. | ✓ |
| 2.6 | There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively. | The Nomination Committee is responsible for establishing induction and continuous development programs for Directors. Directors are encouraged to undertake continuing professional development activities each year and to join appropriate professional associations in order to continually develop and enhance their respective levels of industry knowledge, technical knowledge and other skills required to discharge their role effectively. | ✓ |
| Principle 3 – Act ethically and responsibly | | | |
| 3.1 | A listed entity should have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code. | Shine has a Code of Conduct for Directors, senior executives, employees consultants and contractors which sets out the fundamental principles of business conduct expected by Shine. The Code of Conduct is available on the Company's website. | ✓ |

CORPORATE GOVERNANCE STATEMENT (CONT)

PRINCIPLES AND RECOMMENDATIONS

SHINE'S COMPLIANCE

Principle 4 – Safeguard integrity in corporate reporting

- | | | | |
|-----|---|--|----|
| 4.1 | <p>The Company should have an audit committee, which consists of only non executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board, and has at least three members.</p> <p>The functions and operations of the audit committee should be disclosed.</p> | <p>The Group has established an Audit & Risk Management Committee. The Audit & Risk Management Committee is comprised of the three Independent Non-executive Directors and is chaired by an Independent Non-executive Director (Greg Moynihan). Further details about the membership of the Audit & Risk Management Committee, including the names and qualifications of its members, are set out on pages 4 and 5 of the Annual Report.</p> <p>The Charter of the Audit & Risk Management Committee is available on the Company's website along with information on its members. The number of meetings held by the Committee and the Directors' attendance at meetings is disclosed each year in the Group's Annual Report and can be found on page 13 of the Annual Report.</p> | ✓✓ |
| 4.2 | <p>The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively.</p> | <p>The Managing Director, Chief Executive Officer and Chief Financial Officer provide a statement to the Board and Audit & Risk Management Committee in advance of seeking approval of any financial report to the effect that the Group's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.</p> <p>In accordance with the above, the Board has received a written assurance that the declaration provided under section 295A Corporations Act is based on a sound system of internal control and risk management, which is operating effectively in all respects in relation to material business risks and financial reporting.</p> | ✓✓ |
| 4.3 | <p>The Company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit.</p> | <p>The Group's auditor, Ernst & Young (EY), attends the AGM each year and is available to answer questions.</p> | ✓✓ |

Principle 5 – Make timely and balanced disclosure

- | | | | |
|-----|--|--|----|
| 5.1 | <p>A listed entity should have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it.</p> | <p>Shine has a Continuous Disclosure Policy which is designed to ensure that all material matters are appropriately disclosed in a balanced and timely manner and in accordance with the requirements of the Listing Rules. The policy sets out the processes and practices that ensure compliance with these requirements.</p> <p>Shine's Continuous Disclosure Policy is published on the Company's website.</p> | ✓✓ |
|-----|--|--|----|

PRINCIPLES AND
RECOMMENDATIONSSHINE'S
COMPLIANCE**Principle 6 – Respect the rights of security holders**

| | | | |
|-----|--|--|---|
| 6.1 | A listed entity should provide information about itself and its governance to investors via its website. | Shine's website contains extensive information on the Company, its history and business activities and information relevant to investors as set out in the guidelines. Investors may access copies of ASX announcements, notices of meeting, investor presentation transcripts and/or recordings and annual reports, as well as general information about the Company, on the Company's website. | ✓ |
| 6.2 | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors. | Shine conducts regular market briefings including interim and full year results presentations, investor roadshows, briefings and also attends industry conferences in order to facilitate communication with investors and others stakeholders. All presentation material is provided to ASX prior to these events and subsequently uploaded to Shine's website (including transcripts and recordings where possible) to ensure that all shareholders have timely access to information. Shine aims to ensure that all shareholders are well informed of all major developments affecting the Group. | ✓ |
| 6.3 | A listed entity should disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders. | Shareholders are encouraged to attend the Company's Annual General Meeting and to ask questions of Directors. The notice of meeting includes a process to enable shareholders to submit questions to the Board and the Company's auditor prior to the meeting. | ✓ |
| 6.4 | A listed entity should give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically. | Shine provides its investors the option to receive communications from, and send communications to, the Company and the share registry electronically. | ✓ |

CORPORATE GOVERNANCE STATEMENT (CONT)

PRINCIPLES AND RECOMMENDATIONS

SHINE'S COMPLIANCE

Principle 7 – Recognise and manage risk

| | | | |
|-----|--|--|----|
| 7.1 | <p>The Board should have a risk committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.</p> <p>The functions and operations of the risk committee should be disclosed.</p> | <p>The Group has established an Audit & Risk Management Committee. The Audit & Risk Management Committee is comprised of the three Independent Non-executive Directors and is chaired by an Independent Non-executive Director. Further details about the membership of the Audit & Risk Management Committee, including the names and qualifications of its members, are set out on pages 4 and 5 of the Annual Report.</p> <p>The Charter of the Audit & Risk Management Committee is available on the Company's website along with information on its members. The number of meetings held by the Committee and the Directors' attendance at meetings is disclosed each year in the Group's Annual Report and can be found on page 13 of the Annual Report.</p> | ✓✓ |
| 7.2 | <p>The Board or a committee of the Board should review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place.</p> | <p>The Board is responsible for the oversight and management of risk, including the identification of material business risks on an ongoing basis and will be assisted by the Audit and Risk Management Committee where required.</p> <p>A review of material business risks has been conducted in the current period, which concluded that controls over risk management processes were adequate and effective.</p> | ✓✓ |
| 7.3 | <p>A listed entity should disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p> | <p>Shine has an Internal Audit function which reports directly to the Chairman of the Audit & Risk Management Committee in order to maintain its independence. The Internal Audit & Risk Manager reviews the systems of internal control and risk management to ensure compliance with the Group's published policies and procedures and its legal and regulatory obligations.</p> <p>Reviews of specific areas of risk or control are undertaken by a combination of internal and external parties on an ad-hoc basis and by the Company's internal and external auditors as required for the Group's audit. Improvements are made where identified to increase the effectiveness of the Group's internal controls.</p> | ✓✓ |
| 7.4 | <p>A listed entity should disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks.</p> | <p>The Group's exposure to material business risks, including economic risks, is disclosed in the Directors' Report on pages 16 to 18 of the Annual Report. The Directors do not believe the Group has any material exposure to environmental or social sustainability risks.</p> | ✓✓ |

PRINCIPLES AND
RECOMMENDATIONSSHINE'S
COMPLIANCE**Principle 8 – Remunerate fairly and responsibly**

| | | |
|--|--|---|
| <p>8.1 The Board should have a remuneration committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members. The functions and operations of the remuneration committee should be disclosed.</p> | <p>The Board has established a Remuneration Committee to assist the Board to discharge its responsibilities in relation to remuneration and issues relevant to remuneration policies and practices, including those for senior management and Non-executive Directors. Further details about the membership of the Remuneration Committee, including the names and qualifications of its members, are set out on pages 4 and 5 of the Annual Report.</p> <p>The Remuneration Committee consists of Carolyn Barker AM, Greg Moynihan and Tony Bellas, all of whom are Independent Non-executive Directors, and is chaired by Carolyn Barker AM who is not chair of the Board.</p> <p>The number of meetings held by the Committee and the Directors' attendance at meetings is disclosed each year in the Group's Annual Report on page 13. The Charter of the Committee is available on the Company's website.</p> | ✓ |
| <p>8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed.</p> | <p>The Company seeks to attract and retain high-performing Directors and Executives with the experience, skills and qualifications necessary to add value to the Company and fulfil the roles required. Accordingly, the Company seeks to recruit by remunerating up to the 75th percentile for comparable executive roles. Board remuneration has remained unchanged since the IPO and there will be no increase to Directors' fees in FY2017.</p> <p>Further information about key factors affecting Director and executive remuneration are disclosed each year in the Remuneration Report which can be found on pages 6 to 13 of the Annual Report.</p> | ✓ |
| <p>8.3 If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it.</p> | <p>Details of Shine's equity based remuneration scheme are set out in the Remuneration Report which can be found on pages 6 to 13 of the Annual Report.</p> <p>Shine's equity based remuneration scheme prohibits transactions which conflict with the Group's Securities Trading Policy (which prohibits Directors and executives from entering into margin lending arrangements or short-term dealings trading in relation to Company securities). A copy of the Securities Trading Policy is available on the Company's website.</p> | ✓ |



FINANCIAL STATEMENTS



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| FOR THE YEAR ENDED 30 JUNE | NOTE | CONSOLIDATED GROUP | |
|--|------|---------------------|-------------------|
| | | 2016 \$ | 2015 \$ |
| CONTINUING OPERATIONS | | | |
| REVENUE | 4 | 151,501,400 | 150,930,754 |
| Less Expenses: | | | |
| Employee benefits expense | | (77,261,623) | (68,891,560) |
| Depreciation and amortisation expense | 6b | (3,416,624) | (2,331,130) |
| Finance costs | 6a | (3,375,918) | (1,925,151) |
| Other expenses | 5 | (48,310,499) | (37,004,863) |
| Share of net loss of associates and joint venture entities | 15 | (710,453) | (650,203) |
| PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS | | 18,426,283 | 40,127,847 |
| Income tax (expense)/benefit | 7 | (3,603,923) | (10,499,486) |
| Net profit for the period from continuing operations | | 14,822,360 | 29,628,361 |
| EARNINGS PER SHARE FOR PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE GROUP: | | | |
| Basic earnings per share (cents) | 11 | 8.57 | 17.23 |
| Diluted earnings per share (cents) | 11 | 8.57 | 17.19 |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| AS AT 30 JUNE | NOTE | CONSOLIDATED GROUP | |
|---|------|--------------------|--------------------|
| | | 2016 \$ | 2015 \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 12 | 12,120,209 | 9,393,350 |
| Trade and other receivables | 13 | 17,117,076 | 15,175,778 |
| Income tax receivable | | 366,405 | 1,116,188 |
| Work in progress | 14 | 101,287,300 | 91,913,016 |
| Unbilled disbursements | 14 | 28,713,075 | 24,186,287 |
| Other current assets | 19 | 644,504 | 742,230 |
| TOTAL CURRENT ASSETS | | 160,248,569 | 142,526,849 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 13 | 3,766,530 | 4,215,752 |
| Work in progress | 14 | 101,700,182 | 98,744,737 |
| Unbilled disbursements | 14 | 24,219,410 | 24,418,125 |
| Property, plant and equipment | 17 | 5,396,135 | 6,642,608 |
| Intangible assets | 18 | 45,720,421 | 39,525,089 |
| TOTAL NON-CURRENT ASSETS | | 180,802,678 | 173,546,311 |
| TOTAL ASSETS | | 341,051,247 | 316,073,160 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 20 | 13,320,873 | 10,080,441 |
| Unbilled disbursements creditors | 20 | 21,004,287 | 16,727,593 |
| Short term borrowings | 21 | 2,134,329 | 19,963,492 |
| Other current financial liabilities | 20 | 10,605,448 | 15,035,353 |
| Provisions | 23 | 6,297,152 | 6,026,411 |
| TOTAL CURRENT LIABILITIES | | 53,362,089 | 67,833,290 |
| NON-CURRENT LIABILITIES | | | |
| Long term borrowings | 21 | 30,730,325 | 1,696,937 |
| Other non-current financial liabilities | 20 | 4,473,958 | 11,190,597 |
| Deferred tax liabilities | 22 | 59,990,486 | 56,469,749 |
| Provisions | 23 | 2,728,700 | 2,692,906 |
| TOTAL NON-CURRENT LIABILITIES | | 97,923,469 | 72,050,189 |
| TOTAL LIABILITIES | | 151,285,558 | 139,883,479 |
| NET ASSETS | | 189,765,689 | 176,189,681 |
| EQUITY | | | |
| Issued capital | 24 | 53,149,800 | 51,384,958 |
| Retained earnings | | 136,615,889 | 124,804,723 |
| TOTAL EQUITY | | 189,765,689 | 176,189,681 |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | NOTE | ISSUED CAPITAL \$ | RETAINED EARNINGS \$ | TOTAL \$ |
|---|------|-------------------------|----------------------------|--------------------|
| CONSOLIDATED GROUP | | | | |
| BALANCE AT 1 JULY 2014 | | 18,256,679 | 101,641,366 | 119,898,045 |
| Comprehensive income | | | | |
| Profit for the period | | – | 29,628,361 | 29,628,361 |
| Total comprehensive income for the year | | – | 29,628,361 | 29,628,361 |
| Transactions with owners, in their capacity as owners, and other transfers | | | | |
| Shares issued during the period | | 34,055,154 | – | 34,055,154 |
| Transaction costs | | (926,875) | – | (926,875) |
| Dividends recognised for the period | 10 | – | (6,465,004) | (6,465,004) |
| Total transactions with owners and other transfers | | 33,128,279 | (6,465,004) | 26,663,275 |
| Balance at 30 June 2015 | | 51,384,958 | 124,804,723 | 176,189,681 |
| BALANCE AT 1 JULY 2015 | | 51,384,958 | 124,804,723 | 176,189,681 |
| Comprehensive income | | | | |
| Profit for the period | | – | 14,822,360 | 14,822,360 |
| Other comprehensive income | | – | – | – |
| Total comprehensive income for the year | | – | 14,822,360 | 14,822,360 |
| TRANSACTIONS WITH OWNERS, IN THEIR CAPACITY AS OWNERS, AND OTHER TRANSFERS | | | | |
| Shares issued during the period | | 1,774,269 | – | 1,774,269 |
| Transaction costs | | (9,427) | – | (9,427) |
| Dividends recognised for the year | 10 | – | (3,011,194) | (3,011,194) |
| Total transactions with owners and other transfers | | 1,764,842 | (3,011,194) | (1,246,352) |
| Balance at 30 June 2016 | | 53,149,800 | 136,615,889 | 189,765,689 |

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

| FOR THE YEAR ENDED 30 JUNE | NOTE | CONSOLIDATED GROUP | |
|---|------|---------------------|---------------|
| | | 2016 \$ | 2015 \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 152,930,588 | 134,628,803 |
| Interest received | | 90,821 | 334,525 |
| Payments to suppliers and employees | | (134,121,988) | (121,643,875) |
| Finance costs | | (2,515,821) | (1,200,718) |
| Income tax (paid)/received | | 516,066 | (1,715,459) |
| Net cash provided by operating activities | 28 | 16,899,666 | 10,403,276 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payment of subsidiary, net of cash acquired | | (15,952,788) | (33,121,623) |
| Purchase of property, plant and equipment | | (1,034,057) | (1,978,832) |
| Purchases of files | | (2,262,245) | (551,409) |
| Costs associated with acquisition of businesses | | (665,038) | (1,399,890) |
| Loans to related parties (repayments)/proceeds | | (441,653) | (1,236,681) |
| Purchase of other intangible assets | | (2,000,631) | (1,157,156) |
| Net cash used in investing activities | | (22,356,412) | (39,445,591) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | – | 34,055,156 |
| Costs of raising equity | | (9,427) | (926,876) |
| Proceeds from borrowings | | 9,812,694 | 841,940 |
| Dividends paid | 10 | (3,011,194) | (6,465,004) |
| Finance lease principal (repayments)/borrowings | | 1,386,604 | (73,968) |
| Net cash provided by financing activities | | 8,178,677 | 27,431,248 |
| Net decrease in cash held | | 2,721,931 | (1,611,067) |
| Cash and cash equivalents at beginning of financial year | | 9,393,350 | 11,004,417 |
| Cash and cash equivalents at end of financial year | 12 | 12,115,281 | 9,393,350 |

The accompanying notes form part of these financial statements.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: CORPORATE INFORMATION

Shine Corporate Ltd (the Company or the parent) is a for profit company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The consolidated financial statements of Shine Corporate Ltd and its subsidiaries (collectively, the Group) for the year ended 30 June 2016 were authorised for issue on 24 August 2016 in accordance with a resolution of the directors of the company.

NOTE 2: BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

This financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial report is presented in Australian dollars.

The financial statements are prepared on a going concern basis.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Shine Corporate Ltd at the end of the reporting period. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to effect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- > powers over the investee that give it the ability to direct the relevant activities of the investee,
- > exposure, or rights, to variable returns from its involvement with the investee, and
- > the ability to use its power over the investee to affect its returns.

Where the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has the power over an investee, including:

- > the contractual arrangement with the other vote holders of the investee,
- > rights arising from other contractual arrangements, and
- > the Groups voting rights and potential voting rights.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full.

BUSINESS COMBINATIONS

A business combination is accounted for by applying the acquisition method from the date that control is attained. The cost of the acquisition is measured by assessing the fair value of the aggregate consideration transferred at the acquisition date. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss. Deferred consideration is a financial liability in accordance with note 2 (j) (iv).

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

GOODWILL

Goodwill is initially measured at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- > the consideration transferred;
- > any non-controlling interest; and
- > the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest forms the cost of the investment in the separate financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Acquired goodwill is allocated to the Group's cash generating units that are expected to benefit from the combination, representing the lowest level at which goodwill is monitored, but being not larger than an operating segment. Goodwill is tested for impairment annually.

(b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- > Expected to be realised within twelve months after the end of the reporting period,
- > Expected to be realised in the normal operating cycle, even where this is longer than twelve months after the end of the reporting period, or
- > Cash or cash equivalent and not subject to any restrictions.

All other assets are classified as non-current.

A liability is current when:

- > It is due to be settled within twelve months after the end of the reporting period,
- > Expected to be settled in the normal operating cycle, even where this is longer than twelve months after the end of the reporting period, or
- > There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current.

(c) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard. The main assets measured at fair value are receivables, unbilled disbursements and work in progress. The main liabilities measured at fair value are contingent consideration payments.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data and assumptions that market participants would use when pricing assets or liabilities and acting in their best interests.

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

RENDERING OF SERVICES

Revenue from the provision of legal services is recognised on an accrual basis in the year in which the legal service is provided and is calculated with reference to the professional staff hours incurred on each matter and on the basis that the stage of completion can be reliably measured. Stage of completion is measured by reference to the time incurred to date as a percentage of the expected time for an outcome to be achieved.

INTEREST REVENUE

Revenue is recognised as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest revenue over the relevant year using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

OTHER REVENUE

Other revenue, including sundry disbursements are recognised when the right to receive the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Disbursements

Disbursements represent costs incurred during the course of a matter that are recovered from clients. A provision for non recoverable disbursements is recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. The provision is established based on the Group's history of amounts not recovered over previous years and a specific assessment of the recoverability of disbursements on major no-win, no-fee cases such as class actions.

Disbursements that are yet to paid for are classified as Unbilled disbursement creditors. Amounts received by Shine in relation to disbursement loans of its clients are included within Disbursement funding creditors.

(f) Work in Progress

Work in progress represents costs incurred and profit recognised on client cases that are in progress and have not yet been invoiced at the end of the reporting date. The recoverability of these amounts is assessed by management and any amounts in excess of the net recoverable value are provided for. Historical experience and knowledge of the client cases has been used to determine the net realisable value of work in progress at balance date and also the classification between current and non current.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(g) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group generates taxable income.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Shine Corporate Ltd and its wholly owned Australian subsidiaries implemented the tax consolidation legislation as at 1 July 2013. The head entity, Shine Corporate Ltd and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts.

(h) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

PLANT AND EQUIPMENT

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 2k for details of impairment).

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

DEPRECIATION

The depreciable amount of all fixed assets including capitalised leased assets, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| CLASS OF FIXED ASSET | DEPRECIATION RATE | |
|-------------------------------|-------------------|----------|
| | 2016 | 2015 |
| Fixtures and fittings | 3 – 100% | 3 – 100% |
| Leased plant and equipment | 20 – 25% | 20 – 25% |
| Make good | 12 – 100% | 20 – 50% |
| Motor vehicles | 20% | 20 – 25% |
| Office and computer equipment | 5 – 100% | 5 – 100% |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(i) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(j) Financial Instruments

RECOGNITION AND INITIAL MEASUREMENT

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

FINANCIAL LIABILITIES

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost other than financial guarantees and contingent consideration. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

IMPAIRMENT

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

FINANCIAL GUARANTEES

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised, less cumulative amortisation.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- > the likelihood of the guaranteed party defaulting during the next reporting period;
- > the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- > the maximum loss exposure if the guaranteed party were to default.

DERECOGNITION

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(k) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

(l) Investments in Associates

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of the profit or loss of the associate company. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group offsets the losses against other receivables from the associate where the losses are part of the Group's investment on the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(m) Interests in Joint Arrangements

The Group's share of the assets, liabilities, revenue and expenses of jointly controlled operations have been included in the appropriate line items of the consolidated financial statements.

The Group's interests in joint venture entities are recorded using the equity method of accounting in the consolidated financial statements.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

(n) Intangibles other than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit and loss for the period in which the expenditure is incurred.

The Transformation project costs and Erin Brockovich costs are capitalised only to the extent that they will deliver future economic benefits and these benefits can be measured reliably.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The amortisation rates used for each class of intangible other than goodwill, on a straight line basis, are as follows:

| | |
|------------------------------|----------|
| Transformation Project Costs | 10 years |
| Erin Brockovich Agreement | 10 years |
| Software Development | 3 years |
| Trademarks and patents | 10 years |

(o) Foreign Currency Transactions and Balances

FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency.

TRANSACTION AND BALANCES

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

GROUP COMPANIES

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- > assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- > income and expenses are translated at average exchange rates for the period; and
- > retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the Statement of Financial Position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(p) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on the applicable corporate bond rate with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(q) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(r) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the Statement of Financial Position.

(s) Trade and Other Receivables

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

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 2(k) for further discussion on the determination of impairment losses.

(t) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(u) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(w) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

(x) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

KEY ESTIMATES AND JUDGEMENTS

PROVISION AGAINST WORK IN PROGRESS

The company has provided for potential non-recovery of work in progress by reviewing the historical recovery rates of closed cases across similar matter types and stages of completion for the past 12 months. The calculated closed file recovery rate includes both matters that were billed and those that were closed with no fee. Shine has also adopted actuarial methodologies to assist in analysing its WIP recoverability rates. Cases that have been identified as unlikely to be successful but not yet closed are fully provisioned until their write-off and closure is approved. Some larger cases, such as class actions and major claims, are provisioned based on the expected value of the recoverable amount of the wip and disbursements taking into account the specific aspects of each case or class action, including any third party funding arrangements that may be applicable to the action.

PROVISION AGAINST UNBILLED DISBURSEMENTS

The company has provided for potential non-recovery of unbilled disbursements by reviewing the historical levels of unrecovered matter related expenses for similar matter types and considering the level of gross unbilled disbursements and trends in overall work in progress recovery rates.

CLASSIFICATION OF WORK IN PROGRESS AND DISBURSEMENTS

The company determines the classification between current and non current by evaluating the expected timing of settlements and billings of each case, taking into account historical trends and average velocity of cases.

PROVISION FOR DOUBTFUL DEBTS

The company has fully provided for all debtors where there is an inherent uncertainty in relation to the collection of the debt.

GOODWILL IMPAIRMENT AND THE DETERMINATION OF CASH GENERATING UNITS ("CGU'S")

The key assumptions used to determine the recoverable amount for the different CGU's, including a sensitivity analysis are disclosed and further explained in note 18.

TAX LOSS RECOGNITION

The group will only account for tax losses when it is probable they will be utilised as explained in note 22.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions in relation to these factors could affect the reported fair value of financial instruments.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

PURCHASE OF FILES

The cash outflows to purchase a group of case files from a third party legal practice are classified within investing activities in the statement of cash flows, given the assets acquired, being work in progress, are initially recognised on the balance sheet in a similar manner to when acquired as part of a business combination.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(y) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements.

Accounting Standards and Interpretations issued by the AASB that are relevant to the Group but not yet mandatorily applicable, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to the Group for annual reporting periods beginning on or after 1 January 2018).

The Standard includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets that are debt instruments, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The impact of this standard is still being assessed.

- AASB 2015-1: Annual improvements to Australian Accounting Standards – in particular to *AASB 119 Employee Benefits*.

This amendment, applicable from 1 July 2016, clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. This standard is not expected to impact the Group's financial statements.

- AASB 15: *Revenue from Contracts with Customers* (applicable to the Group for annual reporting periods beginning on or after 1 January 2018)

AASB 15 replaces a number of existing standards including AASB 118 Revenue. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and other practical implementation matters on transition to AASB 15.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The potential impact of this standard is currently being assessed. However, early indications are that it will not have a material impact on the Group given the changes to WIP provisioning implemented in January 2016.

- AASB 16: *Leases* (applicable for annual reporting periods beginning on or after 1 January 2019, although can be early adopted at the same time as AASB 15)

The key features of AASB 16 are as follows:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease
- AASB 16 contains disclosure requirements for lessees.

The potential impact of this standard is still being assessed. However early indications are that it will have a material impact on the Group, with operating leases for premises, computers and motor vehicles likely to be brought onto the balance sheet, increasing both assets and liabilities and with consequential decreases in operating lease expenses offset by increases in depreciation and interest expenses. Details of these leases can be found in note 25(b). This will have an impact on net debt calculations in future.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | NOTE | CONSOLIDATED GROUP | |
|--|------|--------------------|------------|
| | | 2016 \$ | 2015 \$ |

NOTE 3: CHANGE IN ACCOUNTING ESTIMATE

As announced to the market on 29 January 2016, the Company conducted a detailed review of its work in progress recovery rates and provisioning methodology. The review identified that additional provisions of \$16,558,829 were required against work in progress and related disbursements to reduce their carrying value to their expected recoverable amount.

The additional provisions were determined to be a change in estimate in accordance with Australian Accounting Standards. Accordingly they were recognised in the current period within the following line items:

| IMPACT ON CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | | | |
|--|---|-------------|---|
| Revenue | 4 | 14,431,829 | – |
| Other expenses: Unrecovered matter related expenses | | 2,127,000 | – |
| | | 16,558,829 | – |
| Income tax expense | | (4,967,649) | – |
| | | 11,591,180 | – |
| IMPACT ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | | |
| Work in progress provision | | 14,431,829 | – |
| Unbilled disbursement provision | | 2,127,000 | – |
| | | 16,558,829 | – |
| Deferred tax liabilities | | (4,967,649) | – |
| | | 11,591,180 | – |

NOTE 4: REVENUE AND OTHER INCOME

| SALES REVENUE | | | |
|--|---|--------------------|--------------------|
| Provision of services/professional fees | | 159,980,213 | 139,214,525 |
| Less: additional provision recognised as a result of the change in estimate (refer note 3) | 3 | (14,431,829) | – |
| | | 145,548,384 | 139,214,525 |
| Sundry disbursements recovered | | 4,049,931 | 11,298,574 |
| | | 149,598,315 | 150,513,099 |
| OTHER REVENUE | | | |
| Interest received (banks) | | 190,509 | 176,734 |
| Interest received (related parties) | | 56,312 | 157,796 |
| Other revenue | | 33,860 | 83,125 |
| Derecognition of contingent consideration liabilities | | 1,240,464 | – |
| Services management fee | | 381,940 | – |
| | | 1,903,085 | 417,655 |
| Total revenue | | 151,501,400 | 150,930,754 |

Included in other revenue is \$1,240,464 (2015: \$nil) relating to the partial release of contingent consideration liabilities booked on acquisition that were not payable in the current period in respect of Sciacca's and Emanate.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | NOTE | CONSOLIDATED GROUP | |
|-------------------------------------|------|--------------------|-------------------|
| | | 2016 \$ | 2015 \$ |
| OTHER EXPENSES | | | |
| Premises expenses | | 10,285,598 | 9,057,864 |
| Marketing expenses | | 9,439,657 | 7,190,016 |
| HR expenses | | 3,944,686 | 3,259,622 |
| IT and computer expenses | | 5,417,199 | 5,041,179 |
| Printing, postage and stationery | | 2,357,386 | 2,245,359 |
| Professional fees | | 3,972,001 | 2,411,946 |
| Unrecovered matter related expenses | | 8,544,851 | 4,121,421 |
| Motor vehicle and travel expenses | | 1,895,052 | 1,987,572 |
| Sundry expenses | | 2,454,069 | 1,689,884 |
| | | 48,310,499 | 37,004,863 |

Included within Sundry expenses are acquisition related costs of \$665,038 (2015: \$1,399,890), which includes \$250,319 resulting from contingent consideration payments in excess of the liability booked on acquisition in respect of Sciacca's Lawyers and \$200,000 relating to a share value guarantee payment to the vendors of Bradley Bayly.

NOTE 6: PROFIT FOR THE YEAR

Profit before income tax from continuing operations includes the following specific expenses:

| | | | |
|---|-----|------------------|-----------|
| (a) Finance cost expense: | | | |
| — interest on bank overdraft and loans | | 2,672,042 | 1,200,718 |
| — interest unwind on contingent and deferred consideration payable to vendors on acquisitions | | 703,876 | 724,433 |
| | | 3,375,918 | 1,925,151 |
| (b) Depreciation and amortisation of non-current assets: | | | |
| — plant and equipment | 17a | 2,282,618 | 1,503,960 |
| — transformation project costs | 18a | 802,096 | 455,261 |
| — Erin Brockovich agreement | 18a | 113,005 | 113,004 |
| — software and others | 18a | 218,905 | 258,905 |
| | | 3,416,624 | 2,331,130 |
| (c) Employee benefits expense: | | | |
| — defined contribution superannuation expense | | 5,701,163 | 5,147,328 |
| (d) Bad and doubtful debts: | | | |
| — trade receivables | | 242,600 | 389,134 |
| Total bad and doubtful debts | | 242,600 | 389,134 |
| (e) Rental expense on operating leases: | | | |
| — minimum lease payments | | 9,129,930 | 6,632,845 |
| (f) Loss on disposal of property, plant and equipment | | 107,626 | 39,411 |
| (g) Foreign currency translation (gains) / losses | | (21,204) | 3,141 |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | NOTE | CONSOLIDATED GROUP | |
|--|------|--------------------|-------------|
| | | 2016 \$ | 2015 \$ |
| NOTE 7: INCOME TAX EXPENSE | | | |
| (A) THE COMPONENTS OF TAX EXPENSE/(INCOME) COMPRISE: | | | |
| Current tax | | 96,194 | – |
| Deferred tax | 22 | 3,507,729 | 10,499,486 |
| Under / (over) provision in respect of prior years | | – | – |
| | | 3,603,923 | 10,499,486 |
| (B) THE PRIMA FACIE TAX ON PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX IS RECONCILED TO THE INCOME TAX AS FOLLOWS: | | | |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2015: 30%) | | | |
| Consolidated group | | 5,527,885 | 12,038,354 |
| Tax effect of: | | | |
| – Non-allowable items | | 36,629 | 16,507 |
| – ACA assessable income | | 170,635 | 335,851 |
| – Acquired WIP and disbursements | | (2,093,546) | (1,802,064) |
| – Earnout adjustments and share guarantee payments | | (312,139) | – |
| – Unrecognised temporary differences – tax losses | | 274,460 | (89,162) |
| Income tax attributable to entity | | 3,603,923 | 10,499,486 |
| The applicable weighted average effective tax rates are as follows: | | 19.6% | 26.2% |

NOTE 8: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2016.

The totals of remuneration paid to KMP of the Group during the year are as follows:

| | | |
|-------------------------------|------------------|------------------|
| Short-term employee benefits | 1,786,052 | 1,516,164 |
| Long-term employee benefits | 100,000 | – |
| Post-employment benefits | 88,323 | 93,329 |
| Total KMP compensation | 1,974,375 | 1,646,993 |

KMP Options and Rights Holdings

No options have been issued by the company.

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | NOTE | CONSOLIDATED GROUP | |
|--|------|--------------------|------------|
| | | 2016 \$ | 2015 \$ |

NOTE 9: AUDITORS' REMUNERATION

| | | | |
|--|--|----------------|---------|
| Remuneration of Ernst & Young for: | | | |
| — auditing or reviewing the financial report | | 296,636 | 150,000 |
| — taxation services and advices | | 95,795 | 45,150 |
| — other assurance services | | 93,964 | 123,600 |
| — other non-assurance services | | 87,450 | — |
| | | 573,845 | 318,750 |
| Remuneration of non Ernst & Young audit firms for: | | | |
| — auditing of trust accounts and WIP | | 92,983 | 27,953 |
| — accounting and tax compliance services | | 91,244 | 78,333 |
| | | 184,227 | 106,286 |

NOTE 10: DIVIDENDS

Distributions paid

| | | | |
|--|--|------------------|-----------|
| Final unfranked ordinary dividend of 1.75 cents (2015: 1.75 cents) per share | | 3,011,194 | 3,017,002 |
| Interim unfranked ordinary dividend of 0 cents (2015: 2 cents) per share | | — | 3,448,002 |
| | | 3,011,194 | 6,465,004 |

Distributions proposed and not recognised as a liability

Approved by the Board of Directors on 23 August 2016 (not recognised as a liability as at 30 June 2016)

Proposed final 2016 unfranked ordinary dividend of 2.5 cents (2015: 1.75 cents) per share franked at the tax rate of 0% (2015: 0%)

Balance of franking account at year end adjusted for franking credits arising from:

| | | | |
|--|--|--------------------|-------------|
| Opening balance | | 1,116,188 | — |
| — payment/(repayment) of income tax | | (1,116,188) | 1,116,188 |
| Actual closing balance at 30 June | | — | 1,116,188 |
| Expected tax refunds relating to FY2015 receivable in FY2016 | | — | (1,116,188) |
| Anticipated balance as it relates to 30 June | | — | — |

NOTE 11: EARNINGS PER SHARE

The following information reflects the income and share data used in the basic and diluted earnings per share computations.

| | | | |
|--|--|--------------------|-------------|
| Net profit attributable to ordinary equity holders of the parent | | 14,822,360 | 29,628,361 |
| Earnings used to calculate basic EPS | | 14,822,360 | 29,628,361 |
| | | NO. | NO. |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | | 173,000,038 | 172,000,968 |

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the sum of the weighted average number of ordinary shares outstanding during the year and the weighted average number of shares that would be issued in part consideration for the acquisition of a business combination (2016: 173,000,038, 2015: 172,840,021).

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | NOTE | CONSOLIDATED GROUP | |
|--|------|--------------------|------------|
| | | 2016 \$ | 2015 \$ |

NOTE 12: CASH AND CASH EQUIVALENTS

| | | | |
|--------------------------|----|-------------------|------------------|
| Cash at bank and on hand | | 12,120,209 | 9,393,350 |
| | 31 | 12,120,209 | 9,393,350 |

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | | | |
|---------------------------|--|-------------------|------------------|
| Cash and cash equivalents | | 12,120,209 | 9,393,350 |
| Bank overdrafts | | (4,928) | – |
| | | 12,115,281 | 9,393,350 |

A floating charge over cash and cash equivalents has been provided for certain debt. Refer to Note 21 for further details.

NOTE 13: TRADE AND OTHER RECEIVABLES

CURRENT

| | | | |
|--|-----|-------------------|-------------------|
| Trade receivables | | 15,780,426 | 15,296,872 |
| Provision for impairment | 13a | (937,770) | (785,205) |
| | | 14,842,656 | 14,511,667 |
| Related party receivables | | 231,951 | – |
| Other receivables | | 2,042,469 | 664,111 |
| Total current trade and other receivables | | 17,117,076 | 15,175,778 |

NON-CURRENT

Amounts receivable from related parties:

| | | | |
|--|--------|------------------|------------------|
| — Risk Worldwide New Zealand Limited | 30b ii | 3,766,530 | 4,215,752 |
| Total non-current trade and other receivables | | 3,766,530 | 4,215,752 |

(a) Provision For Impairment of Receivables

Movement in the provision for impairment of receivables is as follows:

| CONSOLIDATED GROUP | NOTE | 1 JULY 2015 OPENING BALANCE | ACQUISITION OF SUBSIDIARIES | CHARGE FOR THE YEAR | AMOUNTS WRITTEN OFF | 30 JUNE 2016 CLOSING BALANCE |
|-------------------------------|------|-----------------------------------|-----------------------------------|------------------------|------------------------|------------------------------------|
| (i) Current trade receivables | | 785,205 | 178,939 | 242,600 | (268,973) | 937,770 |
| | | 785,205 | 178,939 | 242,600 | (268,973) | 937,770 |

| CONSOLIDATED GROUP | NOTE | 1 JULY 2014 OPENING BALANCE | ACQUISITION OF SUBSIDIARIES | CHARGE FOR THE YEAR | AMOUNTS WRITTEN OFF | 30 JUNE 2015 CLOSING BALANCE |
|-------------------------------|------|-----------------------------------|-----------------------------------|------------------------|------------------------|------------------------------------|
| (i) Current trade receivables | | 436,526 | 203,733 | 389,134 | (244,188) | 785,205 |
| | | 436,526 | 203,733 | 389,134 | (244,188) | 785,205 |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(b) Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within Note 13. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

| CONSOLIDATED GROUP 30 JUNE 2016 | GROSS AMOUNT \$ | PAST DUE AND IMPAIRED \$ | PAST DUE BUT NOT IMPAIRED (DAYS OVERDUE) | | | | WITHIN INITIAL TRADE TERMS \$ |
|--|-----------------------|-----------------------------------|--|------------------|------------------|------------------|---|
| | | | <30 \$ | 31-60 \$ | 61-90 \$ | >90 \$ | |
| Trade and term receivables | 15,780,426 | 937,770 | 1,785,083 | 368,150 | 1,001,071 | 3,700,956 | 7,987,396 |
| Other receivables | 2,042,469 | – | – | – | – | – | 2,042,469 |
| Total | 17,822,895 | 937,770 | 1,785,083 | 368,150 | 1,001,071 | 3,700,956 | 10,029,865 |
| CONSOLIDATED GROUP 30 JUNE 2015 | | | | | | | |
| Trade and term receivables | 15,296,872 | 785,205 | 2,395,068 | 1,384,188 | 637,959 | 3,231,150 | 6,863,302 |
| Other receivables | 664,111 | – | – | – | – | – | 664,111 |
| Total | 15,960,983 | 785,205 | 2,395,068 | 1,384,188 | 637,959 | 3,231,150 | 7,527,413 |

(c) Collateral pledged

A floating charge over trade receivables has been provided for certain debt.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | NOTE | CONSOLIDATED GROUP | |
|---|------|---------------------|--------------------|
| | | 2016 \$ | 2015 \$ |
| NOTE 14: WORK IN PROGRESS AND UNBILLED DISBURSEMENTS | | | |
| CURRENT | | | |
| At net realisable value: | | | |
| Work in progress | | 133,009,108 | 113,085,849 |
| Work in progress provision | | (31,721,808) | (21,172,833) |
| | | 101,287,300 | 91,913,016 |
| Unbilled disbursements | | 31,822,974 | 25,811,437 |
| Unbilled disbursements provision | | (3,109,899) | (1,625,150) |
| | | 28,713,075 | 24,186,287 |
| | | 130,000,375 | 116,099,303 |
| NON-CURRENT | | | |
| At net realisable value: | | | |
| Work in progress | | 122,410,598 | 122,144,990 |
| Work in progress provision | | (20,710,416) | (23,400,253) |
| | | 101,700,182 | 98,744,737 |
| Unbilled disbursements | | 25,979,443 | 24,493,457 |
| Unbilled disbursements provision | | (1,760,033) | (75,332) |
| | | 24,219,410 | 24,418,125 |
| | | 125,919,592 | 123,162,862 |
| TOTAL | | | |
| Total work in progress | | 255,419,706 | 235,230,839 |
| Total work in progress provision | | (52,432,224) | (44,573,086) |
| Total net work in progress | | 202,987,482 | 190,657,753 |
| Total unbilled disbursements | | 57,802,417 | 50,304,894 |
| Total unbilled disbursements provision | | (4,869,932) | (1,700,482) |
| Total net unbilled disbursements | | 52,932,485 | 48,604,412 |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: INVESTMENT IN AN ASSOCIATE

The Group has a one third interest in Risk Worldwide New Zealand Limited, which is involved in insurance policy recovery consulting in New Zealand.

Risk Worldwide New Zealand Limited is a private entity that is not listed on any public exchange. The following table illustrates the summarised financial information of the Group's investment in Risk Worldwide New Zealand Limited:

| NAME | COUNTRY OF INCORPORATION | SHARES | OWNERSHIP INTEREST | | CARRYING AMOUNT OF INVESTMENT | | |
|---|--------------------------|----------|--------------------|------------|-------------------------------|--------------|------------|
| | | | 2016 \$ | 2015 \$ | 2016 \$ | 2015 \$ | |
| Risk Worldwide New Zealand Limited | New Zealand | Ordinary | 33.33 | 33.33 | – | – | |
| | | | | | CONSOLIDATED GROUP | | |
| | | | | | NOTE | 2016 \$ | 2015 \$ |
| (a) Summarised financial information | | | | | | | |
| Share of the associate's statement of financial position: | | | | | | | |
| Current assets | | | | | 825,788 | 1,686,209 | |
| Non-current assets | | | | | 8,267,430 | 8,982,597 | |
| Current liabilities | | | | | (2,584,618) | (3,153,402) | |
| Non-current liabilities | | | | | (11,934,384) | (10,809,795) | |
| Equity | | | | | (5,425,784) | (3,294,391) | |
| Group's one third ownership | | | | | (1,808,595) | (1,098,130) | |
| Share of the associate's revenue and loss: | | | | | | | |
| Revenue | | | | | 1,843,387 | 1,598,559 | |
| Loss for the year | | | | | 1,903,571 | 1,950,609 | |
| Group's share of loss for the year | | | | 30b ii | 710,453 | 650,203 | |

NOTE 16: INTERESTS IN SUBSIDIARIES

(a) Information about principal subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by Group. Each subsidiary's principal place of business is also its country of incorporation.

| NAME OF SUBSIDIARY | COUNTRY OF INCORPORATION | OWNERSHIP INTEREST HELD BY THE GROUP | | PROPORTION OF CONTROLLING INTERESTS | |
|--|--------------------------|--------------------------------------|----------|-------------------------------------|----------|
| | | 2016 (%) | 2015 (%) | 2016 (%) | 2015 (%) |
| Shine Lawyers Pty Ltd | Australia | 100% | 100% | 100% | 100% |
| Shine NZ Pty Ltd | Australia | 100% | 100% | 100% | 100% |
| Shine DIR Pty Ltd | Australia | 100% | 100% | 100% | 100% |
| Shine (U.S.) Pty Ltd | Australia | 100% | 100% | 100% | 100% |
| Emanate Legal Services Pty Ltd | Australia | 100% | 100% | 100% | 100% |
| SB Law Pty Ltd | Australia | 100% | 100% | 100% | 100% |
| Sciacca's Lawyers Pty Ltd | Australia | 100% | 100% | 100% | 100% |
| Sciacca's Family Lawyers Pty Ltd | Australia | 100% | 100% | 100% | 100% |
| Shine NZ Services Pty Ltd | Australia | 100% | 100% | 100% | 100% |
| Bradley Bayly Holdings Pty Ltd* | Australia | 100% | 25% | 100% | 25% |
| Best Wilson Buckley Family Law Pty Ltd | Australia | 100% | 0% | 100% | 0% |

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

* The Directors assessed that, notwithstanding a 25% ownership of Bradley Bayly Holdings Pty Ltd, given the control over the company through voting rights, Shine had control as at 30 June 2015. Subsequent to the 2015 year end an option was exercised to acquire the remaining 75%.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(b) Deed of Cross Guarantee

Entities subject to class order relief are:

As at 30 June 2016 a deed of cross guarantee is in place for Shine Corporate Limited and Shine Lawyers Pty Ltd. Since 30 June 2016 the following entities have or will accede to the existing deed of cross guarantee: Emanate Legal Services Pty Ltd, SB Law Pty Ltd, Sciacca's Lawyers Pty Ltd, Sciacca's Family Lawyers Pty Ltd, Shine NZ Services Pty Ltd, Bradley Bayly Holdings Pty Ltd, Shine NZ Pty Ltd, Shine DIR Pty Ltd, Shine (U.S) Pty Ltd and Best Wilson Buckley Family Law Pty Ltd.

By entering into the Deed, the wholly owned Australian entities have been (or will be) relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 issued by the Australian Securities and Investments Commission. All entities in the Group other than Shine Lawyers Pty Ltd are currently small proprietary companies for reporting purposes. The consolidated income statement and balance sheet of the entities that are members of the Closed Group as at 30 June 2016 are as follows:

| | CLOSED GROUP | |
|---|--------------------|--------------------|
| | 2016 | 2015 |
| CONSOLIDATED INCOME STATEMENT | | |
| Profit from continuing operations before income tax | 11,728,947 | 29,774,892 |
| Income tax expense | (1,158,729) | (4,411,693) |
| Profit after tax from continuing operations | 10,570,218 | 25,363,199 |
| Retained earnings at the beginning of the period | 120,539,561 | 101,641,366 |
| Dividends paid | (3,011,194) | (6,465,004) |
| Retained earnings at the end of the period | 128,098,585 | 120,539,561 |
| CONSOLIDATED BALANCE SHEET | | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 8,123,637 | 6,924,194 |
| Trade and other receivables | 18,292,436 | 14,107,394 |
| Work in progress | 81,914,242 | 79,482,620 |
| Unbilled disbursements | 25,080,781 | 20,897,895 |
| Other current assets | 163,034 | 286,772 |
| TOTAL CURRENT ASSETS | 133,574,130 | 121,698,875 |
| NON-CURRENT ASSETS | | |
| Trade and other receivables | 3,998,481 | 4,215,752 |
| Work in progress | 90,030,372 | 84,777,834 |
| Unbilled disbursements | 22,048,838 | 22,532,865 |
| Property, plant and equipment | 3,854,187 | 4,864,801 |
| Intangible assets | 10,040,886 | 9,174,261 |
| Investments in subsidiaries | 50,127,499 | 33,574,695 |
| TOTAL NON-CURRENT ASSETS | 180,100,263 | 159,140,208 |
| TOTAL ASSETS | 313,674,393 | 280,839,083 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | 28,772,169 | 24,569,461 |
| Short term borrowings | 1,850,931 | 19,064,389 |
| Other current financial liabilities | 5,137,949 | 2,685,980 |
| Provisions | 7,850,750 | 4,235,159 |
| Deferred revenue | 179,500 | 563,498 |
| TOTAL CURRENT LIABILITIES | 43,791,299 | 51,118,487 |
| NON-CURRENT LIABILITIES | | |
| Long term borrowings | 30,010,813 | 1,516,725 |
| Other non-current financial liabilities | 4,473,958 | 4,196,384 |
| Deferred tax liabilities | 51,717,612 | 54,066,639 |
| Provisions | 2,432,326 | 2,537,104 |
| TOTAL NON-CURRENT LIABILITIES | 88,634,709 | 62,316,852 |
| TOTAL LIABILITIES | 132,426,008 | 113,435,339 |
| NET ASSETS | 181,248,385 | 167,403,744 |
| EQUITY | | |
| Issued capital | 53,149,800 | 51,384,958 |
| Retained earnings | 128,098,585 | 116,018,786 |
| TOTAL EQUITY | 181,248,385 | 167,403,744 |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | CONSOLIDATED GROUP | |
|---|--------------------|------------------|
| | 2016 \$ | 2015 \$ |
| PLANT AND EQUIPMENT | | |
| FIXTURES AND FITTINGS | | |
| At cost | 5,848,627 | 6,689,322 |
| Accumulated depreciation | (2,848,892) | (2,621,036) |
| | 2,999,735 | 4,068,286 |
| LEASED PLANT AND EQUIPMENT | | |
| Capitalised leased assets | 418,908 | 534,719 |
| Accumulated depreciation | (270,476) | (295,274) |
| | 148,432 | 239,445 |
| OFFICE FURNITURE AND EQUIPMENT | | |
| At cost | 2,913,002 | 2,381,801 |
| Accumulated depreciation | (1,065,872) | (715,207) |
| | 1,847,130 | 1,666,594 |
| COMPUTER EQUIPMENT AND SOFTWARE | | |
| At cost | 562,079 | 513,904 |
| Accumulated depreciation | (487,730) | (464,349) |
| | 74,349 | 49,555 |
| MAKE GOOD ALLOWANCE ON LEASED PREMISES | | |
| At cost | 1,333,854 | 1,312,607 |
| Accumulated depreciation | (1,007,365) | (693,879) |
| | 326,489 | 618,728 |
| Total property, plant and equipment | 5,396,135 | 6,642,608 |

(a) Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

| | FIXTURES AND FITTINGS \$ | LEASED PLANT AND EQUIPMENT \$ | OFFICE FURNITURE AND EQUIPMENT \$ | COMPUTER EQUIPMENT AND SOFTWARE \$ | MAKE GOOD ALLOWANCE ON LEASED PREMISES \$ | TOTAL \$ |
|---|--------------------------------|--|---|--|---|------------------|
| Consolidated Group: | | | | | | |
| Balance at 1 July 2014 | 3,185,369 | 319,768 | 761,046 | 71,841 | 239,043 | 4,577,067 |
| Additions | 400,250 | – | 943,410 | 10,611 | 624,561 | 1,978,832 |
| Disposals | (21,727) | (14,937) | (754) | – | (13,331) | (50,749) |
| Depreciation expense | (865,640) | (65,386) | (298,492) | (32,897) | (241,545) | (1,503,960) |
| Additions through business combinations | 1,370,034 | – | 261,384 | – | 10,000 | 1,641,418 |
| Balance at 30 June 2015 | 4,068,286 | 239,445 | 1,666,594 | 49,555 | 618,728 | 6,642,608 |
| Additions | 410,507 | – | 470,012 | 48,002 | 105,536 | 1,034,057 |
| Disposals | (87,403) | (44,794) | (30,686) | – | – | (162,883) |
| Reclassification | – | – | – | – | – | – |
| Depreciation expense | (1,391,814) | (46,219) | (423,577) | (23,233) | (397,775) | (2,282,618) |
| Additions through business combinations | – | – | 164,815 | – | – | 164,815 |
| Exchange differences | 159 | – | (28) | 25 | – | 156 |
| Balance at 30 June 2016 | 2,999,735 | 148,432 | 1,847,130 | 74,349 | 326,489 | 5,396,135 |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | NOTE | CONSOLIDATED GROUP | |
|--|------|--------------------|-------------------|
| | | 2016 \$ | 2015 \$ |
| GOODWILL | | | |
| Cost | | 42,411,767 | 37,282,264 |
| Accumulated impairment losses | | – | – |
| Net carrying amount | | 42,411,767 | 37,282,264 |
| COMPUTER SOFTWARE | | | |
| Cost | | 522,267 | 522,266 |
| Accumulated amortisation and impairment losses | | (474,386) | (255,480) |
| Net carrying amount | | 47,881 | 266,786 |
| TRANSFORMATION PROJECT COSTS | | | |
| Cost | | 4,721,335 | 2,721,806 |
| Accumulated amortisation and impairment losses | | (2,095,496) | (1,293,401) |
| Net carrying amount | | 2,625,839 | 1,428,405 |
| ERIN BROCKOVICH AGREEMENT | | | |
| Cost | | 668,608 | 668,608 |
| Accumulated amortisation and impairment losses | | (226,009) | (113,004) |
| Net carrying amount | | 442,599 | 555,604 |
| WEBSITE DEVELOPMENT | | | |
| Cost | | 17,679 | 17,679 |
| Accumulated amortisation and impairment losses | | (5,146) | (5,146) |
| Net carrying amount | | 12,533 | 12,533 |
| TRADEMARKS, PATENTS AND INTELLECTUAL PROPERTY | | | |
| Cost | | 179,802 | 178,701 |
| Accumulated amortisation and impairment losses | | – | – |
| Net carrying amount | | 179,802 | 178,701 |
| Total intangibles | | 45,720,421 | 39,525,089 |

(a) Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

| | GOODWILL | COMPUTER SOFTWARE | TRANS- FORMATION PROJECT COSTS | ERIN BROCKOVICH AGREEMENT \$ | OTHERS \$ | TOTAL \$ |
|--|------------|----------------------|--------------------------------------|---------------------------------------|--------------|-------------|
| Consolidated Group: | | | | | | |
| Balance at 1 July 2014 | 6,996,464 | 410,461 | 1,032,973 | 668,608 | 32,921 | 8,942,223 |
| Additions | – | 110,084 | 850,693 | – | 196,379 | 1,157,156 |
| Transfer | – | – | – | – | (32,920) | (32,920) |
| Additions through business combinations | 30,285,800 | – | – | – | – | 30,285,800 |
| Amortisation charge | – | (253,759) | (455,261) | (113,004) | (5,146) | (827,170) |
| Balance at 30 June 2015 | 37,282,264 | 266,786 | 1,428,405 | 555,604 | 191,234 | 39,525,089 |
| Additions | – | – | 1,999,530 | – | 1,101 | 2,000,631 |
| Transfer | – | – | – | – | – | – |
| Acquisitions through business combinations | 5,129,503 | – | – | – | – | 5,129,503 |
| Amortisation charge | – | (218,905) | (802,096) | (113,005) | – | (1,134,006) |
| Balance at 30 June 2016 | 42,411,767 | 47,881 | 2,625,839 | 442,599 | 192,335 | 45,720,421 |

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss. Goodwill has an indefinite useful life.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(b) Impairment disclosures

For the purposes of impairment testing, the cash generating units have been defined as the lowest level of legal operations to which the goodwill relates and is monitored, where individual cash flows can be ascertained for the purposes of discounting future cash flows. The Directors have changed the CGU's from 2015 based on how the CGU's are monitored.

The carrying amount of goodwill allocated to each cash generating unit is set out below:

| | PERSONAL INJURY OPERATING SEGMENT | EMERGING PRACTICE AREAS OPERATING SEGMENT | | | TOTAL |
|------|-----------------------------------|---|-------------|------------|------------|
| | PERSONAL INJURY | SHINE EPA | LAND ACCESS | FAMILY LAW | |
| 2016 | 16,646,052 | 2,716,454 | 17,919,758 | 5,129,503 | 42,411,767 |
| 2015 | 16,646,052 | 2,716,454 | 17,919,758 | – | 37,282,264 |

The recoverable amount of the cash generating units have been determined based on financial budgets set for the next financial year and management cashflow projections for subsequent years.

| | 2016 | | | | 2015 | |
|---|-----------------------|-------------------------------|-------------|----------------|-----------------|-------------------------|
| | SHINE PERSONAL INJURY | SHINE EMERGING PRACTICE AREAS | LAND ACCESS | FAMILY LAW | PERSONAL INJURY | EMERGING PRACTICE AREAS |
| Pre tax discount rate applied to the cash flow position | 12.5% | 12.1% to 15.7% | 12.9% | 12.1% to 15.7% | 12% to 14.7% | 12% to 14.7% |
| Cash flows beyond the next financial year, up to year 5, are extrapolated using a growth rate of: | | | | | | |
| Revenue growth rate | 5.0% to 7.5% | 5.0% to 10% | 5.0% | 5.0% to 10% | 4.0% to 5.0% | 14% to 15% |
| Operating costs | 3.7% to 4.5% | 3.7% to 5.3% | 3.7% | 3.7% to 5.3% | 3.0% to 4.0% | 9.0% to 10% |
| Terminal growth | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |

Key assumptions used in value in use calculations for the years ended 30 June 2016 and 30 June 2015

The following key assumptions were applied to the cash flow projections when determining the value in use:

- > revenue values have been determined from the Board approved budget for FY17 adjusted for growth and other known circumstances;
- > operating expenses have been determined from the Board approved budget for FY17, adjusted for growth and other known circumstances; and
- > terminal values have been calculated based on a multiple of year 5 earnings before interest, tax, depreciation and amortisation.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the Shine emerging practice and family law cash generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to materially exceed their recoverable amount.

With regard to the assessment of value in use of the cash generating units that form the personal injury practice area and the land access area, a reasonably possible change in a number of the above key assumptions would cause the carrying value of the units to exceed their recoverable amount. The variability required for each variable is set out below:

| | SHINE PERSONAL INJURY | LAND ACCESS |
|--------------------------------------|-----------------------|-------------|
| Discount rate used | 12.5% | 12.9% |
| Headroom | 11,748,000 | 2,149,000 |
| Change in revenue growth rate | 0.3% | 0.8% |
| Change in terminal value growth rate | 0.5% | 0.7% |
| Change in discount rate (WACC) | 0.5% | 0.6% |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | NOTE | CONSOLIDATED GROUP | |
|--|------|--------------------|-------------------|
| | | 2016 \$ | 2015 \$ |
| NOTE 19: OTHER ASSETS | | | |
| CURRENT | | 644,504 | 742,230 |
| Prepayments | | 644,504 | 742,230 |
| NOTE 20: TRADE AND OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES | | | |
| CURRENT | | | |
| UNSECURED LIABILITIES: | | | |
| Trade payables | | 4,364,458 | 2,208,337 |
| Sundry payables and accrued expenses | | 8,145,446 | 6,654,422 |
| PAYG tax payable | | 810,969 | 1,217,682 |
| Disbursement funding creditors | | 9,337,902 | 3,590,297 |
| Unbilled disbursement creditors | | 11,666,385 | 13,137,296 |
| Total current trade and other payables | | 34,325,160 | 26,808,034 |
| Deferred consideration – vendor liabilities on acquisitions | | 6,482,154 | 12,255,292 |
| Financial liability – contingent consideration | 32c | 4,123,294 | 2,780,061 |
| Total financial liability | | 10,605,448 | 15,035,353 |
| | 31 | 44,930,608 | 41,843,387 |
| NON-CURRENT | | | |
| UNSECURED FINANCIAL LIABILITIES: | | | |
| Deferred consideration – vendor liabilities on acquisitions | | 2,844,442 | 4,768,363 |
| Financial liability – contingent consideration | 32c | 1,629,516 | 6,422,234 |
| | 31 | 4,473,958 | 11,190,597 |
| (a) Financial liabilities at amortised cost | | | |
| Trade and other payables | | | |
| — Total current | | 40,807,314 | 39,063,326 |
| — Total non-current | | 2,844,442 | 4,768,363 |
| | | 43,651,756 | 43,831,689 |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | NOTE | CONSOLIDATED GROUP | |
|--|------|--------------------|------------|
| | | 2016 \$ | 2015 \$ |

NOTE 21: BORROWINGS

CURRENT

SECURED LIABILITIES

| | | | |
|--------------------------|----|------------------|------------|
| Bank loans | | 1,212,860 | 19,043,725 |
| Lease liability | | 90,171 | 120,439 |
| Hire purchase liability | | 831,298 | 799,328 |
| Total current borrowings | 31 | 2,134,329 | 19,963,492 |

NON-CURRENT

SECURED LIABILITIES

| | | | |
|------------------------------|----|-------------------|-------------------|
| Bank loans | | 27,756,124 | 107,637 |
| Lease liability | | 2,058,265 | 162,902 |
| Hire purchase liability | | 915,936 | 1,426,398 |
| Total non-current borrowings | 31 | 30,730,325 | 1,696,937 |
| Total borrowings | | 32,864,654 | 21,660,429 |

(a) Total current and non-current secured liabilities

| | | | |
|-------------------------|--|-------------------|-------------------|
| Bank loan | | 28,968,984 | 19,151,362 |
| Lease liability | | 2,148,436 | 283,341 |
| Hire purchase liability | | 1,747,234 | 2,225,726 |
| | | 32,864,654 | 21,660,429 |

During the period the Group renewed and extended its finance facilities with CBA. The new terms include interest only loans of varying maturities of 2 to 5 years as set out in note 31. The Group was in compliance with all financial and non-financial covenants applicable to these facilities as at 30 June 2016. Covenants imposed by the bank require total bank debt not to exceed 60% of total Group work in progress and must be no more than 2.25 times Group EBITDA on a rolling 12 month basis.

Included within bank loans and line of credit above is accrued interest payable on 1 July of \$736,124. This has been excluded from the amount classified as 'Used' below.

The bank debt is secured by a fixed and floating charge over the assets of the Group.

Lease and hire purchase liabilities are secured by the underlying assets.

(b) Unused facilities

The Group had the following unused banking and credit facilities at the end of the reporting period:

| FACILITY | LIMIT \$ | USED AT 30 JUNE 2016 \$ | UNUSED AMOUNT \$ |
|--------------------------------|-------------|-------------------------------|------------------------|
| Equipment finance | 20,089,903 | 8,092,637 | 11,997,266 |
| Corporate credit card facility | 850,000 | 103,316 | 746,684 |
| Line of credit | 21,079,329 | 912,860 | 21,166,469 |
| Market rate loan facilities | 42,000,000 | 27,320,000 | 14,680,000 |
| Bank guarantees | 4,000,000 | 3,279,053 | 720,947 |

| | LIMIT | APPROVED LOANS | BALANCE DRAWN AT 30 JUNE 2016 | UNUSED LIMIT AVAILABLE FOR CLIENT LOANS |
|--|------------|----------------|----------------------------------|---|
| Wingate client disbursement funding facility | 20,000,000 | 11,235,000 | 9,337,902 | 8,765,000 |

The disbursement funding facility is available for clients of Shine to enable them to fund the disbursements on their matter. Shine indemnifies Wingate to the extent that the client is not required to repay their loan if their case is unsuccessful. See note 26 for details of contingent liabilities.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | CONSOLIDATED GROUP | | |
|--|--------------------|-------------------|-------------------|
| | 2016 | 2015 | |
| | \$ | \$ | \$ |
| NOTE 22: TAX | | | |
| CURRENT | | | |
| Income tax payable | – | – | – |
| | – | – | – |
| | OPENING BALANCE | CHARGED TO INCOME | CLOSING BALANCE |
| | \$ | \$ | \$ |
| NON-CURRENT | | | |
| Deferred tax liability – net | | | |
| Work in progress and disbursements | 48,242,816 | 11,392,111 | 59,634,927 |
| Plant and equipment | – | 720,072 | 720,072 |
| Finance leases | (82,644) | 120,495 | 37,851 |
| Deferred tax liability arising from acquisitions | – | – | 641,692 |
| Provisions | (2,071,447) | (2,095,044) | (4,166,491) |
| Tax losses carried forward | (297,439) | – | (297,439) |
| Sundry deferred tax assets | (462,715) | 361,852 | (100,863) |
| Balance at 30 June 2015 | 45,328,571 | 10,499,486 | 56,469,749 |
| Work in progress and disbursements | 59,634,927 | 9,493,444 | 69,128,371 |
| Plant and equipment | 720,072 | (224,230) | 495,842 |
| Finance leases | 37,851 | (616,704) | (578,853) |
| Deferred tax liability arising from acquisitions | 641,692 | – | 558,506 |
| Provisions | (4,166,491) | (945,584) | (5,112,075) |
| Tax losses carried forward | (297,439) | – | (297,439) |
| Recognition of net deferred tax asset in respect of tax losses | – | (4,173,739) | (4,173,739) |
| Sundry deferred tax assets | (100,863) | (25,458) | (126,321) |
| Balance at 30 June 2016 | 56,469,749 | 3,603,923 | 59,990,486 |

Following a tax ruling by the ATO in June 2015, the Group has tax deductions arising from the process of its restructure prior to the Group's 2013 public listing and the subsequent formation of a tax consolidated group. The total taxable losses available are \$25.0m resulting in a potential deferred tax asset of \$7.5m. Of this, \$4.2m has been recognised to the extent that it offsets deferred tax liabilities.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | CONSOLIDATED GROUP | |
|---|--------------------|------------------|
| | 2016 \$ | 2015 \$ |
| NOTE 23: PROVISIONS | | |
| CURRENT | | |
| Employee Benefits – Annual Leave | 3,740,350 | 3,858,874 |
| Employee Benefits – Long Service Leave | 1,590,413 | 1,615,647 |
| Operating Lease Incentives | 966,389 | 551,890 |
| | 6,297,152 | 6,026,411 |
| OPERATING LEASE INCENTIVES | | |
| — Opening balance at 1 July | 551,890 | 689,520 |
| — Net movement in the year | 414,499 | (137,630) |
| Balance at 30 June | 966,389 | 551,890 |
| NON CURRENT | | |
| Employee Benefits – Annual Leave | 25,448 | – |
| Employee Benefits – Long Service Leave | 1,328,547 | 1,059,088 |
| Leasehold Property Make Goods | 1,374,705 | 1,633,818 |
| | 2,728,700 | 2,692,906 |
| LEASEHOLD PROPERTY MAKE GOODS | | |
| — Opening balance at 1 July | 1,633,818 | 1,091,404 |
| — Acquisition of subsidiaries | – | 10,000 |
| — Additional provisions | 167,032 | 720,500 |
| — Amounts used | (478,678) | (203,101) |
| — Unused amounts reversed | – | 15,015 |
| — Increase in the discounted amount arising because of time and the effect of any change in the discount rate | 52,533 | – |
| Balance at 30 June | 1,374,705 | 1,633,818 |
| ANALYSIS OF TOTAL PROVISIONS | | |
| Current | 6,297,152 | 6,026,411 |
| Non-current | 2,728,700 | 2,692,906 |
| | 9,025,852 | 8,719,317 |



NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

The probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 2(p).

Provision for Leasehold Property Make Good

In accordance with the Group's contractual obligations under tenancy lease agreements, the Group is required to restore the leased premises on the expiry of the lease term. The assumptions used to calculate the provision were based on assessments of the timing of the restoration liability crystallising and on current restoration costs accreted at a rate of 2.5% (2015: 2.5%).

Operating Lease Incentives

Incentives received from entering into operating leases are recognised as liabilities. The aggregated benefits of incentives are recognised as a reduction of rental expense when the operating lease payment is incurred, as this represents the pattern of benefits derived from the leased asset. The incentives are spread over the life of the lease.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | NOTE | CONSOLIDATED GROUP | |
|--|------|--------------------|------------|
| | | 2016 \$ | 2015 \$ |

NOTE 24: ISSUED CAPITAL

| | | | |
|--|--|-------------------|-------------------|
| 173.2 million (2015: 172.4 million) fully paid ordinary shares | | 53,149,800 | 51,384,958 |
| | | 53,149,800 | 51,384,958 |

| (a) Ordinary Shares | NO. | NO. |
|---|--------------------|--------------------|
| At the beginning of the reporting period | 172,400,081 | 155,000,000 |
| Shares issued during the year: | | |
| — 1st July 2014 for business acquisitions | — | 1,400,000 |
| — 11th July 2014 for rights issue | — | 15,382,174 |
| — 15th July 2014 for business acquisitions | — | 500,000 |
| — 16th July 2014 for rights issue | — | 117,907 |
| — 17th August 2015 for business acquisitions | 401,606 | — |
| — 21st October 2015 for business acquisitions | 360,125 | — |
| At the end of the reporting period | 173,161,812 | 172,400,081 |

During the year, share capital was increased by \$1.76m, with the issue of 0.76m ordinary shares for part consideration in business acquisitions.

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and future strategic opportunities.

The Group's capital structure includes a mix of debt (note 21), cash (note 12), and equity attributable to the parent's equity holders.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

In regard to the dividend policy, the Board expects to pay dividends of approximately 40% of NPAT excluding net movement in WIP and accounting for disbursements. Net movement in WIP and disbursements could have a significant effect on the Group's ability to pay dividends. No guarantee is given about the payment of dividends, the level of franking or imputation of such dividends or the size of the pay-out ratios. These matters will depend on a number of factors, including the future earnings of the Group, its financial, tax and franking credit position, and the Board's view of the appropriate dividend policy at the time.

| | | | |
|--------------------------------|----|---------------------|--------------------|
| Total borrowings | 21 | 32,864,654 | 21,660,429 |
| Less cash and cash equivalents | 12 | (12,120,209) | (9,393,350) |
| Net debt | | 20,744,445 | 12,267,079 |
| Total equity | | 189,765,689 | 176,189,681 |
| Total capital | | 210,510,134 | 188,456,760 |
| Gearing ratio | | 9.9% | 6.5% |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED GROUP

| | 2016 | 2015 |
|--|------|------|
| | \$ | \$ |

NOTE 25: CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease and Hire Purchase Commitments

The Group has finance leases and hire purchase contracts for various items of plant and equipment. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

| | | |
|--|------------------|------------------|
| Payable – minimum lease payments | | |
| – not later than 12 months | 1,014,393 | 1,056,952 |
| – between 12 months and 5 years | 3,299,981 | 1,699,102 |
| – later than 5 years | – | – |
| Minimum lease payments | 4,314,374 | 2,756,054 |
| Less future finance charges | (418,704) | (246,987) |
| Present value of minimum lease payments | 3,895,670 | 2,509,067 |

(b) Operating Lease Commitments

The Group has entered into commercial leases on certain items of plant and equipment and property. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases. Future minimum rental expenses under non-cancellable operating leases are as follows:

| | | |
|--|-------------------|-------------------|
| Non-cancellable operating leases contracted for but not recognised in the financial statements | | |
| Payable – minimum lease payments | | |
| – not later than 12 months | 8,436,577 | 7,239,194 |
| – between 12 months and 5 years | 21,672,503 | 15,147,338 |
| – later than 5 years | 885,069 | 4,654,503 |
| | 30,994,149 | 27,041,035 |

(c) Capital Expenditure Commitments

Capital expenditure commitments contracted for:

| | | |
|------------------------------|---|---------|
| Capital expenditure projects | – | 229,075 |
| | – | 229,075 |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 26: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Estimates of the potential financial effect of contingent liabilities that may become payable:

Contingent consideration – business acquisitions

As part of the purchase agreements with the acquired companies of Stephen Browne Personal Injury Lawyers, Emanate Pty Ltd, Sciacca's Lawyers Pty Ltd, Sciacca's Family Lawyers Pty Ltd, Bradley Bayly Holdings Pty Ltd and Best Wilson Buckley, a portion of the consideration was determined to be contingent, based on the performance of the acquired entity. Performance may be determined by one or both of cash earnings and value of work in progress over an agreed period. At 30 June 2016 the Group expects remaining contingent consideration payments of \$6,134,692, generally calculated based on the maximum targets being met. This amount represents a net present value as at 30 June 2016 of \$5,752,810. The fair value of these liabilities are included within Other current financial liabilities and Other non-current financial liabilities in the Statement of Financial Position.

Bank guarantees

Bank guarantees are contracts that are measured in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets. The Company has disclosed the details of the guarantees in this note.

The bank guarantee facility limit as at 30 June 2016 was \$4,000,000 (2015: \$5,000,000) of which \$720,947 (2015: \$2,332,334) was unused at the end of the reporting period.

Contingent liabilities

The group has entered into an agreement with Wingate Asset Finance to provide loans directly to its clients to fund the disbursements on their case. In the event a client's case is not successful, the client is not required to repay the loan to Wingate. In line with Shine's no win, no fee business model, the group has provided an indemnity to Wingate Asset Finance for the value of any loan to an unsuccessful client, including any accrued interest and fees. The total value of all disbursement loans at 30 June 2016 is \$9,337,902 (2015: \$3,590,297) which represents the Group's maximum potential exposure. These loans are recorded within disbursement creditors in the Statement of Financial Position and an equal and offsetting amount is recorded in current assets within unbilled disbursements. A provision is recognised against unbilled disbursements to reflect the value of unrecoverable disbursements on cases that are expected to be unsuccessful. The provision is based on historical rates of unrecovered disbursements.

The Group has entered into an agreement with Essic Pty Ltd to sell \$1,084,220 of its deferred debtors within the Best Wilson Buckley subsidiary. The debtors were sold at an 8.0% discount to their book value and the buyer was provided with an indemnity against any future credit losses as a result of the failure of a client to pay their debt. The Group's maximum exposure under this indemnity is the discounted value of the debts of \$987,482.

NOTE 27: OPERATING SEGMENTS

General Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the managing director (chief operating decision maker) in assessing performance and in determining the allocation of resources.

The Group operates in two reporting segments being personal injury and emerging practice areas. The business undertaken by Risk Worldwide New Zealand Limited does not meet the specific criteria in AASB8 which means it is not considered as its own reporting segment. Therefore as Risk Worldwide New Zealand Limited currently accounts for significantly less than 10% of the group revenue, profit or assets, this business has been grouped together with emerging practice areas, as permitted under AASB8.13.

The Group does not have any customers which represent greater than 10% of total revenue.

Types of products and services by segment:

(I) PERSONAL INJURY

Personal injury remains our core business in damaged based plaintiff litigation and we are continuing to enjoy both organic and acquisitive growth in this area. Services offered include medical negligence, public liability, catastrophic injuries, workers' compensation, and motor vehicle accidents.

(II) EMERGING PRACTICE AREAS

The Group has diversified to include emerging practice areas such as disability insurance and superannuation claims, professional negligence, social justice, class actions, first party insurance recovery claims, landowners' rights, aviation, product liability, family law and asbestos compensation.

Basis of accounting for purposes of reporting by operating segments

(A) ACCOUNTING POLICIES ADOPTED

Unless stated otherwise, all amounts reported to the managing director, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

(B) UNALLOCATED ITEMS

Any revenues, costs, assets and liabilities that are managed on an overall group basis are not allocated to an individual segment.

(C) ADJUSTMENTS AND ELIMINATIONS

Finance income and costs are not allocated to individual segments as the underlying assets are managed on a group basis.

Current and deferred taxes are not allocated to individual segments as they are also managed on a group basis.

(D) GEOGRAPHIC INFORMATION

All operations are conducted within Australia with the exception of the interest in the associated company, Risk Worldwide New Zealand Limited and Shine NZ Services Pty Ltd, which are located in New Zealand. The groups operations in New Zealand currently account for significantly less than 10% of the group revenue, profit or assets and separate geographic information has not been presented.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | UNALLOCATED ITEMS \$ | PERSONAL INJURY \$ | EMERGING PRACTICE AREAS \$ | TOTAL \$ |
|---|----------------------------|-----------------------|-------------------------------------|--------------------|
| (I) SEGMENT PERFORMANCE | | | | |
| 30 JUNE 2016 | | | | |
| REVENUE | | | | |
| External sales | – | 109,946,356 | 40,563,910 | 150,510,266 |
| Other revenue | 991,134 | – | – | 991,134 |
| Total segment revenue | 991,134 | 109,946,356 | 40,563,910 | 151,501,400 |
| EXPENSES | | | | |
| Depreciation and amortisation | (1,299,843) | (1,835,764) | (281,017) | (3,416,624) |
| Interest expense | (2,792,348) | (317,813) | (265,757) | (3,375,918) |
| Share of loss of an associate | – | – | (710,453) | (710,453) |
| RESULTS | | | | |
| Segment profit before tax | (7,302,135) | 15,016,660 | 10,711,758 | 18,426,283 |
| 30 JUNE 2015 | | | | |
| REVENUE | | | | |
| External sales | – | 116,378,138 | 33,703,286 | 150,081,424 |
| Other revenue | 849,330 | – | – | 849,330 |
| Total segment revenue | 849,330 | 116,378,138 | 33,703,286 | 150,930,754 |
| EXPENSES | | | | |
| Depreciation and amortisation | (827,170) | (1,100,635) | (403,325) | (2,331,130) |
| Share of loss of an associate | – | – | (650,203) | (650,203) |
| RESULTS | | | | |
| Segment profit before tax | (913,088) | 30,363,895 | 10,677,040 | 40,127,847 |
| (II) SEGMENT ASSETS | | | | |
| 30 JUNE 2016 | | | | |
| Segment assets | 2,097,875 | 241,619,029 | 97,334,343 | 341,051,247 |
| 30 JUNE 2015 | | | | |
| Segment assets | 1,433,226 | 239,416,248 | 75,223,686 | 316,073,160 |
| (III) SEGMENT LIABILITIES | | | | |
| 30 JUNE 2016 | | | | |
| Segment liabilities | | | | |
| Reconciliation of segment liabilities to group liabilities: | 375,822 | 42,830,922 | 15,223,674 | 58,430,418 |
| Unallocated liabilities: | | | | |
| – Borrowings | 32,864,654 | – | – | 32,864,654 |
| – Deferred tax liabilities | 59,990,486 | – | – | 59,990,486 |
| Total group liabilities | | | | 151,285,558 |
| 30 JUNE 2015 | | | | |
| Segment liabilities | | | | |
| Reconciliation of segment liabilities to group liabilities: | – | 49,402,641 | 12,350,660 | 61,753,301 |
| Unallocated liabilities: | | | | |
| – Borrowings | 21,660,429 | – | – | 21,660,429 |
| – Deferred tax liabilities | 56,469,749 | – | – | 56,469,749 |
| Total group liabilities | | | | 139,883,479 |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | CONSOLIDATED GROUP | |
|---|--------------------|-------------------|
| | 2016 \$ | 2015 \$ |
| NOTE 28: CASH FLOW INFORMATION | | |
| (a) Reconciliation of Cash Flow from Operating Activities with Profit after Income Tax | | |
| Profit after income tax | 14,822,360 | 29,628,361 |
| Cash flows excluded from profit attributable to operating activities | | |
| Non-cash flows in profit: | | |
| Depreciation and amortisation | 3,416,624 | 2,331,130 |
| Share of loss from associate | 710,453 | 650,203 |
| Costs associated with acquisitions | 665,038 | 1,399,890 |
| Fair value adjustment to contingent consideration | (1,040,464) | – |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: | | |
| (Increase)/decrease in trade receivables | 398,770 | (5,183,100) |
| (Increase)/decrease in other assets | 658,596 | (182,180) |
| (Increase) in work in progress | (9,831,884) | (22,319,993) |
| (Increase)/decrease in disbursements | 19,272 | (8,025,380) |
| Increase/(decrease) in trade payables and accruals | 1,812,330 | 103,487 |
| Increase/(decrease) in income taxes payable | 516,066 | (1,715,465) |
| Increase in deferred taxes payable | 3,603,924 | 10,499,486 |
| Increase in provisions | 1,148,582 | 3,216,837 |
| Cash flow from operating activities | 16,899,666 | 10,403,276 |

The purchase of files from other law firms is reflected in cash flows from investing activities as it also has been in prior years.

NOTE 29: EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any significant events since the end of the reporting period.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

CONSOLIDATED GROUP

| | 2016 | 2015 |
|--|------|------|
| | \$ | \$ |

NOTE 30: RELATED PARTY TRANSACTIONS

Related Parties**(a) The Group's main related parties are as follows:**

I. KEY MANAGEMENT PERSONNEL:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel.

II. ENTITIES SUBJECT TO SIGNIFICANT INFLUENCE BY THE GROUP:

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control or joint control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

(b) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

I. OTHER RELATED PARTIES (ENTITIES CONTROLLED BY KMP'S MORRISON AND ROCHE)

| | | |
|--|----------------|---------|
| Purchase of goods, rents and services from related parties | 961,095 | 827,585 |
| Sales of goods, rents and services to related parties | 381,940 | 45,652 |
| Interest received from related parties | 56,312 | 4,784 |

II. LOANS TO ASSOCIATED COMPANIES – RISK WORLDWIDE NEW ZEALAND LIMITED

| | | |
|----------------------------|------------------|-----------|
| Beginning of the year | 4,215,752 | 3,629,274 |
| Loans advanced | 261,231 | 1,236,681 |
| Share of loss for the year | (710,453) | (650,203) |
| End of the year | 3,766,530 | 4,215,752 |

Pursuant to an agreement between all shareholders of Risk Worldwide New Zealand Limited, the Group agreed to provide a line of credit up to \$3m from 1 August 2012. Additional funds for working capital have also been provided. This loan is unsecured and bears interest at the same rate as the Group is charged by its own lender.

III. LOANS FROM OTHER RELATED PARTIES (ENTITIES CONTROLLED BY THE KMP'S MORRISON AND ROCHE)

| | | |
|-----------------------|---|-----------|
| Beginning of the year | – | 240,634 |
| Loans advanced | – | – |
| Loan repayment | – | (240,634) |
| End of the year | – | – |

This loan is unsecured and bears no interest.

IV. LOANS TO OTHER RELATED PARTIES (ENTITIES CONTROLLED BY THE KMP'S MORRISON AND ROCHE)

| | | |
|-----------------------|------------------|---------|
| Beginning of the year | 655,383 | – |
| Loans advanced | 627,068 | 655,383 |
| End of the year | 1,282,451 | 655,383 |

This loan provides funding to the Shine NZ affiliated entity. It is unsecured and bears interest at the rate equivalent to Shine Corporate Ltd's Australian working capital bank facility loan rate plus 2%.

V. CONSULTING FEES

During the year the group paid \$302,500 (inclusive of GST) (2015: \$282,893) in consultancy fees to former non-executive director Stephen Roche.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | NOTE | CONSOLIDATED GROUP | |
|--|------|--------------------|------------|
| | | 2016 \$ | 2015 \$ |

NOTE 31: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and bank borrowings.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets

| | | | |
|-------------------------------------|----|-------------------|-------------------|
| Cash and cash equivalents | 12 | 12,120,209 | 9,393,350 |
| Loans and receivables – current | 13 | 17,117,076 | 15,175,778 |
| Loans and receivables – non-current | 13 | 3,766,530 | 4,215,752 |
| Total Financial Assets | | 33,003,815 | 28,784,880 |

Financial Liabilities

| | | | |
|---|----|-------------------|-------------------|
| Trade, other payables and other financial liabilities – current | 20 | 44,930,608 | 41,843,387 |
| Trade, other payables and other financial liabilities – non current | 21 | 4,473,958 | 11,190,597 |
| Borrowings – current | 22 | 2,134,329 | 19,963,492 |
| Borrowings – non current | 21 | 30,730,325 | 1,696,937 |
| Total Financial Liabilities | | 82,269,220 | 74,694,413 |

Financial Risk Management Policies

The Directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for company operations. The Group does not have any derivative instruments at 30 June 2016 (2015: nil).

The Audit and Risk Management Committee, consisting of Non-executive Directors of the company, meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Audit and Risk Management Committee's overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The Audit and Risk Management Committee operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the balance sheet date, to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed at the end of the reporting period and in the notes to the financial statements.

CREDIT RISK EXPOSURES

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of Trade and Other Receivables is provided in Note 13.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 13.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- > preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities
- > maintaining a reputable credit profile

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

| CONSOLIDATED GROUP | WITHIN 1 YEAR 2016 \$ | 2015 \$ | 1 TO 5 YEARS 2016 \$ | 2015 \$ | OVER 5 YEARS 2016 \$ | 2015 \$ | TOTAL 2016 \$ | 2015 \$ |
|--|-----------------------|---------------------|----------------------|--------------------|----------------------|---------|---------------------|---------------------|
| Financial liabilities due for payment | | | | | | | | |
| Bank borrowings | 1,207,932 | 19,793,725 | 27,756,124 | 107,637 | – | – | 28,964,056 | 19,901,362 |
| Trade and other payables | 34,325,160 | 26,808,034 | – | – | – | – | 34,325,160 | 26,808,034 |
| Deferred consideration | 6,494,421 | 12,458,531 | 3,000,000 | 5,217,500 | – | – | 9,338,863 | 17,676,031 |
| Contingent consideration | 4,125,749 | 2,902,352 | 1,684,692 | 6,650,906 | – | – | 5,755,265 | 9,553,258 |
| Finance lease and hire purchase liabilities | 1,014,393 | 919,767 | 3,299,981 | 1,589,300 | – | – | 4,314,374 | 2,509,067 |
| Total contractual outflows | 47,167,655 | 62,882,409 | 35,740,797 | 13,565,343 | – | – | 82,697,718 | 76,447,752 |
| Less bank overdrafts | (4,928) | – | – | – | – | – | (4,928) | – |
| Total expected outflows | 47,162,727 | 62,882,409 | 35,740,797 | 13,565,343 | – | – | 82,692,790 | 76,447,752 |
| Financial assets – cash flows realisable | | | | | | | | |
| Cash and cash equivalents | 12,120,209 | 9,393,350 | – | – | – | – | 12,120,209 | 9,393,350 |
| Trade, term and loans receivables | 14,842,656 | 14,511,667 | 3,766,530 | 4,215,752 | – | – | 18,609,186 | 18,727,419 |
| Total anticipated inflows | 26,962,865 | 23,905,017 | 3,766,530 | 4,215,752 | – | – | 30,729,395 | 28,120,769 |
| Net (outflow)/inflow on financial instruments | (20,199,862) | (38,977,392) | (31,974,267) | (9,349,591) | – | – | (51,963,395) | (48,326,983) |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

c. Market Risk

I. INTEREST RATE RISK

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The financial instruments that primarily expose the Group to interest rate risk are borrowings and cash and cash equivalents.

The net effective variable interest rate borrowings (i.e. unhedged debt) expose the group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

| FLOATING RATE INSTRUMENTS | NOTE | CONSOLIDATED GROUP | |
|---------------------------|------|--------------------|------------|
| | | 2016 \$ | 2015 \$ |
| Bank borrowings | 21 | 28,968,984 | 19,901,362 |
| | | 28,968,984 | 19,901,362 |

II. FOREIGN EXCHANGE RISK

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The foreign currency risk in the group is currently considered immaterial and is therefore not shown.

The Group's loan to its associate, Risk Worldwide New Zealand Ltd is denominated in Australian Dollars.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| YEAR ENDED 30 JUNE 2016 | CONSOLIDATED GROUP | |
|--------------------------|--------------------|--------------|
| | PROFIT \$ | EQUITY \$ |
| +/- 1% in interest rates | 202,783 | 202,783 |
| YEAR ENDED 30 JUNE 2015 | | |
| +/- 1% in interest rates | 133,306 | 133,306 |

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Fair Values

Fair value estimation

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded.

Fair value approximates carrying amounts for the following financial assets and liabilities:

- > Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.
- > The carrying amount of the Group's lease liabilities and the hire purchase liabilities and bank debt approximate their fair values, as commercial rates of interest are paid and the impact of discounting is not significant.
- > The carrying amount of the Group's deferred consideration approximates its fair value due to the timing of the acquisition and settlement of deferred payments.

NOTE 32: FAIR VALUE MEASUREMENTS

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition of:

- > obligations for contingent consideration arising from business combinations.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

| LEVEL 1 | LEVEL 2 | LEVEL 3 |
|--|--|---|
| Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. | Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. | Measurements based on unobservable inputs for the asset or liability. |

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(b) Valuation techniques

The fair value of the contingent consideration in the business combinations is determined by performance forecasts which are used to estimate future cash flows. These cash flows are discounted back to a present fair value amount using the applicable discount rate.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy.

| RECURRING FAIR VALUE MEASUREMENTS | NOTE | LEVEL 1 \$ | LEVEL 2 \$ | LEVEL 3 \$ | TOTAL \$ |
|---|------|---------------|---------------|------------------|------------------|
| 30 JUNE 2016 | | | | | |
| LIABILITIES | | | | | |
| Contingent consideration | | – | – | 5,752,810 | 5,752,810 |
| Total liabilities recognised at fair value | | – | – | 5,752,810 | 5,752,810 |
| 30 JUNE 2015 | | | | | |
| LIABILITIES | | | | | |
| Contingent consideration | | – | – | 9,202,295 | 9,202,295 |
| Total liabilities recognised at fair value | | – | – | 9,202,295 | 9,202,295 |

(c) Reconciliation of recurring Level 3 fair value measurements

| | NOTE | 30 JUNE 2016 | 30 JUNE 2015 |
|---|------|------------------|------------------|
| Balance at the beginning of the year | | 9,202,295 | – |
| Additions during the year | | 371,040 | 8,477,862 |
| Interest – discount unwind | | 355,921 | 724,433 |
| Gains/(losses) recognised in profit or loss during the year | | (990,160) | – |
| Settlements during the year | | (3,186,285) | – |
| Balance at the end of the year | | 5,752,810 | 9,202,295 |

(d) Sensitivity Analysis for recurring level 3 fair value movements

The Group has conducted a sensitivity analysis of the unobservable inputs and determined that a reasonable movement in these inputs could materially impact the fair value of the contingent consideration as at the reporting date. The key unobservable input is the expected EBITDA for each subsidiary subject to a contingent consideration payment. The potential decrease in the fair value of the contingent consideration payable from a reasonable change in forecast EBITDA is \$1.5m whilst the potential increase in the fair value of contingent consideration payable from a reasonable change in forecast EBITDA is \$1.3m.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 33: BUSINESS COMBINATIONS

Acquisitions in 2016

Acquisition of Best Wilson Buckley Family Law Pty Ltd

Effective from 1 October 2015, the Group acquired 100% of the voting shares of the existing law practices of Best Wilson Buckley Family Law Pty Ltd ("BWB"). The results and balance sheet of the acquired entity have been included in full in these consolidated financial statements.

The Group has acquired BWB in line with its strategic objective to diversify earnings through the expansion of its work types. The acquisition has been accounted for using the acquisition method as described within *AASB3 Business Combinations*. The consolidated financial statements include the results of BWB for the period 1 October 2015 to 30 June 2016.

The consolidated fair values of the identifiable assets and liabilities of BWB as at the date of acquisition were:

| | FAIR VALUE RECOGNISED ON ACQUISITION \$ |
|--|---|
| ASSETS | |
| Work in progress (WIP) | 306,250 |
| Plant & equipment | 164,815 |
| Trade receivables | 1,821,360 |
| Provision for doubtful debts | (178,939) |
| Prepayments | 93,491 |
| Other receivables | 339,437 |
| Deferred tax asset | 83,187 |
| Total assets acquired | 2,629,601 |
| LIABILITIES | |
| Cash and cash equivalents | (315,737) |
| Borrowings | (27,314) |
| GST | (116,727) |
| Trade payables | (42,491) |
| Provision for income tax payable | (233,717) |
| Provision for annual leave | (211,444) |
| Provision for long service leave | (65,846) |
| Other creditors | (93,289) |
| Accrued expenses | (51,175) |
| Total liabilities acquired | (1,157,740) |
| Total identifiable net assets at fair value | 1,471,861 |
| Goodwill arising on acquisition | 5,129,503 |
| Purchase consideration | 6,601,364 |
| Analysis of cash flows on acquisition: | |
| Net cash acquired with the subsidiary | (315,737) |
| Cash paid | (3,387,813) |
| Net cash outflow | (3,703,550) |
| Total purchase consideration consists of: | |
| Cash paid | 3,387,813 |
| Ordinary shares in Shine Corporate Ltd issued on 21 October 2015 | 774,269 |
| Fair value of deferred consideration payments | 2,439,282 |
| | 6,601,364 |

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The goodwill recognised is primarily attributed to the knowledge and practises of the staff in continuing to run a very successful business. The goodwill is non deductible for income tax purposes.

The fair value of trade receivables is deemed to be their gross value less the provision for doubtful debts. The fair value of work in progress (WIP) was estimated based on a detailed review of open case files at the acquisition date.

Transaction costs of \$8,746 have been expensed and are included in the operating expenses in the statement of other comprehensive income, and form part of the operating cash flows in the statement of cash flows.

From the date of acquisition, BWB has contributed \$3.5m of revenue and \$0.7m to net profit before tax from continuing operations of the Group. If the acquisition had taken place from 1 July 2015, BWB's revenue would have been \$5.7m, with a consolidated Group revenue of \$152.5m and the profit from continuing operations before tax would have been \$1.2m, with the consolidated Group profit before tax \$18.9m.

Confirmation of provisional accounting for Bradley Bayly Holdings

There were no changes to the provisional accounting figures adopted by the Group at 30 June 2015 in respect of the acquisition of Bradley Bayly Holdings Pty Ltd.

NOTES

TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 34: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

| | 2016 \$ | 2015 \$ |
|---|--------------------|--------------------|
| STATEMENT OF FINANCIAL POSITION | | |
| ASSETS | | |
| Current Assets | 39,990,383 | 19,421,597 |
| Non-current Assets | 135,963,270 | 118,180,851 |
| TOTAL ASSETS | 175,953,653 | 137,602,448 |
| LIABILITIES | | |
| Current Liabilities | 6,396,362 | 2,728,102 |
| Non-current Liabilities | 31,116,546 | 3,876,171 |
| TOTAL LIABILITIES | 37,512,908 | 6,604,273 |
| EQUITY | | |
| Issued Capital | 132,553,549 | 130,788,708 |
| Retained earnings | 5,887,196 | 209,468 |
| TOTAL EQUITY | 138,440,745 | 130,998,176 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | |
| TOTAL PROFIT/(LOSS) | 8,480,797 | 6,632,670 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) | 8,480,797 | 6,632,670 |

Guarantees

The parent company is party to the overall financing arrangements and related security, as detailed in notes 16 and 21.

In addition, the parent is a party to the Group's cross guarantee arrangements, as detailed in note 16.

There are no other financial guarantees provided by the parent entity.

Contingent liabilities

The parent entity is a party to the contingent liabilities to the Group's external disbursement funding provider as disclosed in note 26.

Contractual commitments

The parent entity did not have any contractual commitments as at 30 June 2016.

Total liabilities

Total liabilities have increased significantly from 2015 to 2016 as a result of the refinancing of the Group's banking facilities that was previously entered into by a subsidiary entity.

NOTE 35: COMPANY DETAILS

The registered office of the Group is:

Shine Corporate Ltd
Level 13, 160 Ann Street
Brisbane
QLD 4000

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Shine Corporate Ltd, the Directors declare that:

- > in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- > in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;
- > in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- > the Directors have been given the declarations required by section 295A of the Corporations Act from the Managing Director, Chief Executive Officer and Chief Financial Officer.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee. In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 16 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act.

On behalf of the Directors



Simon Morrison
Managing Director



Tony Bellas
Chairman

BRISBANE, 24 AUGUST 2016

INDEPENDENT AUDITOR'S REPORT



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Independent auditor's report to the members of Shine Corporate Ltd

Report on the financial report

We have audited the accompanying financial report of Shine Corporate Ltd, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

INDEPENDENT AUDITOR'S OPINION



Opinion

In our opinion:

- a. the financial report of Shine Corporate Ltd is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Shine Corporate Ltd for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ric Roach
Partner
Brisbane
24 August 2016

SHAREHOLDER INFORMATION

The following information is current as at 1 August 2016.

HOLDING DISTRIBUTION

| CATEGORY (SIZE OF HOLDING) | TOTAL HOLDERS |
|----------------------------|---------------|
| 1 – 1,000 | 422 |
| 1,001 – 5,000 | 711 |
| 5,001 – 10,000 | 378 |
| 10,001 – 100,000 | 374 |
| 100,001 – and over | 58 |
| TOTAL | 1,943 |

UNMARKETABLE PARCELS

The number of shareholders holding less than a marketable parcel of shares is 200.

SUBSTANTIAL HOLDERS AS AT 1 AUGUST 2016

| SUBSTANTIAL HOLDER | SHARES IN WHICH THE SUBSTANTIAL HOLDER/ ASSOCIATES HAVE A RELEVANT INTEREST |
|----------------------------------|---|
| Stephen Roche | 84,679,804 |
| Simon Morrison | 84,884,634 |
| Perpetual Limited and associates | 23,097,035 |
| FIL Limited and associates | 17,179,661 |

* As disclosed in substantial shareholder notices received by Shine.

VOTING RIGHTS

Each Share entitles its holder to one vote on a poll. Each member present at a meeting in person or by proxy has one vote on a show of hands.

VOLUNTARY ESCROW

The following releases have taken place since the end of the 2016 Financial Year:

- > 1,400,000 Shares issued as consideration for the acquisition of Emanate Legal Services Pty Ltd were released from voluntary escrow on 1 July 2016;
- > 250,000 Shares issued as consideration for the acquisition of the business and assets of Stephen Browne Personal Injury Lawyers were released from voluntary escrow on 15 July 2016; and
- > 200,803 Shares issued as consideration for the acquisition of Bradley Bayly Holdings Pty Ltd were released from voluntary escrow on 14 August 2016.

The following Shares remain under voluntary escrow:

- > 180,062 Shares issued as consideration for the acquisition of Best Wilson Buckley Family Law Pty Ltd, which are to be released from voluntary escrow on 21 October 2016 and a further 180,063 Shares issued as consideration for the above acquisition which are to be released on 21 October 2017; and
- > 200,803 Shares issued as consideration for the acquisition of Bradley Bayly Holdings Pty Ltd are to be released from voluntary escrow on 14 August 2017.

TOP 20 HOLDERS OF SHARES AS AT 1 AUGUST 2016

| NAME | NUMBER OF ORDINARY FULLY PAID SHARES HELD | % OF ISSUED CAPITAL |
|--|---|---------------------|
| 1 Simon Morrison | 42,544,732 | 24.57 |
| 2 Stephen Roche | 42,339,902 | 24.45 |
| 3 JP Morgan Nominees Australia Limited | 12,118,801 | 7.00 |
| 4 National Nominees Limited | 10,577,799 | 6.11 |
| 5 RBC Investor Services Australia Nominees Pty Limited | 10,144,591 | 5.86 |
| 6 RBC Investor Services Australia Nominees Pty Limited | 8,843,572 | 5.11 |
| 7 Citicorp Nominees Pty Limited | 5,456,625 | 3.15 |
| 8 RBC Investor Services Australia Nominees Pty Limited | 3,609,210 | 2.08 |
| 9 BNP Paribas Noms Pty Ltd | 2,793,612 | 1.61 |
| 10 Torrito Pty Ltd | 2,148,000 | 1.24 |
| 11 Jodie Willey | 1,512,957 | 0.87 |
| 12 Grant Zeller | 1,050,000 | 0.61 |
| 13 Roger Singh | 766,807 | 0.44 |
| 14 Stuart Macleod | 734,391 | 0.42 |
| 15 Bigbul Pty Limited | 696,337 | 0.40 |
| 16 Lara Schliebs | 666,479 | 0.38 |
| 17 Citicorp Nominees Pty Limited | 608,622 | 0.35 |
| 18 Doctors Own Pty Ltd | 595,212 | 0.34 |
| 19 Paul Tedder | 593,109 | 0.34 |
| 20 Craig Thompson | 528,000 | 0.30 |
| TOTAL TOP 20 HOLDERS | 148,328,758 | 85.66 |

GLOSSARY

| | |
|---------------------------------------|--|
| ASIC | Australian Securities and Investments Commission. |
| ASX | ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires). |
| Board | The board of Directors of the Company. |
| Chair or Chairman | The chairman of the Company. |
| Company or Shine | Shine Corporate Ltd ACN 162 817 905. |
| Company website | Means www.shine.com.au on and until 26 August 2016 when it will become www.shinecorporate.com.au |
| Constitution | The constitution of Shine. |
| Corporations Act | Corporations Act 2001 (Cth). |
| CTP | Compulsory third party. |
| Directors | The directors of the Company. |
| EBIT | Earnings before interest and income tax. |
| EBITDA | Earnings before interest, income tax, depreciation and amortisation. |
| Emerging Practice Area or EPA | Includes all practice areas other than Personal Injuries. |
| EPS | Earnings per share. |
| EY | Ernst & Young. |
| FY16, FY2016 or Financial Year | The financial year ended 30 June 2016. |
| Group | Shine and its Subsidiaries (each a Group Member). |
| KMP | Key Management Personnel, being those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group. |
| KPI | Key performance indicator. |
| Listing Rules | The listing rules of ASX. |
| LTI | Long Term Incentive. |
| MD | The Managing Director of Shine. |
| NPAT | Net profit after tax. |
| Report | This annual report. |
| Share | A fully paid ordinary share in Shine. |
| STI | Short Term Incentive. |
| Subsidiaries | The wholly owned subsidiaries of the Company as set out in Note 16 to the Financial Statements. |
| TFR | Total fixed remuneration. |
| The Engine Room Project | The project for the redevelopment of Shine's enterprise legal management systems. |
| WIP | Work-in-progress, being the amount of time recorded and not yet invoiced and recovered in relation to a matter. |

CORPORATE DIRECTORY

DIRECTORS

Tony Bellas,
Independent Non-executive Chairman
Carolyn Barker AM,
Independent Non-executive Director
Greg Moynihan,
Independent Non-executive Director
Courtney Petersen, Managing Director
Simon Morrison, Executive Director

COMPANY SECRETARIES

Vicki Clarkson
Daniel Wilkie

REGISTERED OFFICE

Level 13
160 Ann Street
Brisbane QLD 4000

Phone: +61 7 3006 6000
Fax: +61 7 3229 1999

ASX LISTING

ASX Code – SHJ

COMPANY NUMBERS

ABN: 93 162 817 905
ACN: 162 817 905

AUDITORS

Ernst & Young
111 Eagle Street
Brisbane QLD 4000

Phone: +61 7 3011 3333
Fax: +61 7 3011 3100

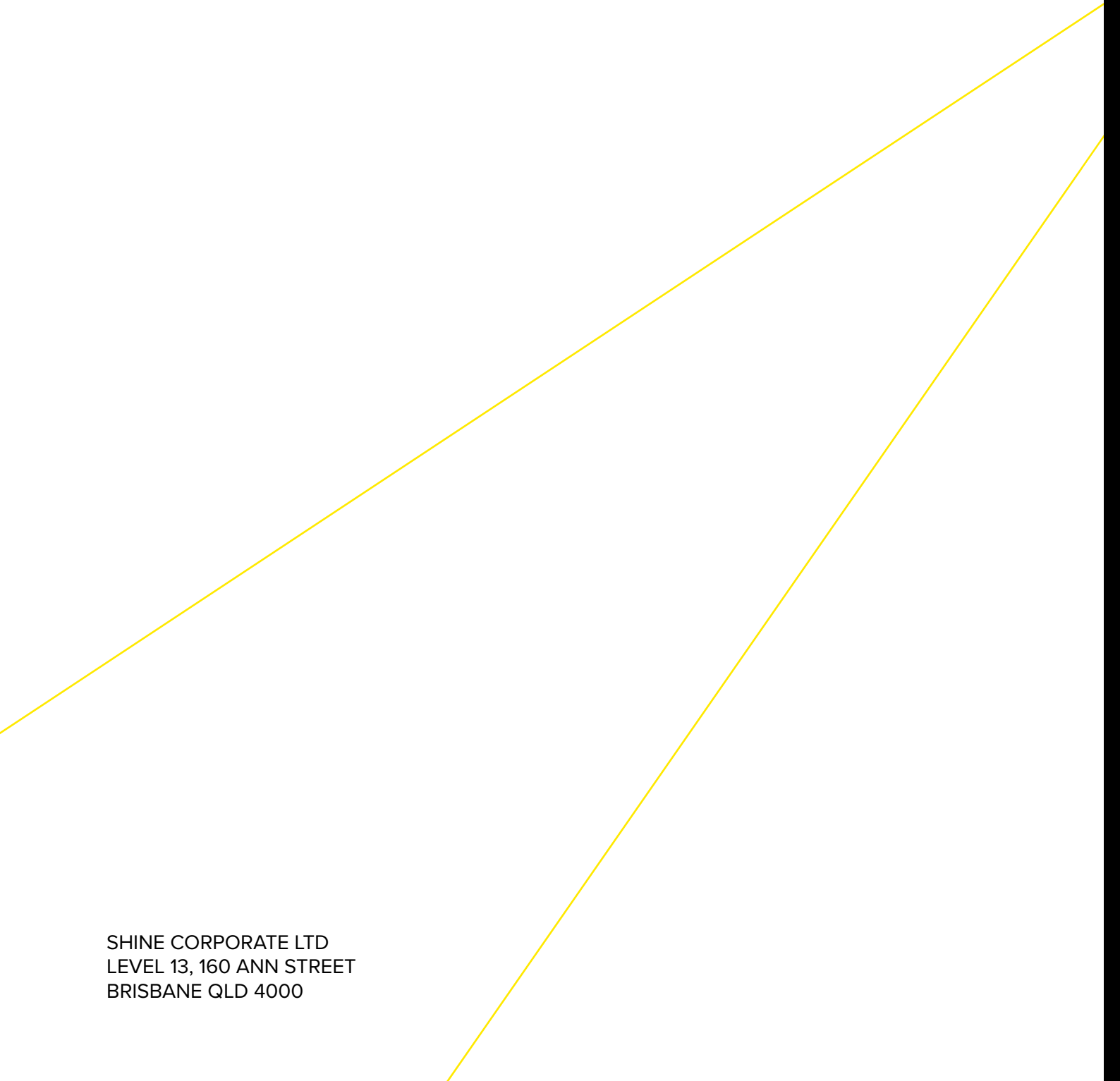
BANKERS

Commonwealth Bank of Australia
Ground Floor
143-145 Margaret Street
Toowoomba QLD 4350

SHARE REGISTRY

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane QLD 4000
registrars@linkmarketservices.com.au

Phone: 1300 554 474 (toll free)
+ 61 7 3320 2200



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