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LITIGATION CAPITAL MANAGEMENT LIMITED

(ABN: 13 608 667 509)

FULL YEAR FINANCIAL REPORT

30 JUNE 2019

The Directors of Litigation Capital Management Limited (**LCM**) present their report together with the annual financial report of the consolidated entity consisting of LCM and its subsidiaries (collectively **LCM Group** or the **Group**) for the period ended 30 June 2019 and the auditors' report thereon.

1. Directors

The Directors of LCM at any time during or since the end of the financial period are set out below:

Name, qualifications and independence status	Experience and special responsibilities
Jonathan Moulds CBE, Mathematics (First Class) *Chairperson* *Independent Non-executive Director*	Extensive experience in the financial services industry. Chairperson of LCM since March 2019 and Non-executive Director of LCM since December 2018. Chair of the Audit and Risk Committee and member of each of the Nomination and Remuneration Committees.
Patrick Moloney Dip Law *Chief Executive Officer* *Executive Director*	Extensive experience in the litigation finance industry. Appointed Non-executive Director in 2003 and Executive Director in December 2013.
Stephen Conrad BEc, GDipAppFin (Sec Inst), MAppFin, GAICD *Chief Financial Officer* *Executive Director*	Extensive experience in financial markets. Elected to the Board November 2018 and Executive Director since December 2018.
Dr David King PhD, MSc, FAusIMM, FAICD *Independent Non-executive Director*	Extensive experience in the natural resource industry. Non-executive Director since February 2014 Chair of the Nomination Committee and a member of each of the Audit and Risk Committee and Remuneration Committee.
Steve McLean BEc *Independent Non-executive Director*	Extensive experience in investment banking. Non-executive Director since November 2015. Chair of the Remuneration Committee and a member of each of the Audit and Risk Committee and Nomination Committee.
Nick Rowles-Davies, BA (Hons) Law & Politics *Executive Vice-Chairman* *Executive Director*	Extensive experience in the litigation finance and legal expenses insurance industries. Solicitor of the Senior Courts of England and Wales, Solicitor of the British Virgin Islands Executive Director since December 2018.

2. Company Secretary

Anna Sandham was appointed Company Secretary of LCM in September 2016. Anna is an experienced company secretary and governance professional with over 20 years' experience in various large and small, public and private, listed and unlisted companies. Anna has previously worked for companies including AMP Financial Services, Westpac Banking Corporation, BT Financial Group and NRMA Limited. Anna holds a Bachelor of Economics (University of Sydney), Graduate Diploma of Applied Corporate Governance (Governance Institute of Australia) and is a Chartered Secretary.

3. Officers who were previously partners of the audit firm

There were no officers of the Group during the financial year which were previously partners of the current audit firm, BDO (SA) Pty Ltd.

4. Meetings of Directors

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of LCM during the financial period are:

	DIRECTORS' MEETINGS		AUDIT AND RISK COMMITTEE MEETINGS		REMUNERATION	
	A	B	A	B	A	B
Directors						
David King	8	8	2	2	1	1
Steven McLean	8	8	2	2	1	1
Patrick Moloney	8	8	-	-	-	-
Steve Conrad	5	5	-	-	-	-
Jonathan Moulds	3	3	2	2	-	-
Nick Rowles-Davies	3	3	-	-	-	-

A: represents the number of meetings held during the time the Director held office;
B: represents the number of meetings attended.

No meetings of the Nomination Committee have been held this financial year. The Directors note that all nomination matters have been considered by the Board as a whole and that therefore convening a separate meeting of the Nomination Committee was not necessary.

5. Principal Activities

The LCM Group provides financial and risk management services associated with the legal industry and most particularly, disputes including litigation and arbitration. This includes single-case and portfolios; across class actions, commercial claims, claims arising out of insolvency and international arbitration.

From the close of trading on Friday, 21 December 2018 LCM was removed from the Official List of the Australian Securities Exchange (**ASX**) after being admitted to trading on AIM, a market operated by London Stock Exchange plc on 19 December 2018. This was approved by shareholders at the 2018 Annual General Meeting. The decision to de-list from ASX and list on the AIM was made to give the Group the best opportunity to:

(i) raise new capital through accessing new equity capital markets and broadening its shareholder base;
(ii) position the Group as a growth company on a growth platform;
(iii) locate the Group in proximity to other listed litigation finance companies; and
(iv) provide access to a much larger market for financing legal claims.

6. Operating and financial review

Overview of the LCM Group

LCM is a company limited by shares and was incorporated on 9 October 2015. Until 13 December 2016 the Group was listed on the ASX under the code LCA and delisted from the ASX in December 2018. LCM listed on AIM in December 2018 under the code LIT.

Its registered office and principal place of business is Level 12, The Chifley Tower, 2 Chifley Square, Sydney NSW 2000, Australia.

Operations

LCM operates its business through a series of wholly owned subsidiaries. The principal activity of those subsidiaries is the provision of litigation finance and risk management associated with individual and portfolios of litigation projects.

Review of financial performance

We are pleased with the overall financial performance of the LCM Group for the financial period ending 30 June 2019 (**FY19**). Despite a period of unprecedented growth and expansion across all areas of the business – as well as the one-off event of transitioning its listing to AIM – the LCM Group's financial performance was commensurate with the prior period with a statutory profit before tax of A$10.15 million. The net statutory profit represents an outstanding result given the level of growth achieved in the same period, although is marginally down on the prior financial year. Adjusted profit before tax is A$12.28 million. The LCM Group's overall gross revenue of A$34.71 million represents an increase on the prior financial period of 17%. The LCM Group generated a gross profit of A$20.34 million representing an increase on the prior period of 23%.

The underlying financial metrics for investments realised during the financial period show that LCM's performance improved. The cumulative return on invested capital (**ROIC**) over the past eight years (inclusive of losses) increased to 135%. The portfolio internal rate of return (**IRR**) (also inclusive of losses) has increased to 80%. We are very pleased with the LCM Group's overall maintenance of its high standard of performance notwithstanding a period of unprecedented expansion and growth. Our average time to resolve or complete a litigation project is currently 25 months.

Prior to FY19, LCM measured its portfolio using an estimated aggregate gross claim size. In recognition of LCM's business being a corporate finance product, we took the deliberate decision in FY19 to shift our focus towards aggregated investments as opposed to aggregated gross claim size. Given LCM's past performance and its ability to generate returns on invested capital the Board believes that this is a far more useful metric for investors to consider LCM's growth. Total invested capital during FY18 was A$14.62 million. During FY19, LCM's investments increased substantially to A$27.84 million. The increase in capital investment is a direct result of two significant developments during the financial year. The first is a greater access to capital through its equity raise on AIM in December 2018. The second is LCM's expansion into new geographies including opening a permanent office in Singapore, for the Asia Pacific region, and the establishment of an office in London, for the EMEA region. Both of those offices have already generated high quality investment opportunities for the LCM Group.

When assessing our actual financial results and performance for LCM's investments realised during the period it is important to note that such performance is unaffected by fair value accounting (**FVA**). Our financial results and performance metrics represent how the business has actually performed on its concluded investments, as revenue is on a realised basis as opposed to unrealised. Accounting in such a conservative and tangible fashion may result in increased volatility of both earnings and performance but provides investors with the comfort that all revenue and profits have been earned and realised and that LCM's performance metrics are actual as opposed to notional.

Review of LCM's portfolio of Litigation Projects

As at 30 June 2019, LCM has a portfolio of 29 current projects under management. 23 projects are unconditionally funded and six projects conditionally funded. The portfolio shows significant growth of 45% in the number of projects under management, given LCM was managing 20 projects as at 30 June 2018. In line with LCM's investment philosophy, the portfolio maintained diversity across industry sector, jurisdiction and capital commitment.

Both project and pipeline opportunities are well diversified by litigation type and geography, while maintaining a disciplined process of project selection. LCM has pre-qualified 64 pipeline projects with estimated investment of A$394 million.

During FY19 both the number and quality of applications received by LCM increased significantly. A total of 419 applications were received representing an increase of 235%, compared with 125 applications received in FY18. This application increase was largely due to our expansion into new jurisdictions, but also from LCM realising a higher profile consequent upon its listing on AIM. Notwithstanding that LCM received a significantly larger number of applications, we have not altered or relaxed our due diligence processes or underwriting techniques with respect to investments made. Statistically, LCM has operated, largely in line with industry peers at approximately 4% of applications converting into an investment. During FY19, our disciplined focus and considered approach saw 3% of applications being converted into investments that became additions to LCM's current portfolio. It is worth noting that LCM is observing an increase in both the quality and size of its investment opportunities into the disputes space.

A significant portfolio development in FY19 is the entry of LCM into the corporate portfolio market. One of LCM's strategies through recruiting Nick Rowles-Davies, as Executive Vice Chairman, and our London team was to address the corporate market, which is a key growth area and is presently largely underserviced. LCM has managed to originate in excess of 15 applications for corporate portfolio funding during FY19 of which two corporate portfolios have been funded during the year. While two might seem a small number, it is a figure that represents more than any other funder globally and also represents a large number of underlying claims. The Board is encouraged by our achievements in the early stages of what we recognise is an emerging market sector.

A strategic review was undertaken during FY19 to identify opportunities and skillsets presently being underutilised within the LCM Group. This review resulted in the Group recognising an opportunity to leverage LCM's existing skillset in insolvency. The management saw an opportunity to take advantage of changes to the relevant insolvency laws in both the jurisdictions of Australia and the United Kingdom, which allow insolvency practitioners to assign statutory causes of action. Prior to the insolvency law changes, an insolvency practitioner could not assign statutory rights and was restricted to traditional funding techniques.

LCM initiated a pilot program during H2 FY19 to provide a funding solution for the insolvency market in Australia and the United Kingdom. Although still at an initial stage, the insolvency funding model is proving to be entirely complementary to LCM's existing business and has realised new opportunities for referral relationships that previously did not exist. In Australia, LCM has considered 30 applications and has entered into three agreements for the funding and/or assignment of smaller insolvency-based claims. In the UK a total of 56 applications have been received and are currently subject to due diligence.

Smaller claims arising out of insolvency typically require a less significant funding commitment and have a shorter duration period, which in turn will see potential returns being realised at a faster and more consistent rate. All investments made as part of the pilot program will be subject to LCM's existing rigorous selection criteria and due diligence process. The return metrics for small insolvency matters will be reported separately for transparency. It is expected that the revenue generated from providing a funding solution for smaller insolvency claims, once properly developed, will positively supplement the revenue LCM generates from funding projects, that typically have a larger funding size and a longer duration.

The growth in LCM's portfolio of litigation projects during FY19 is a direct result of the Group expanding its geographical footprint into new jurisdictions. It is worth noting that while we refer to our investment projects as litigation based, this is a term that encompasses arbitration as well as litigation. Future expansion of the portfolio, particularly in the key growth markets for Asia of Singapore and Hong Kong, is expected to include arbitral disputes following the passing of legislation during the 2017 calendar year to permit litigation funding and finance products to be utilised in association with international arbitration projects. Ahead of the legislation being passed, LCM anticipated these changes and began its search for the appropriate team to represent LCM's interest in those jurisdictions.

The current pipeline demonstrates the very large and diverse pre-qualified investment opportunities within the Group. In addition to seven corporate portfolio transactions, the current pipeline includes projects across the mix of litigation financing: commercial (28), international arbitration (eight), insolvency (nine), class actions (10), enforcement (one) and law firm funding (one).

Significant Changes in the State of Affairs

As previously noted, FY19 was a period of very significant growth and change for LCM. The most significant change involved LCM's expansion into new jurisdictions through the opening of offices in Singapore and London which resulted in significant experience being placed on the ground in those territories. Both the teams in Singapore and London have integrated comfortably into the LCM Group and LCM operates as a global team albeit with separate investment committee members for the northern and southern hemispheres. All risk however remains centred in LCM's head office in Sydney. LCM's expansion also saw it delist from the ASX and list on AIM, both of these events were accompanied by separate capital raises which supplemented LCM's permanent source of operating capital. The introduction of new capital allowed LCM to significantly increase its portfolio of litigation investments.

In addition, LCM has refreshed its board of directors with the appointment of two new executive board members, Nick Rowles-Davies and Stephen Conrad. LCM was also fortunate to attract the very significant experience and talent of Jonathan Moulds who took up the position of Chairman. Those appointments strengthen LCM's executive management team and gives the Group unparalleled leadership under the chairmanship of Jonathan Moulds.

Future Developments, Prospects and Business Strategies

The Board continues to see significant growth in the litigation finance sector. That growth is a direct reflection of a greater acceptance and knowledge of the services provided by the industry to the legal profession and insolvency practitioners.

The use of litigation finance through choice rather than necessity is a far greater addressable market for the industry and is one that remains almost entirely undeveloped. The significant growth opportunity here are well capitalised corporate entities who currently fund their own disputes on balance sheet using their cash resources. LCM is observing an early, but encouraging, change in attitude from corporates globally as they recognise the value of using an external source of capital, rather than shareholders' funds. The corporate area of the market represents a considerable opportunity for LCM who currently leads the world in this disputes funding product and in Nick Rowles-Davies we arguably have the pioneer for this corporate finance product.

The Board is also pleased with the measured approach to expansion into new jurisdictions. LCM has been deliberately very disciplined in its expansion to date which has resulted in a seamless integration of a fully functioning team in London and the establishment of our first office in Singapore. Both LCM's London and Singapore offices have generated a significant number of quality investment opportunities which has already exceeded the Board's expectations. LCM expects that growth to continue, particularly in the Asian markets, as well as the UK and Europe. As with LCM's expansion into the northern hemisphere, senior executives continue to monitor opportunities in alternative jurisdictions closely, including North America. Statistically North America is the largest litigation market globally and the least penetrated by the litigation finance industry. LCM would apply the same disciplined and measured approach to expansion into any new jurisdiction or territories; this includes identifying the right senior hires to support our future growth as experience and cultural fit is critical.

As previously referenced, LCM has launched a pilot program with respect to a new business line of acquiring via assignment, statutory causes of action from insolvency practitioners in both Australia and the United Kingdom. Although this strategy is at an initial stage it is showing very significant promise. The strategy seeks to leverage LCM's existing skillset and experience as well as its existing referral base. The introduction of that business model has already generated significant opportunity for investment and has also given LCM access to larger opportunities, which would not have been identified prior to this strategy being adopted.

Investment decisions and risk management remains centralised in the Sydney office.

7. Dividends

Dividends paid or declared by the Group to members since the end of the previous financial year were:

Declared and paid during FY19	**AUD cents per share**	**Equivalent GBP amount per share (using exchange rate of 0.54934)**	**Total amount $**	**Date of payment**
Interim 2019 dividend	0.506	0.277966	$550,000	21 June 2019
Total amount			$550,000	

Declared after end of year

After the balance sheet the following fully franked dividends were proposed by the Directors. The dividends have not been provided and there are no income tax consequences.

Declared after end of year	**AUD cents per share**	**Total amount $**	**Date of payment**
Final 2019 dividend	0.828	$900,000	11 December 2019
Total amount		$900,000	

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2019 and will be recognised in subsequent financial reports.

8. Matters subsequent to the end of the financial period

In the Directors' opinion, no matter or circumstance has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the LCM Group, the results of those operations, or the state of affairs of the LCM Group in future years.

9. Likely developments

The growth and maturation of LCM's current portfolio of litigation projects is progressing very well and, in respect of some litigation projects, better than anticipated. The individual litigation projects which together comprise the portfolio presently being managed are generally tracking as, or better than, expected.

After successfully expanding into new markets during FY19, LCM continues to look for new opportunities in the same measured and disciplined fashion. A successful litigation financing business broadly requires three essential elements: experience in the field, access to capital and an ability to originate quality investment opportunities.

LCM has extensive experience in the disputes sector, having spent the last 21 years refining and creating the systems and methodologies which allow it to skilfully undertake due diligence and underwriting processes such as to determine what investments should be made in the area of disputes. LCM possesses more experience in the field than almost any other operator globally.

The operation of a disputes funding business is a capital-intensive enterprise that requires access to significant pools of capital. LCM has the benefit of its public listing on AIM and access to other capital markets in order to raise this capital. We have the flexibility to approach investors to raise equity, if deemed appropriate. LCM continues to monitor the sources of capital for its business, including a third-party fund where we are in advanced discussion and will provide an update later this calendar year.

A number of funders have access to sufficient capital, a smaller number have the experience and expertise of LCM and fewer still have approached origination in the same innovative manner as LCM. We have an ability to originate quality investment opportunities. This is demonstrated most effectively by the move into corporate portfolio funding, where LCM is a global leader.

LCM has recently gone through a significant period of growth. LCM can point to growth in almost all areas of its business over the past 12 months. We have increased our capital base, our investments into litigation projects, the geographies in which we operate and our human capital. LCM continues to monitor the funding industry globally and those geographies and jurisdictions where opportunities exist. In addition, LCM looks at its personnel and opportunistically hires skilled and/or experienced practitioners as and when they become available. LCM undertakes those activities in the same disciplined and measured manner as it has done historically.

10. Regulation

The operations of LCM are not currently subject to significant regulation under any laws in jurisdictions in which operate. LCM is supportive of greater regulation as are the larger litigation financiers. In many ways, as a listed company, we are already making a statement about our commitment to transparency and disclosure.

There is a relatively light touch of regulation in the jurisdictions of both Hong Kong and Singapore, but this is restricted in nature to capital adequacy and the need for litigation financiers to be operate a finance business, rather than one off investments. We comply comfortably with all regulation that exists in those jurisdictions and also comply with all litigation-related regulation in London.

During the financial period two government inquiries were undertaken in the jurisdiction of Australia that touched upon the regulatory environment. The first of those inquiries was in the state of Victoria and that enquiry focussed upon whether the litigation finance industry should be regulated. The second was a federal inquiry which focussed upon the class action industry and how litigation finance interacted with class actions. Neither of those inquiries made recommendations which were adverse or potentially adverse to the business.

The LCM Group is not aware of any other inquiries or considered legislations which impact adversely on its business.

11. Directors' interests in shares and options

The relevant interests of each director in the shares and rights or options over shares issued by LCM, as notified by ASX in accordance with s205G(1) of the Corporations Act 2001 (Cth) (**Act**), at the date of this report is as follows:

Director[1]	Ordinary shares[1]	Loan Plan Shares[2] & Loans	Joint Share Ownership Plan[3]	Unlisted options[4]	Unlisted partly paid shares[5]
Dr. David King	1,601,484	-	-	600,000	-
Steven McLean	577,499	-	-	-	-
Patrick Moloney	3,768,113	3,595,058	-	900,000	1,433,022
Stephen Conrad	277,778	100,000	-	-	-
Jonathan Moulds	-	-	-	-	-
John (Nick) Rowles-Davies	-	-	4,347,517	-	-

[1]Directors, including associated parties, interests held directly and indirectly
[2]Loan Plan Shares exercisable at various prices and subject to vesting conditions
[3]Joint Share Ownership Plan exercisable at £0.52, and subject to vesting conditions, to acquire fully paid ordinary shares, exercisable between 1 November 2018 and 1 November 2021 at an exercise price of $1.00 per option
[4]Unlisted options over ordinary shares exercisable at $1.00
[5]Unlisted partly paid shares in the Group were issued at a price of $0.17 per share, wholly unpaid and will convert to a share upon payment to the Group of $0.17 per share. Further details provided in note 15 to the financial statements.

12. Share Options and Rights outstanding

As at the date of this report there are 1,500,000 options outstanding at an exercise price of $1.00 exercisable between 1 November 2018 and 1 November 2021 and 4,107,030 Loan Shares outstanding with various vesting dates and issue prices and 4,347,517 Joint Share Ownership Plan shares outstanding subject to vesting and performance conditions (see further detail below).

Option holders do not have the right to participate in any share issue or interest issue of the Group.

The terms and conditions of each grant of options exercisable at the end of the financial year are summarised below:

Grant date	Vesting date	Expiry date	Exercise price	Number of Options
20 September 2016	1 November 2018	1 November 2021	$1.00 per share	600,000
20 September 2016	1 November 2018	1 November 2021	$1.00 per share	900,000

Loan Shares approved and issued since the inception of the plans are as follows:

- 2,000,000 Loan Shares to Patrick Moloney approved at the 2017 AGM and issued in two tranches of 1,000,000 Loan Shares;
- 100,000 Loan Shares to Steve Conrad approved at the 2018 AGM and issued in two tranches of 50,000 Loan Shares;
- 411,972 Loan Shares to senior LCM staff during 2019; and
- 4,347,517 JSOP interests issued to Nick Rowles-Davies.

The terms and conditions of each grant of Loan Shares outstanding at the end of the financial year are summarised below:

Grant Date	Expiry Date[1]	Number of Plan Shares[1]	Exercise price
4 December 2017	4 December 2027	2,000,000	$0.597
31 August 2018	31 August 2028	411,972	$0.770
19 November 2018	25 November 2028	1,595,058[2]	$0.470
3 December 2018	3 December 2028	100,000	$0.890
6 March 2019	6 March 2029	4,347,517	GBP 0.52

[1]Various tranches and vesting dates 1-3 years from grant date
[2]Following the end of the financial year ended 30 June 2018, Patrick Moloney was granted a limited recourse interest free loan of A$749,677.26 for the exercise of 1,595,058 options, which then took place on 19 November 2018.

There were 102,993 options vested and exercisable as at 30 June 2019. These exercisable options relate to those granted on 31 August 2018.

Each tranche of Loan Shares granted to Directors' will vest if the relevant Vesting Conditions set out below are met:

Director[1]	Tranche	Vesting conditions
Patrick Moloney	Tranche 1	a) Mr Moloney has been continuously employed by the Company from the Grant Date to the date that is 24 months after the Grant Date and has been continuously been employed by the LCM Group over that period; and b) The VWAP of the Company's shares over any 5 trading day period is at least \$1.00 per share (or such equivalent price if a capital reconstruction occurs in relation to the Company) (**Target Price Condition**).
Patrick Moloney	Tranche 2	a) Mr Moloney has been continuously employed by the Company from the Grant Date to the date that is 36 months after the Grant Date and has been continuously been employed by the LCM Group over that period; and b) The Target Price Condition has been met.
Stephen Conrad	Tranche 1	a) Mr Conrad has been continuously employed by the Company from the Grant Date to the date that is 24 months after the Grant Date and has been continuously been employed by the LCM Group over that period; and b) The VWAP of the Company's shares over any 5 trading day period is at least \$1.50 per share (or such equivalent price if a capital reconstruction occurs in relation to the Company) (**Target Price Condition**).
Stephen Conrad	Tranche 2	a) Mr Conrad has been continuously employed by the Company from the Grant Date to the date that is 36 months after the Grant Date and has been continuously been employed by the LCM Group over that period; and b) The Target Price Condition has been met.
John (Nick) Rowles-Davies	Tranche 1	a) Mr Rowles-Davies has been continuously employed by the Company from the Grant Date to the date that is 36 months after 19 December 2018 and has been continuously been employed by the LCM Group over that period; and b) The Company's shares is at least £1.75 per share at any time during the vesting period (**Share Price Target**).

[1]Directors, including associated parties, interests held directly and indirectly

13. Indemnity and insurance of officers and auditors

Indemnification

Under the LCM Constitution, to the maximum extent permitted by the Act, LCM must indemnify each person who is or has been an Officer against any liability incurred as an Officer and may pay a premium for a contract insuring an Officer against that liability. During the financial period, LCM has paid premiums in respect of contracts insuring the directors and officers of LCM against any liability of this nature.

LCM has not, during or since the end of the financial period, indemnified or agreed to indemnify an officer or auditor of LCM or any related entity against a liability as such by an officer or auditor except to the extent permitted by law.

Insurance premiums

In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of liabilities insured against and the amount of the premiums paid are confidential.

14. Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial period, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Act.

The Directors are of the opinion that the services disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Act for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in the APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the company or jointly sharing economic risks and rewards.

15. Proceedings on behalf of LCM Group

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

16. Lead Auditor's independence declaration

The Auditor's independence declaration as required under section 307C of the Act is included in LCM's financial statements.

17. Auditor

BDO (SA) Pty Ltd continues in office in accordance with section 327 of the Act.

18. Rounding of amounts

LCM is of a kind referred to the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

19. Corporate Governance

The corporate governance statement can be found here: https://www.lcmfinance.com/shareholders/corporate-governance/

20. Remuneration report

Please see attached Annexure A.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Act.

On behalf of the Directors

Mr Jonathan Moulds
Chairman
10 September 2019

ANNEXURE "A"

Remuneration report

The Directors present this Remuneration Report (**Report**) for Litigation Capital Management Limited ("**LCM**" and together with its controlled entities, the "**LCM Group**") for the 12 months ended 30 June 2019, of which certain tables have been audited[1] (as noted below), and outlines key aspects of our remuneration framework. It contains the following sections:

1. Remuneration Framework
2. Remuneration details
3. Service Agreement
4. Remuneration table (audited)
5. Directors' interests (audited)
6. Other disclosures

[1]Audited where referenced in this report means that the relevant tables have been extracted directly from the audited 2019 financial statements and notes

REMUNERATION FRAMEWORK

Overview of remuneration framework

The Board recognises that the performance of LCM depends on the quality and motivation of its people. The objective of LCM's remuneration policy is to attract, motivate and retain the best available management and employees to operate and manage LCM.

Non-executive Director remuneration is designed in a way that supports the retention of their independence.

Employee remuneration and incentive policies and practice are performance-based and aligned with LCM Group's vision, values and overall business objectives, with five guiding principles in mind:

- Alignment of employee pay with shareholder interests and wealth outcomes;
- Alignment of employee pay with fund interests and wealth outcomes;
- Motivation of employee behaviour to execute LCM's strategy through an appropriate mix of fixed and variable pay elements;
- Delivery of a competitive remuneration framework that assists with attracting and retaining high calibre non-executive and employee talent to ensure business success; and
- Provision of a simple and transparent framework that is clear to participants and external stakeholders.

Role of the Remuneration Committee

The Remuneration Committee ensures that the remuneration of Directors and senior employees is consistent with market practice and sufficient to ensure that the LCM Group can attract, develop and retain the best individuals and is designed to:

- Attract, develop and retain Board and executive talent;
- Create a high-performance culture by driving and rewarding employees for achieving the Group's strategy and business objectives; and
- Link incentives to the creation of shareholder and fund value.

The Remuneration Committee shall meet formally at such frequency as circumstances demands for the purposes referred to above.

Principal Terms of the Share Plans
The principal terms of the Share Plans, where so determined by the Remuneration Committee, are set out below.

Eligibility
Awards may be made to Directors and employees of the Group and its subsidiaries, at the discretion of the Remuneration Committee.

Timing
Awards will normally only be granted within 42 days of the end of a closed period (typically following the announcement of the Group's results for any period). In exceptional circumstances, awards may be granted at other times provided that no awards may be granted during a closed period.

Performance conditions
The Group attaches considerable importance to the role of appropriate performance-based incentives to drive sustainable long-term growth and align directors' and employees' interests with the interests of shareholders and fund investors. Accordingly, awards to directors and senior management will ordinarily be subject to the achievement of performance conditions set by the Remuneration Committee at the date of grant.

Plan limits
In any 10 year period, not more than 10 per cent of the issued ordinary share capital of the Group may be issued or be issuable under the Share Plans.

These limits do not include awards which have lapsed, which are satisfied by shares purchased in the market, or include shares which are used to pay dividend equivalents. Shares granted under the Loan Share Plan will not form part of the limits for the Share Plans nor do the shares granted to Nick Rowles-Davies under the Joint Share Ownership Plan.

Satisfaction of awards
Instead of issuing or transferring shares upon the vesting of awards, the Remuneration Committee may decide to pay a cash amount equal to the value of those shares. However, it is envisaged that this would only be done where local tax, legal or regulatory rules make share settlement difficult.

Holding period
Awards may be granted on the basis that some or all of the shares in respect of which the award vests will be held for a further period post-vesting.

Malus and clawback
The Remuneration Committee will have the ability to reduce the number of shares subject to an unvested award (including to zero) in certain circumstances.

The circumstances which may lead to a clawback are where the award is determined to have been granted or vested on the basis of materially inaccurate information or where the Remuneration Committee determines that the participant has committed a material breach of their contract of employment which would include, without limitation: where the participant has contributed to a material loss or reputational damage to the Group; the participant has materially breached any compromise agreement entered into in relation to their cessation of employment; or, where applicable, the participant has materially breached any of their fiduciary duties.

Leaving employment
If a participant leaves employment, unvested awards will normally lapse. If the participant leaves for one of the following reasons: disability, ill-health, injury, redundancy, or in other circumstances if the Remuneration Committee allows, their award will normally continue in effect and vest on the original vesting date or, if applicable, will be released at the end of the holding period.

Takeovers, reorganisations, etc.

Awards will generally vest early on a takeover, or other change of control event, or on a voluntary winding up of the Group.

The applicable rules of the Share Plans may also contain provisions to allow for awards to be made to participants based in jurisdictions outside of Australia and the UK and to allow for the Remuneration Committee to agree special terms to allow for awards to be granted in those jurisdictions in order to comply with local practice or to avoid adverse tax, legal or regulatory consequences.

Any shares issued following the vesting of awards will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

REMUNERATION DETAILS

Remuneration payable to Non-executive Directors

Non-executive Directors enter into service agreements through a letter of appointment which are not subject to a fixed term. Non-executive Directors receive a fee for their contribution as Directors.

Fees payable to non-executive directors reflect the demands which are made on, and the responsibilities of, directors. Directors' fees are reviewed regularly by the Board.

LCM's Constitution provides that LCM may remunerate each Director as the Directors decide, provided that the total amount paid to Non-executive Directors' may not exceed:

(i) The amount fixed by LCM in general meeting for that purpose; or
(ii) If no amount has been fixed by LCM in general meeting for that purpose, A$400,000 per annum.

An amount has been fixed by LCM in the Annual General Meeting of 30 November 2018 for the aggregate fee pool limit to be A$400,000 per annum.

The objective of LCM's remuneration policies with regard to Non-executive Directors is to ensure the Group is able to attract and retain Non-executive Directors with the skills and experience to ensure the Board is able to discharge its oversight and governance responsibilities in an effective and diligent manner and supports the retention of their independence.

LCM do not pay bonus payments or lump sum retirement benefits to Non-executive Directors.

The Non-executive Director annual fee structure (excluding superannuation and pensions) paid during the 12 months ended 30 June 2019 is as follows:

	Fees per annum
Non-executive Chairman	£100,000*
Non-executive Director	A$100,000

*comprising a base fee of £75,000 and a fee of £25,000 or the role of Chairman

Details of fees paid during the financial year to each non-executive director are detailed below.

Remuneration Details for Employees

Employees of LCM are contracted under an employment agreement which incorporates a probation period generally of six months, a salary as well as an ability after twelve months of service for the employee to be eligible for a performance award discretionary bonus and participate in an incentive scheme (**Eligible Employees**).

Each Eligible Employee will be entitled to participate in the LCM incentive scheme, the rules of which may be subject to change by LCM at any time.

The award of an incentive will be discretionary and will be determined based on:

1. the financial performance of LCM as a whole; and

2. the performance review of the Eligible Employee in each full financial year the Eligible Employee is employed by LCM.

3. the financial performance of any fund managed by LCM.

The performance review of each Eligible Employee will be undertaken at the end of each financial year and during that performance review each Eligible Employee will be assessed in accordance with the Eligible Employee's Role Description (the Performance Conditions).
The maximum amount of the incentive able to be earned by an Eligible Employee in any year is as follows:

1. a cash payment of up to 35% of the base salary of the Eligible Employee (Cash Incentive); and

2. an invitation to participate in the Share Plan up to a value of 65% of the base salary of the Eligible Employee.

During periods of exceptional performance and at the discretion of the Remuneration Committee and Board, Eligible Employees can earn an additional award under the Share Plan.

SERVICE AGREEMENT

All Executive Directors have contracts of employment. Remuneration and other terms of employment are formalised in that agreement, including components of remuneration and base salary to which they are entitled, eligibility for incentives and other benefits including superannuation and pensions.

Key terms of Patrick Moloney's employment agreement is as follows:

- Term of 5 years (commencing December 2018) with an automatic extension for a further 5 years unless notice is given at least 1 year before the expiry of the initial term that the agreement will not be extended
- A fixed salary per annum plus superannuation and is entitled to six weeks paid annual leave per year, details of which are set out in the remuneration tables below
- LCM can terminate the agreement at any time without cause by making payment of the total remuneration and benefits for the unexpired period of the term, unless the remaining term is less than 12 months, in which case the agreement may be terminated by 12 months' notice in writing or payment in lieu of notice

On appointment, all non-executive directors enter into an agreement which outlines obligations and minimum terms and conditions.

REMUNERATION TABLE

Remuneration table for year ended 30 June 2019 (audited)

The table below provides remuneration for KMPs for the 12 months ended 30 June 2019 and comparatives for the year ended 30 June 2018.

2019	Cash salaries and fees $	Bonus $	Benefits $	Accrued leave $	Super-annuation $	Long service leave $	Share-based payments $	Total $
Non-executive Directors								
Dr David King	100,000	-	-	-	9,500	-	12,480[1]	121,980
Steven McLean	81,250	-	-	-	7,719	-	-	88,969
Jonathan Moulds	90,408	-	11,237	-	716	-	-	102,361
	271,658	-	11,237	-	17,935	-	12,480	313,310
Executive Directors								
Stephen Conrad	325,000	-	-	1,516	25,000	-	2,854	354,370
Nick Rowles-Davies	632,856	-	86,794	-	1,081	-	66,866	787,597
Patrick Moloney	750,000	550,000	30,571	142,692	42,750	35,392	154,118	1,705,523
	1,979,514	550,000	128,602	144,208	86,766	35,392	236,318	3,160,800

2018	Cash salaries and fees $	Bonus $	Benefits $	Accrued leave $	Super-annuation $	Long service leave $	Share-based payments $	Total $
Non-executive Directors								
Dr David King	68,493	-	-	-	6,507	-	37,440	112,440
Steven McLean	45,662	-	-	-	4,338	-	-	50,000
	114,155	-	-	-	10,845	-	37,440	162,440
Executive Directors								
Patrick Moloney	450,000	-	-	20,769	42,750	7,496	89,141	610,156
	564,155	-	-	20,769	53,595	7,496	126,581	772,596

DIRECTORS' INTERESTS (audited)

Fully paid ordinary shares & unlisted partly paid shares

The table below provides the number of fully paid ordinary shares and unlisted partly paid shares in the company held by each Non-executive Director and Executive KMP during the period ended 30 June 2019 and the previous period ended 30 June 2018:

Name of the Director	Description of shares	30 June 2019 Number	30 June 2018 Number
Jonathan Moulds	N/A	-	-[1]
Dr David King	Fully paid ordinary shares	1,601,484	1,601,484
Steve McLean	Fully paid ordinary shares	577,499	577,499
Patrick Moloney	Fully paid ordinary shares	3,768,113	3,212,557
Patrick Moloney	Unlisted partly paid shares	1,433,022	1,433,022[2]
Stephen Conrad	N/A	277,778	-[3]
John (Nick) Rowles-Davies	N/A	-	-[4]

1. As at date of appointment on 19 December 2018.
2. Unlisted partly paid shares in the Company were issued at a price of $0.17 per share, wholly unpaid and will convert to a share upon payment to the Company of $0.17 per share. Further details provided in Note 15 to the financial statements.
3. As at date of appointment on 29 November 2018.
4. As at date of appointment on 19 December 2018.

No changes took place in the interest of the directors between 30 June 2019 and 10 September 2019.

Share options

The table below provides the number of options over ordinary shares in the company held by each Non-executive Director and Executive KMP during the financial year:

Name of the Director	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Expired/ forfeited/ other	Balance at the end of the year
Dr. David King	20/09/2016	01/11/2021	$1.00	600,000	-	-	600,000
Patrick Moloney	20/09/2016	01/11/2021	$1.00	900,000	-	-	900,000
Patrick Moloney	01/12/2013	01/12/2018	$0.47	1,595,058	-	(1,595,058)	-
Patrick Moloney[1]	19/11/2018	25/11/2028	$0.47	-	1,595,058	-	1,595,058
Patrick Moloney[1]	04/12/2017	04/12/2027	$0.60	1,000,000	-	-	1,000,000
Patrick Moloney[1]	04/12/2017	04/12/2027	$0.60	1,000,000	-	-	1,000,000
Stephen Conrad[1]	03/12/2018	03/12/2028	$0.89	-	50,000	-	50,000
Stephen Conrad[1]	03/12/2018	03/12/2028	$0.89	-	50,000	-	50,000
John (Nick) Rowles-Davies[1]	08/03/2019	08/03/2029	$0.94[2]	-	4,347,517	-	4,347,517
				5,095,058	6,042,575	(1,595,058)	9,542,575

[1]Outstanding share options granted under the Loan Funded Share Plan as disclosed in Note 30.

[2]Exercise price £0.52 presented at the equivalent AUD

OTHER DISCLOSURES

Loans to Non-executive Directors and Executive KMPs
Patrick Moloney was granted a limited recourse interest free loan of A$749,677.26 for the exercise of 1,595,058 options, which then took place on 19 November 2018. Refer Directors’ Interest above for further detail.

Other transactions with Non-Executive Directors and Executive KMPs
No other transactions occurred with Non-executive Directors or Executive KMPs during the year.

This concludes the remuneration report.

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DECLARATION OF INDEPENDENCE
BY G K EDWARDS
TO THE DIRECTORS OF LITIGATION CAPITAL MANAGEMENT LIMITED

As lead auditor of Litigation Capital Management Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Litigation Capital Management Limited and the entities it controlled during the period.

G K Edwards
Director

BDO Audit (SA) Pty Ltd

Adelaide, 10 September 2019

Litigation Capital Management Limited

ABN 13 608 667 509

Financial Statements - 30 June 2019

Litigation Capital Management Limited
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Litigation Capital Management Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Revenue from contracts with customers			
Litigation service revenue		34,707	29,170
Performance fees		-	513
	5	34,707	29,683
Litigation service expense		(14,366)	(13,173)
Gross margin		20,341	16,510
Other income	7	311	457
Interest income		56	30
Expenses			
Employee benefits expense	8	(6,266)	(2,058)
Depreciation expense	8	(53)	(22)
IPO and other transaction costs		(250)	-
Legal and professional fees	8	(717)	(1,020)
Corporate expenses		(3,272)	(1,247)
Finance costs	8	-	(686)
Profit before income tax expense		10,150	11,964
Income tax expense	9	(3,039)	(3,326)
Profit after income tax expense for the year		7,111	8,638
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		7,111	8,638
Profit for the year is attributable to:			
Non-controlling interest		(4)	41
Owners of Litigation Capital Management Limited	17	7,115	8,597
		7,111	8,638
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(4)	41
Owners of Litigation Capital Management Limited		7,115	8,597
		7,111	8,638
		Cents	**Cents**
Basic earnings per share	28	8.65	15.24
Diluted earnings per share	28	8.07	15.07

Refer to note 4 for detailed information on Restatement of comparatives.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Litigation Capital Management Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	10	49,119	13,787
Trade and other receivables	11	7,266	513
Contract costs - litigation contracts	12	8,910	11,049
Other assets		693	126
Total current assets		65,988	25,475
Non-current assets			
Contract costs - litigation contracts	12	18,476	2,865
Property, plant and equipment		216	175
Intangible assets		64	-
Deferred tax	9	-	1,011
Total non-current assets		18,756	4,051
Total assets		84,744	29,526
Liabilities			
Current liabilities			
Trade and other payables	13	6,689	3,815
Employee benefits	14	986	254
Total current liabilities		7,675	4,069
Non-current liabilities			
Deferred tax	9	760	-
Employee benefits		70	34
Total non-current liabilities		830	34
Total liabilities		8,505	4,103
Net assets		76,239	25,423
Equity			
Issued capital	15	68,830	24,865
Share-based payments reserve	16	569	293
Retained earnings	17	6,818	239
Equity attributable to the owners of Litigation Capital Management Limited		76,217	25,397
Non-controlling interest		22	26
Total equity		76,239	25,423

Refer to note 4 for detailed information on Restatement of comparatives.

The above statement of financial position should be read in conjunction with the accompanying notes

Litigation Capital Management Limited
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital $'000	Share-based payments Reserve $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2017	24,865	166	(8,358)	(15)	16,658
Profit after income tax expense for the year	-	-	8,597	41	8,638
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	8,597	41	8,638
Transactions with owners in their capacity as owners:					
Share-based payments (note 30)	-	127	-	-	127
Balance at 30 June 2018	24,865	293	239	26	25,423

Consolidated	Issued capital $'000	Share-based payments Reserve $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2018	24,865	293	239	26	25,423
Profit/(loss) after income tax expense for the year	-	-	7,115	(4)	7,111
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	7,115	(4)	7,111
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 15)	43,921	-	-	-	43,921
Share-based payments (note 30)	-	320	-	-	320
Transfer on exercise of options	44	(44)	-	-	-
Dividends paid (note 18)	-	-	(536)	-	(536)
Balance at 30 June 2019	68,830	569	6,818	22	76,239

The above statement of changes in equity should be read in conjunction with the accompanying notes

Litigation Capital Management Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash flows from operating activities			
Proceeds from litigation contracts - settlements, fees and reimbursements		26,796	27,127
Payments to suppliers and employees		(33,682)	(14,358)
Interest received		56	30
Other revenue		311	-
Interest and other finance costs paid		-	(686)
Net cash from/(used in) operating activities	29	(6,519)	12,113
Cash flows from investing activities			
Payments for property, plant and equipment		(88)	(189)
Payments for intangibles		(70)	-
Payments for security deposits		(75)	-
Net cash used in investing activities		(233)	(189)
Cash flows from financing activities			
Proceeds from issue of shares	15	46,880	-
Share issue transaction costs		(4,279)	-
Proceeds from borrowings		-	4,250
Repayment of borrowings		-	(4,250)
Dividends paid	18	(536)	-
Net cash from financing activities		42,065	-
Net increase in cash and cash equivalents		35,313	11,924
Cash and cash equivalents at the beginning of the financial year		13,787	1,863
Effects of exchange rate changes on cash and cash equivalents		19	-
Cash and cash equivalents at the end of the financial year	10	49,119	13,787

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Litigation Capital Management Limited (the 'Company') as a Group consisting of Litigation Capital Management Limited and the entities it controlled at the end of, or during, the year (referred to as the 'Group'). The financial statements are presented in Australian dollars, which is Litigation Capital Management Limited's functional and presentation currency.

Litigation Capital Management Limited was admitted onto the Alternative Investment Market ('AIM') on 19 December 2018.

Litigation Capital Management Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 12, The Chifley Tower
2 Chifley Square
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 10 September 2019. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Other than as described below, the adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 9 Financial Instruments (applying transitional rules)
The Group has adopted AASB 9 from 1 July 2018 using the transitional rules not to restate comparatives. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Impact of adoption: There was no change to the carrying amounts on adoption of AASB 9 as at the transition date.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers (full retrospective approach)
The Group has adopted AASB 15 retrospectively from 1 July 2017. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption: Refer to note 4 for restatement of comparatives due to the retrospective adoption of AASB 15.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 26.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Litigation Capital Management Limited ('Company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Litigation Capital Management Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Note 2. Significant accounting policies (continued)

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Litigation Capital Management Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

Variable consideration within the transaction price, if any, reflects the variability of potential outcomes in awards or settlements of the litigation and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Litigation service revenue
The performance of a litigation service contract by the Group entails the management and progression of the litigation project during which costs are incurred by the Group over the life of the litigation project.

As consideration for providing litigation management services and financing of litigation projects, the Group receives either a percentage of the gross proceeds of any award or settlement of the litigation, or a multiple of capital deployed, and is reimbursed for all invested capital.

Note 2. Significant accounting policies (continued)

Revenue, which includes amounts in excess of costs incurred and the reimbursement for all invested capital, is not recognised as revenue until the successful completion of the litigation project ie, complete satisfaction of the performance obligation, which is generally at the point in time when a judgement has been awarded or on an agreed settlement between the parties to the litigation, and therefore when the outcome is considered highly probable. On this basis, revenue is not recognised over time and instead recognised at the point in time when the Group satisfies the performance obligation. Costs includes only external costs of funding the litigation, such as solicitors' fees, counsels' fees and experts' fees.

The terms and duration of each settlement or judgement varies by litigation project. Payment terms are not defined by the Group's litigation contracts however upon successful completion of a litigation project, being the satisfaction of the single performance obligation, funds are generally paid into trust within 28 days. The funds will remain in trust until the distribution amounts have been determined and agreed by the relevant parties, after which payment will be received by the Group.

Performance fees
Performance fees are derived from the management of litigation projects under externally financed financing arrangements and governed by the agreement with external investors. Performance fees are recognised at the point in time when a judgement has been awarded or a settlement agreement has been agreed on the litigation projects.

Interest
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period 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.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Litigation Capital Management Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Note 2. Significant accounting policies (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Contract costs
Contract costs are recognised as an asset when the Group incurs costs in fulfilling a contract and when all the following are met: (i) the costs relate directly to the contract; (ii) the costs generate or enhance resources of the Group that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Contract costs are non-financial assets for impairment purposes. Contract costs are amortised upon complete satisfaction of the performance obligation. Refer to the Group’s revenue recognition policy for further information.

Leases
Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 2. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 2. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Litigation Capital Management Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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 tax authority is included in other receivables or other 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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The impact of adoption of this standard as at 1 July 2019, using the modified retrospective approach, will result in the recognition of a right-of-use asset of approximately $612,000 with a corresponding increase in lease liability, in respect of the Group's operating leases over premises.

AASB Interpretation 23 Uncertainty over Income Tax Treatments
The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes where there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) whether an entity considers uncertain tax treatments separately, b) the assumptions an entity makes about the examination of tax treatments by taxation authorities, c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and d) how an entity considers changes in facts and circumstances. The application of the Standard is 1 January 2019 (effective for the Group from 1 July 2019). The Group is in the process of assessing the impact of AASB Interpretation 23.

New Conceptual Framework for Financial Reporting
A revised Conceptual Framework for Financial Reporting is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies. The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Revenue from contracts with customers
The entity's active involvement in litigation service contracts to achieve a successful resolution for the client is the predominant purpose of the service provided and accordingly the litigation funding contracts are within the scope of AASB 15 'Revenue from Contracts with Customers', and so are excluded from the scope of AASB 9 'Financial Instruments' which would require the recognition of a financial asset for each contract, measured at fair value.

Method of measuring progress of completion of performance obligations and recognition of revenue

Management uses judgement to measure its progress towards complete satisfaction of its performance obligations. For the provision of litigation management services and financing of litigation projects, management has determined that there is a single performance obligation and that complete satisfaction of that performance obligation occurs at the point in time when the Group achieves a successful resolution for the client as it is the predominant purpose of the service provided. On this basis, revenue is not recognised over time and only recognised at the point in time when the Group satisfies that performance obligation.

In accordance with the accounting policy in note 2, revenue is now recognised at a point in time at which a successful outcome has been achieved. In the 31 December 2018 interim report, revenue was recognised over time to the extent of costs incurred by the Group. As a result, comparatives in the statement of profit or loss and other comprehensive income of the interim report to 31 December 2019 will be restated in line with the revenue accounting policies outlined in note 2. There is no effect on the net assets or profit for the comparative year ended 30 June 2018.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. This includes evaluating the expected outcome pursuant to the contracts, including consideration of whether each individual litigation contract is likely to result in a successful outcome, the cost and timing to completion and the ability of the defendant to pay the settlement or award. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions (refer note 12).

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 4. Restatement of comparatives

Change in accounting policy
The Group's litigation contracts principally generate revenue on the successful management and financing of litigation projects. The Group assists clients in determining the appropriate specialist team to pursue the litigation claim for clients and works with that team to ensure that the case is being appropriately progressed. The selection of litigation claims to manage and fund is critical to the Group's success. The types of litigation projects funded by the Group are insolvency claims, commercial claims and class actions. However contract terms for each type of litigation project do not vary materially nor does it change the service provided or the price.

Note 4. Restatement of comparatives (continued)

The Group only receives payment upon successful completion of a litigation project and when the litigation project is finalised and payment of the claim by the defendant has been paid to the client. On average litigation projects take a period of 25 months from inception to settlement, although this varies depending upon the specific litigation project.

Revenue, which includes amounts in excess of costs incurred and the reimbursement for all invested capital, is only recognised as revenue on the successful completion of the litigation project, which is generally once a judgement has been awarded or on an agreed settlement between the parties to the litigation, and therefore when the outcome is considered highly probable. Previously revenue was recognised on the same basis under AASB 138 Intangible Assets and therefore this has not changed upon adoption of AASB 15, however revenue was previously recognised net of costs incurred whereas it is now recognised on a gross basis in the primary statements.

Costs are incurred and the services are rendered by the Group during the management and progression of the project, however the client only receives a benefit from the services upon the successful completion of the litigation project on the basis that another litigation funder would need to substantially re-perform the work completed to date by the Group.

Previously, under AASB 138 Intangible Assets, costs were capitalised as incurred as an intangible asset. Costs includes only external costs of funding the litigation, such as solicitors' fees, counsels' fees and experts' fees. Under AASB 15 these costs are recognised as a contract costs. When a judgement has been awarded or an agreed settlement between the parties to the litigation, the total consideration is recognised and the contract costs are amortised as litigation service expenses.

Note 4. Restatement of comparatives (continued)

The tables below highlight the impact of AASB 15 on the Group's statement of profit or loss and other comprehensive income and statement of financial position for the comparative period:

Statement of profit or loss and other comprehensive income

		Consolidated	
Extract	**2018 $'000 Reported**	**$'000 Adjustment**	**2018 $'000 Restated**
Revenue from contracts with customers			
Litigation service revenue	-	29,170	29,170
Litigation service expense	-	(13,173)	(13,173)
Other income	16,454	(15,997)	457
Profit before income tax expense	11,964	-	11,964
Income tax expense	(3,326)	-	(3,326)
Profit after income tax expense for the year	8,638	-	8,638
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	8,638	-	8,638
Profit for the year is attributable to:			
Non-controlling interest	41	-	41
Owners of Litigation Capital Management Limited	8,597	-	8,597
	8,638	-	8,638
Total comprehensive income for the year is attributable to:			
Non-controlling interest	41	-	41
Owners of Litigation Capital Management Limited	8,597	-	8,597
	8,638	-	8,638
	Cents Reported	**Cents Adjustment**	**Cents Restated**
Basic earnings per share	15.24	-	15.24
Diluted earnings per share	15.06	-	15.06

Note 4. Restatement of comparatives (continued)

Performance fees revenue for the year ended 30 June 2018 amounting to $513,000 was unchanged on adoption of AASB 15.

Statement of financial position at the end of the earliest comparative period

		Consolidated	
Extract	**2018 $'000 Reported**	**$'000 Adjustment**	**2018 $'000 Restated**
Assets			
Current assets			
Contract costs – litigation contracts	-	11,049	11,049
Intangible assets – litigation contracts	11,049	(11,049)	-
Total current assets	25,475	-	25,475
Non-current assets			
Contract costs – litigation contracts	-	2,865	2,865
Intangible assets	2,865	(2,865)	-
Total non-current assets	4,051	-	4,051
Total assets	29,526	-	29,526
Net assets	25,423	-	25,423

Comparative year statement of cash flows
In the previous year, litigation contracts were treated as intangible assets. As a result of retrospective adoption of AASB 15 as detailed above, litigation contracts are treated as contract costs. As a result the comparative period cash flow statement has been restated. Proceeds from litigation contracts of $27,127,000 has been reclassified from investing to operating activities. Payments for litigation funding and capitalised supplier costs of $11,292,000 have been also been reclassified to operating activities, included within payments to suppliers and employees.

Reclassification
Comparatives in the statement of profit or loss and other comprehensive income, and the statement of financial position have been realigned to current year presentation. There has been no effect on the net assets or profit for the year.

Note 5. Revenue from contracts with customers

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2019 $'000	2018 $'000
Major service lines		
Revenue on completion of litigation projects	34,707	29,170
Performance fees	-	513
	34,707	29,683
Geographical regions		
Australia	34,666	29,683
United Kingdom	41	-
	34,707	29,683
Contract duration		
Less than 1 year	3,075	-
1-4 years	24,153	15,855
More than 4 years	7,479	13,828
	34,707	29,683

Note 6. Operating segments

The Group's operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The Directors have determined that there is one operating segment. The information reported to the CODM is the consolidated results of the Group. The segment result is as shown in the statement of profit or loss and other comprehensive income. Refer to statement of financial position for assets and liabilities.

Major customers
During the year ended 30 June 2019 there were 3 major external customers (2018: 3 customers, unrelated to those in 2019) where revenue exceeded 10% of the consolidated revenue. Revenue from each customer for the year ended 30 June 2019 amounted to $14,440,000, $9,713,000, and $7,183,000 (2018: $13,003,000, $8,298,000, $7,127,000.

Note 7. Other income

	Consolidated	
	2019 $'000	2018 $'000
Recoveries of legal costs other than in relation to litigation contracts in progress	306	454
Miscellaneous income	5	3
Other income	311	457

Note 8. Expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	47	22
Amortisation		
Intangible assets	6	-
Total depreciation and amortisation	53	22
Finance costs		
Interest and finance charges paid/payable	-	686
Net foreign exchange loss		
Net foreign exchange loss	100	8
Rental expense relating to operating leases		
Minimum lease payments	621	343
Employee benefits expense		
Salaries & wages	4,478	1,465
Directors' fees	264	114
Defined contribution superannuation expense[1]	194	151
Provision for employee entitlements	197	46
Payroll tax	120	50
Share based payments expense	320	127
Provision for bonuses	675	105
Other employee benefits & costs	18	-
Total employee benefits expense	6,266	2,058

[1]Includes employers pension contributions for UK staff

	Consolidated 2019 $'000	Consolidated 2018 $'000
Legal and professional fees		
Litigation fees	679	823
Other legal and professional fees	38	197
Total legal and professional fees	717	1,020

Litigation fees
Legal and professional fees includes fees relating to the costs of litigation commenced by Australian Insolvency Group Pty Limited ('AIG') against the Group, and subsequent cross claim by the Group in these proceedings against Vannin Capital Limited and Mr Patrick Coope, a director of AIG and former employee of the Group. The proceedings are likely to be heard and determined during the subsequent year subject to the court's availability. The potential economic impact for the Group is limited.

Note 9. Income tax

	Consolidated	
	2019	2018
	$'000	$'000
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	10,150	11,964
Tax at the statutory tax rate of 27.5% (2018: 30%)	2,791	3,589
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	88	38
Other non-deductible expenses	-	1
Unrealised foreign exchange	(9)	-
	2,870	3,628
Adjustment to deferred tax balances as a result of change in statutory tax rate	169	(302)
Income tax expense	3,039	3,326

	Consolidated	
	2019	2018
	$'000	$'000
Amounts credited directly to equity		
Deferred tax assets	(1,268)	-

Statutory tax rate of 27.5% is applicable to Australian entities with aggregated turnover below $50 million for the year ended 30 June 2019. The Group's turnover is expected to be above the threshold of $50 million in the future reporting periods which will attract a statutory tax rate of 30%. As a result, recognition of deferred tax asset is made by applying a 30% statutory rate instead of the lower 27.5% used in the previous year.

Note 9. Income tax (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax asset/(liability)		
Deferred tax asset/(liability) comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	5,761	4,332
Property, plant and equipment	-	1
Employee benefits	316	51
Accrued expenses	7	14
Contract costs - litigation contracts	(8,216)	(3,827)
	(2,132)	571
Amounts recognised in equity:		
Transaction costs on share issue	1,372	440
Deferred tax asset/(liability)	(760)	1,011
Movements:		
Opening balance	1,011	4,337
Charged to profit or loss	(3,039)	(3,326)
Credited to equity	1,268	-
Closing balance	(760)	1,011

Note 10. Current assets - cash and cash equivalents

	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash at bank and on hand	49,119	13,787

Note 11. Current assets - trade and other receivables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Due from performance fees	-	513
Due from completion of litigation service	7,266	-
	7,266	513

Amounts due from completion of litigation service relate to the recovery of litigation projects that have successfully completed.

Allowance for expected credit losses
The Group has recognised a loss of $nil (2018: $nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

Note 11. Current assets - trade and other receivables (continued)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 $'000	Allowance for expected credit losses 2019 $'000
Not overdue	-	7,266	-

Note 12. Contract costs - litigation contracts

	Consolidated 2019 $'000	Consolidated 2018 $'000
Contract costs - litigation contracts	27,386	13,914

Reconciliation
Reconciliation of the contract costs (current and non-current) at the beginning and end of the current and previous financial year are set out below:

	2019 $'000	2018 $'000
Opening balance	13,914	12,470
Additions during the year	27,838	14,618
Litigation service expense – successful contracts[1]	(14,189)	(13,136)
Litigation service expense – write down[2]	(177)	(38)
Closing balance	27,386	13,914

[1]Contract costs amortised upon the successful completion of the litigation contract
[2]Due diligence costs written off upon determining that the litigation contract would not be pursued further

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current	8,910	11,049
Non-current	18,476	2,865
Closing balance	27,386	13,914

Impairment considerations
The recoverable amount of the Group's contract costs has been determined by a value in use calculation using a discounted cash flow model, based on cash flow projections and financial budgets as approved by management for the life of each litigation contract.

Key assumptions were used in the discounted cash flow model for determining the value in use of litigation contracts:
- The estimated cost to complete a litigation contract is budgeted, based on estimates provided by the external legal advisors handling the litigation;
- The value to the Group of the litigation contract, once completed, is estimated based on the expected settlement or judgement amount of the litigation and the fees due to the Group under the litigation contract;
- The discount rate applied to the cash flow projections is based on the Group's weighted average cost of capital and other factors relevant to the particular litigation contract. The discount rate applied was 15% (2018: between 13% and 15%).

Based on the above, the Group has recognised impairment losses of $nil (2018: $nil) in profit or loss on contract costs for the year ended 30 June 2019.

Note 13. Current liabilities - trade and other payables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade payables	6,600	3,696
Distribution payable	32	32
Other payables	57	87
	6,689	3,815

Refer to note 19 for further information on financial instruments.

Note 14. Current liabilities - employee benefits

	Consolidated 2019 $'000	Consolidated 2018 $'000
Annual leave	311	149
Bonus payable	675	105
	986	254

Note 15. Equity - issued capital

	Consolidated 2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares - fully paid	104,580,899	53,533,247	68,830	24,865
Ordinary shares - under loan share plan	8,454,547	2,000,000	-	-
	113,035,446	55,533,247	68,830	24,865

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2017	53,533,247	24,865
Balance	30 June 2018	53,533,247	24,865
Issue of shares at $0.90 per share	31 October 2018	11,111,112	10,000
Issue under Employee Share Option Scheme at $0.47 per share	29 November 2018	1,298,000	615
Issue under Employee Share Option Scheme at $0.47 per share	3 December 2018	177,000	79
Issue of shares at £0.52 per share	19 December 2018	38,461,540	36,186
Transfer from share-based payment reserve on exercise of options		-	44
Share issue transaction costs, net of tax		-	(2,959)
Balance	30 June 2019	104,580,899	68,830

Note 15. Equity - issued capital (continued)

Movements in ordinary shares issued under loan share plan:

Details	Date	Shares	$'000
Balance	1 July 2017	-	-
Issue of shares under loan share plan	4 December 2017	2,000,000	-
Balance	30 June 2018	2,000,000	-
Issue of shares under loan share plan	31 August 2018	411,972	-
Issue of shares under loan	19 November 2018	1,595,058	-
Issue of shares under loan share plan	3 December 2018	100,000	-
Issue of shares under loan share plan	6 March 2019	4,347,517	-
Balance	30 June 2019	8,454,547	-

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Ordinary shares - under loan share plan ('LSP')
The Company has an equity scheme pursuant to which certain employees may access a LSP. The acquisition of shares under this LSP is fully funded by the Company through the granting of a limited recourse loan. The shares under LSP are restricted until the loan is repaid. These shares are recorded as treasury shares separate to the issued capital. The underlying options within the LSP have been accounted for as a share-based payment. Refer to note 30 for further details. When the loans are settled the treasury shares are reclassified as fully paid ordinary shares and the equity will increase by the amount of the loan repaid.

Ordinary shares - partly paid
As at 30 June 2019, there are currently 2,866,050 partly paid shares issued at an issue price of $0.17 per share. No amount has been paid up and the shares will become fully paid upon payment to the Company of $0.17 per share. As per the terms of issue, the partly paid shares have no maturity date and the amount is payable at the option of the holder.

Partly paid shares entitle the holder to participate in dividends and the proceeds of the Company in proportion to the number of and amounts paid on the shares held. The partly paid shares do not carry the right to participate in new issues of securities. Partly paid shareholders are entitled to receive notice of any meetings of shareholders. The partly paid shareholders are entitled to vote in the same proportion as the amounts paid on the partly paid shares bears to the total amount paid and payable.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity as recognised in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Note 16. Equity - Share-based payments reserve

	Consolidated 2019 $'000	Consolidated 2018 $'000
Share-based payments reserve	569	293

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments reserve $'000
Balance at 1 July 2017	166
Share-based payments expense	127
Balance at 30 June 2018	293
Share-based payments expense	320
Transfer to issued capital on exercise of options	(44)
Balance at 30 June 2019	569

Note 17. Equity - retained earnings

	Consolidated 2019 $'000	Consolidated 2018 $'000
Retained earnings at the beginning of the financial year	239	(8,358)
Profit after income tax expense for the year	7,115	8,597
Dividends paid (note 18)	(536)	-
Retained earnings at the end of the financial year	6,818	239

Note 18. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Interim dividend for the year ended 30 June 2019 of 0.506 cents per ordinary share	536	-

On 10 September 2019, the Directors declared a fully franked final dividend for the year ended 30 June 2019 of 0.828 cents per ordinary shares, to be paid on 11 December 2019 to eligible shareholders on the register as at 14 November 2019. This equates to a total estimated distribution of $900,000, based on the number of ordinary shares on issue as at 30 June 2019. The financial effect of dividends declared after the reporting date are not reflected in the 30 June 2019 financial statements and will be recognised in subsequent financial reports.

Note 18. Equity - dividends (continued)

Franking credits

	Consolidated	
	2019 $'000	2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2018: 30%)	657	893

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 19. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets 2019 $'000	Liabilities 2019 $'000
US dollars	-	(809)
Pound Sterling	30,686	(400)
New Zealand dollars	-	(508)
Other	-	(254)
	30,686	(1,971)

The Group had net assets denominated in foreign currencies of $28,715,000 (assets of $30,686,000 less liabilities of $1,971,000) as at 30 June 2019. Based on this exposure, had the Australian dollars weakened by 10%/strengthened by 10% against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been $2,872,000 higher/$2,872,000 lower. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months. The actual foreign exchange loss for the year ended 30 June 2019 was $100,000 (2018: loss of $8,000).

The Group was not exposed to any significant foreign currency risk in 2018.

Note 19. Financial instruments (continued)

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group's main interest rate risk arises from interest on cash at bank.

An official increase/decrease in interest rates of 50 (2018: 50) basis points would have an favourable/adverse effect on profit before tax of $249,000 (2018: $69,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk
Credit risk refers to the risk that on becoming contractually entitled to a settlement or award a defendant will default on its contractual obligation to pay resulting in financial loss to the Group. The Group assesses the defendants in the matters funded by the Group prior to entering into any agreement to provide funding and continues this assessment during the course of funding. Whenever possible the Group ensures that security for settlements sums is provided, or the settlements funds are placed into solicitors' trust accounts. However, the Group's continual monitoring of the defendants' financial capacity mitigates this risk.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements which includes cash, cash equivalents and trade and other receivables due from completion of litigation services. The Group does not hold any collateral.

The Group's cash and cash equivalents are held in financial institutions with a AA- credit rating and are subject to the prudential regulation of the Reserve Bank of Australia.

The Group applies the simplified approach to recognise impairment on settlement and receivable balances based on the lifetime expected credit loss at each reporting date. The Group reviews the lifetime expected credit loss rate based on historical collection performance, the specific provisions of any settlement agreement, assessments of recoverability during the due diligence process and a forward-looking assessment of macro-economic factors however note that the Group's operations are generally uncorrelated to market conditions and therefore has little to no impact on the recoverability of the Group's financial assets.

The Group's due diligence processes assess the defendants financial capacity in the matters funded by the Group prior to entering into any agreement to provide funding and continues this assessment over the course of the matter which includes but not limited to the identification of insurance policies which are sufficient to cover the claim.

Financial assets are generally considered to be in default when amounts are more than 90 days past due or if sufficient indicators exist that the debtor is unlikely to pay. Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 19. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	6,600	-	-	-	6,600
Distribution payable	32	-	-	-	32
Other payables	58	-	-	-	58
Total non-derivatives	6,690	-	-	-	6,690

Consolidated - 2018	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	3,696	-	-	-	3,696
Distribution payable	32	-	-	-	32
Other payables	88	-	-	-	88
Total non-derivatives	3,816	-	-	-	3,816

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 20. Fair value measurement

There were no assets and liabilities measured at fair value as at 30 June 2019 and 30 June 2018. The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 21. Key management personnel disclosures

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated 2019 $	Consolidated 2018 $
Short-term employee benefits	2,802,324	584,924
Post-employment benefits	86,766	53,595
Long-term benefits	35,392	7,496
Share-based payments	236,318	126,581
	3,160,800	772,596

Note 21. Key management personnel disclosures (continued)

Details of the remuneration of key management personnel of the Group are set out in the following tables.

2019	Cash salaries and fees $	Bonus $	Benefits $	Accrued leave $	Super-annuation $	Long service leave $	Share-based payments $	Total $
Non-executive Directors								
Dr David King	100,000	-	-	-	9,500	-	12,480	121,980
Steven McLean	81,250	-	-	-	7,719	-	-	88,969
Jonathan Moulds	90,408	-	11,237	-	716	-	-	102,361
	271,658	-	11,237	-	17,935	-	12,480	313,310
Executive Directors								
Stephen Conrad	325,000	-	-	1,516	25,000	-	2,854	354,370
Nick Rowles-Davies	632,856	-	86,794	-	1,081	-	66,866	787,597
Patrick Moloney	750,000	550,000	30,571	142,692	42,750	35,392	154,118	1,705,523
	1,979,514	550,000	128,602	144,208	86,766	35,392	236,318	3,160,800

2018	Cash salaries and fees $	Bonus $	Benefits $	Accrued leave $	Super-annuation $	Long service leave $	Share-based payments $	Total $
Non-executive Directors								
Dr David King	68,493	-	-	-	6,507	-	37,440	112,440
Steven McLean	45,662	-	-	-	4,338	-	-	50,000
	114,155	-	-	-	10,845	-	37,440	162,440
Executive Directors								
Patrick Moloney	450,000	-	-	20,769	42,750	7,496	89,141	610,156
	564,155	-	-	20,769	53,595	7,496	126,581	772,596

Directors' share options

The details of options over ordinary shares in the Company held during the financial year by each Director is set out below:

Name of the Director	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Expired/ forfeited/ other	Balance at the end of the year
Dr. David King	20/09/2016	01/11/2021	$1.00	600,000	-	-	600,000
Patrick Moloney	20/09/2016	01/11/2021	$1.00	900,000	-	-	900,000
Patrick Moloney	01/12/2013	01/12/2018	$0.47	1,595,058	-	(1,595,058)	-
Patrick Moloney[1]	19/11/2018	25/11/2028	$0.47	-	1,595,058	-	1,595,058
Patrick Moloney[1]	04/12/2017	04/12/2027	$0.60	1,000,000	-	-	1,000,000
Patrick Moloney[1]	04/12/2017	04/12/2027	$0.60	1,000,000	-	-	1,000,000
Stephen Conrad[1]	03/12/2018	03/12/2028	$0.89	-	50,000	-	50,000
Stephen Conrad[1]	03/12/2018	03/12/2028	$0.89	-	50,000	-	50,000
John (Nick) Rowles-Davies[1]	06/03/2019	08/03/2029	$0.94	-	4,347,517	-	4,347,517
				5,095,058	6,042,575	(1,595,058)	9,542,575

[1]Outstanding share options as disclosed in Note 30.

Note 21. Key management personnel disclosures (continued)

Directors' interests
The number of shares in the Company held at the end of the financial year by each Director is set out below:

Name of the Director	Description of shares	30 June 2019 Number	30 June 2018 Number
Jonathan Moulds	N/A	-	-[1]
Dr David King	Fully paid ordinary shares	1,601,484	1,601,484
Steve McLean	Fully paid ordinary shares	577,499	577,499
Patrick Moloney	Fully paid ordinary shares	3,768,113	3,212,557
Patrick Moloney	Unlisted partly paid shares	1,433,022	1,433,022[2]
Stephen Conrad	N/A	277,778	-[3]
John (Nick) Rowles-Davies	N/A	-	-[4]

1. As at date of appointment on 19 December 2018.
2. Unlisted partly paid shares in the Company were issued at a price of $0.17 per share, wholly unpaid and will convert to a share upon payment to the Company of $0.17 per share. Further details provided in Note 15 to the financial statements.
3. As at date of appointment on 29 November 2018.
4. As at date of appointment on 19 December 2018.

No changes took place in the interest of the directors between 30 June 2019 and 10 September 2019.

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit (SA) Pty Ltd, the auditor of the Company, and its network firms:

	Consolidated 2019 $	Consolidated 2018 $
Audit services - BDO Audit (SA) Pty Ltd		
Audit or review of the financial statements	78,663	63,199
Other services - network firms		
Preparation of the tax return	6,596	-
Corporate finance services	366,769	-
	373,365	-

Note 23. Contingent liabilities

The majority of the Group's funding agreements contain a contractual indemnity from the Group to the funded party that the Group will pay adverse costs awarded to the successful party in respect of costs incurred during the period of funding, should the client's litigation be unsuccessful. The Group's position is that for the majority of litigation projects which are subject to funding, the Group enters insurance arrangements which lessen or eliminate the impact of such awards and therefore any adverse costs order exposure.

Note 24. Commitments

	Consolidated 2019 $'000	2018 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	563	172
One to five years	88	194
	651	366

Operating lease commitments includes contracted amounts for office premises under non-cancellable operating leases expiring within 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 25. Related party transactions

Parent entity
Litigation Capital Management Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 27.

Key management personnel
Disclosures relating to key management personnel are set out in note 21.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2019 $	Consolidated 2018 $
Payment for other expenses:		
Consulting fees paid to Thedoc Pty Ltd - a director related entity of Stephen Conrad	130,625	-

Patrick Moloney is a director and shareholder of 101 Capital Pty Ltd. 101 Capital Pty Ltd is the Trustee of LCM Litigation Investment Fund and engages LCM Litigation Management Pty Ltd to manage this entity on its behalf. There were no payments made to 101 Capital Pty Ltd during the year ended 30 June 2019 and 30 June 2018.

Transactions with non-controlling interests
Director Patrick Moloney has a non-controlling interest in LCM Unit Trust. On 13 February 2014 the LCM Unit Trust was established. The consolidated entity sold rights to performance fees to LCM Unit Trust for $150,000, which this amount contributed back to LCM Unit Trust for a 60% ownership in the entity. The remaining 40% is equally owned by Australian Insolvency Group Pty Ltd of which Patrick Coope is a shareholder and Keli-Saw Holdings Pty Ltd of which Patrick Moloney is a shareholder.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	Parent 2018 $'000
Loss after income tax	(4)	(127)
Total comprehensive income	(4)	(127)

Note 26. Parent entity information (continued)

Statement of financial position

	Parent 2019 $'000	Parent 2018 $'000
Total current assets	-	-
Total assets	68,446	24,663
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	68,830	24,865
Share-based payments reserve	569	197
Retained earnings	(953)	(399)
Total equity	68,446	24,663

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 27. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
LCM Litigation Fund Pty Ltd	Australia	100%	100%
LCM Litigation Management Pty Ltd	Australia	100%	100%
LCM Litigation Investment Fund No 1 Pty Ltd	Australia	100%	100%
LCM Operations Pty Ltd	Australia	100%	100%
LCM Corporate Services Pty Ltd	Australia	100%	100%
LCM Unit Trust	Australia	60%	60%
LCM Operations UK Limited	United Kingdom	100%	-
LCM Corporate Services UK Limited	United Kingdom	100%	-
LCM Corporate Services Pte. Ltd.	Singapore	100%	-

Note 27. Interests in subsidiaries (continued)

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy described in note 2:

			Parent		Non-controlling interest	
Name	**Principal place of business / Country of incorporation**	**Principal activities**	**Ownership interest 2019 %**	**Ownership interest 2018 %**	**Ownership interest 2019 %**	**Ownership interest 2018 %**
LCM Unit Trust	Australia	Management rights	60%	60%	40%	40%

Summarised financial information
Summarised financial information of the subsidiary with non-controlling interests that are material to the Group are set out below:

	LCM Unit Trust	
	2019 $'000	**2018 $'000**
Summarised statement of financial position		
Current assets	139	536
Total assets	139	536
Non-current liabilities	85	472
Total liabilities	85	472
Net assets	54	64
Summarised statement of profit or loss and other comprehensive income		
Revenue	-	513
Other income	-	3
Expenses	(11)	(413)
Profit/(loss) before income tax expense	(11)	103
Income tax expense	-	-
Profit/(loss) after income tax expense	(11)	103
Other comprehensive income	-	-
Total comprehensive income	(11)	103
Statement of cash flows		
Net cash used in operating activities	(234)	(23)
Net cash from investing activities	513	-
Net cash used in financing activities	(163)	-
Net increase/(decrease) in cash and cash equivalents	116	(23)
Other financial information		
Profit/(loss) attributable to non-controlling interests	(4)	41
Accumulated non-controlling interests at the end of reporting period	22	26

Note 28. Earnings per share

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit after income tax	7,111	8,638
Non-controlling interest	4	(41)
Profit after income tax attributable to the owners of Litigation Capital Management Limited	7,115	8,597

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	82,235,934	56,399,297
Adjustments for calculation of diluted earnings per share:		
Amounts uncalled on partly paid shares and calls in arrears	2,573,409	-
Options over ordinary shares	3,354,864	665,950
Weighted average number of ordinary shares used in calculating diluted earnings per share	88,164,207	57,065,247

	Cents	Cents
Basic earnings per share	8.65	15.24
Diluted earnings per share	8.07	15.07

Dilutive potential shares which are contingently issuable are only included in the calculation of diluted earnings per share where the conditions are met

Note 29. Cash flow information

Reconciliation of profit after income tax to net cash from/(used in) operating activities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit after income tax expense for the year	7,111	8,638
Adjustments for:		
Depreciation and amortisation	53	22
Share-based payments	320	127
Other - non-cash items*	719	2,042
Change in operating assets and liabilities:		
Increase in trade and other receivables	(8,150)	(596)
Increase in contract costs - litigation contracts	(13,472)	(1,701)
Decrease in deferred tax assets	1,011	3,326
Increase in prepayments	(492)	-
Increase in trade and other payables	3,585	104
Increase in deferred tax liabilities	2,028	-
Increase in employee benefits	768	151
Net cash from/(used in) operating activities	(6,519)	12,113

Note 29. Cash flow information (continued)

Changes in liabilities arising from financing activities

* Other non-cash items represents the proceeds from the settlement of Litigation Projects of $719,000 (2018: $2,042,000) were not received by the Group as they were paid directly from the funded party's solicitors trust account to the Group's trade creditors to extinguish outstanding litigation funding costs payable. As the Group did not receive these proceeds, they have not been reflected in the proceeds or payments of litigation funding within the statement of cash flows.

Note 30. Share-based payments

The share-based payment expense for the year was $320,000 (2018: $127,000).

Employee share option scheme
A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the Company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Set out below are summaries of options granted under the employee share option plan:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/12/2013	01/12/2018	$0.470	3,190,116	-	(3,070,058)	(120,058)	-
20/09/2016	01/11/2021	$1.000	1,500,000	-	-	-	1,500,000
			4,690,116	-	(3,070,058)	(120,058)	1,500,000
Weighted average exercise price			$0.640	$0.000	$0.470	$0.470	$1.000

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/12/2013	01/12/2018	$0.470	3,190,116	-	-	-	3,190,116
20/09/2016	01/11/2021	$1.000	1,500,000	-	-	-	1,500,000
			4,690,116	-	-	-	4,690,116
Weighted average exercise price			$0.640	$0.000	$0.000	$0.000	$0.640

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2019 Number	2018 Number
01/12/2013	01/12/2018	-	3,190,116
20/09/2016	01/11/2021	1,500,000	-
		1,500,000	3,190,116

The weighted average share price during the financial year was $1.665 (2018: $0.594).

The weighted average remaining contractual life of options outstanding at 30 June 2019 was 2.34 years (2018: 1.36 years).

Note 30. Share-based payments (continued)

Loan Funded Share Plans ('LSP')
As detailed in note 15, the Group has an equity scheme pursuant to which certain employees may access a LSP. The shares under LSP are issued at the exercise price by granting a limited recourse loan. The LSP shares are restricted until the loan is repaid. These shares are recorded as treasury shares representing a deduction against issued capital. Accordingly, the underlying options have been accounted for as a share-based payments. The options are issued over a 1-3 year vesting period. Vesting conditions include satisfaction of customary continuous employment with the Group and may include a share price hurdle.

During the year the Group granted 6,454,547 (2018: 2,000,000) shares under the LSP.

Set out below are summaries of shares/options granted under the LSP:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
04/12/2017	04/12/2027	$0.597	2,000,000	-	-	-	2,000,000
31/08/2018	31/08/2028	$0.770	-	411,972	-	-	411,972
19/11/2018	25/11/2028	$0.470	-	1,595,058	-	-	1,595,058
03/12/2018	03/12/2028	$0.890	-	100,000	-	-	100,000
06/03/2019	06/03/2029	$0.940	-	4,347,517	-	-	4,347,517
			2,000,000	6,454,547	-	-	8,454,547
Weighted average exercise price			$0.597	$0.812	$0.000	$0.000	$0.761

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
04/12/2017	04/12/2027	$0.597	-	2,000,000	-	-	2,000,000
			-	2,000,000	-	-	2,000,000
Weighted average exercise price			$0.000	$0.597	$0.000	$0.000	$0.597

There were 102,993 options vested and exercisable as at 30 June 2019 (2018: Nil). These exercisable options relate to those granted on 31 August 2018.

The weighted average remaining contractual life of options under LSP outstanding at the end of the financial year was 1.56 years (2018: 1.93 years).

For the options under LSP granted during the current financial year, the valuation model inputs used in the Black-Scholes or Monte Carlo option pricing model to determine the fair value at the grant date, are as follows:

Grant date	Expiry date[1]	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
31/08/2018	31/08/2028	$0.950	$0.770	12.000%	-	2.270%	$0.323
19/11/2018	25/11/2028	$0.890	$0.470	16.200%	-	2.270%	$0.520
03/12/2018	03/12/2028	$0.890	$0.890	16.200%	-	2.270%	$0.119
06/03/2019	06/03/2029	$1.350[2]	$0.940[3]	40.000%	-	1.500%	$0.175

[1]*Various vesting dates 1-3 years from grant date*
[2]Share price at grant date £0.745 presented at the equivalent AUD
[3]Exercise price £0.52 presented at the equivalent AUD

Note 30. Share-based payments (continued)

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Options granted on 6 March 2019 are denominated in Pound Sterling. Information in the report has been converted into Australian dollar functional and presentation currency.

Note 31. Events after the reporting period

Apart from the dividend declared as disclosed in note 18, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Stephen Conrad
Chief Financial Officer

10 September 2019

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LITIGATION CAPITAL MANAGEMENT LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Litigation Capital Management Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of Litigation Contract in Progress

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Note 12 to the financial report discloses the contract cost assets consisting of the costs to fulfil litigation funding contracts, and the assumptions used by the Group in testing these assets for impairment. The impairment assessment of contract costs was a key audit matter due to the size of the recorded asset 2019: $27,386,000 (2018: $13,914,000), the degree of estimation and assumptions required to be made by the Group, specifically concerning future discounted cash flows.	Our audit procedures included, among others: ▶ Assessing the Group's value in use model which calculates the recoverable amount of the Group's litigation contracts, in order to determine if any asset impairments were required. ▶ Evaluating and challenging the Group's assumptions and estimates used to determine the recoverable amount of its assets, including those relating to estimated costs to complete a Litigation Contract in Progress, the value to the Group of the Litigation Contract in Progress once completed, and the timing of completion of the Litigation Contract in Progress. ▶ Assessing the accuracy of the forecasts by comparing previous forecasts with actual business results. ▶ Assessing the adequacy of the Group's disclosures in note 12 about those assumptions to which the outcome of the impairment test is most sensitive, that is, that have the most significant effect on the determination of the recoverable amount of the litigation contract intangible assets.

Treatment of Loan Share Plan

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Note 30 to the financial report discloses the details of the loan share plans granted to employees during the year. The treatment of the loan share plan arrangements is a key audit matter as the accounting treatment involves complexity, expertise and judgement	Our audit procedures included, among others: ▶ Evaluating the appropriateness of the valuation methodology adopted and the reasonableness of inputs used in the model, with the assistance of an auditors' internal expert. ▶ Assessing the adequacy and accuracy of the disclosures included in the audited remuneration report and note 30 of the consolidated financial statements, which outlines the terms of the arrangement and inputs to the fair value calculation.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the directors' report and the remuneration report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Chairman's letter and Chief Executive's report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's letter and Chief Executive's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

BDO

BDO Audit (SA) Pty Ltd

G Edwards

G K Edwards
Director

Adelaide, 10 September 2019