

LITIGATION CAPITAL MANAGEMENT LIMITED
ABN 13 608 667 509

APPENDIX 4E - FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

Results for announcement to the market

Current reporting period: 30 June 2017
Previous reporting period: 30 June 2016

Revenue and Net Profit

	Up/Down	Percentage Change	\$
Revenue from ordinary activities	Down	-98%	13,312
Other income	Up	1920%	2,182,426
Loss from ordinary activities after tax attributable to members	Up	6%	(2,340,508)
Net loss for the period attributable to members	Up	2%	(2,285,183)

Revenue from ordinary activities has decreased by 98% to \$13,312. Other income increased by 1,920% to \$2,182,426. Net loss after tax of \$2.34 million for the year ended 30 June 2017 was 6% higher than the corresponding period.

Dividends

Litigation Capital Management Limited did not declare or pay a dividend in the reporting or comparative period.

Net Tangible Asset Backing

	CONSOLIDATED	
	June 2017	June 2016
	\$	\$
Net tangible assets per ordinary share	(0.0025)	(0.1064)

Additional Appendix 4E disclosure requirements can be found in the Director's Report, Financial Statements and the Notes to the Financial Statements contained in the Litigation Capital Management Limited Consolidated Financial Statements for the year ended 30 June 2017

Audit Report

This Appendix 4E (Final Report) is based on the audited financial statements for the year ended 30 June 2017, which are contained within the Litigation Capital Management Limited Annual Report, attached.

**LITIGATION CAPITAL MANAGEMENT
LIMITED**
(ABN: 13 608 667 509)

**FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2017**

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") for the period ended 30 June 2017 and the auditors' report thereon.

The comparative information presented in the consolidated financial statements is that of the consolidated financial statements of LCM Litigation Fund Pty Ltd which was acquired by LCM on 16 November 2015. LCM Litigation Fund Pty Ltd was deemed to be the acquirer for accounting purposes.

LCM listed on the Australian Securities Exchange on 12 December 2016 (ASX: LCA).

1. Directors

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

Dr David King - Chairman
 Mr Patrick Moloney
 Mr Steven McLean

Particulars of the skills, experience, expertise and responsibilities of the Directors at the date of this report are set out below:

Name	David King
Title:	Non-executive Independent Chairman
Qualifications:	PhD, MSc, FAusIMM, FAICD
Term of office:	Appointed Director and Chairman in October 2015
Experience and expertise	<p>David was a founder and non-executive director of Sapex Ltd, Gas2Grid Ltd and Eastern Star Gas Ltd. He has substantial natural resource related experience, having previously served as managing director of North Flinders Mines Ltd and CEO of Beach Petroleum and Claremont Petroleum.</p> <p>David is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australasian institute of Mining and Metallurgy and a Fellow of the Australian Institute of Geoscientists. David is Non-executive Chairman of Galilee Energy Ltd and Cellmid Ltd and a Non-executive director of African Petroleum Corporation Ltd</p>
Directorships of listed companies (last 3 years):	<p><u>Current directorships</u></p> <p>Galilee Energy Limited (ASX: GLL) - Non-executive Director since 24 September 2013 and Chairman since 30 October 2013; Cellmid Limited (ASX:CDY) - Non-executive Director and Chairman since 18 January 2008;</p>

	African Petroleum Corporation, Oslo Axess-listed - Chairman (since May 2016). Previous directorships Robust Resources Limited, Republic Gold Limited and Tengri Resources Limited
Committee membership:	N/A

Name	Patrick Moloney
Title:	Managing Director
Qualifications:	LLB
Term of office:	Appointed Director in 2003 and Managing Director in December 2013.
Experience and expertise	<p>Patrick has been an executive director of LCM since 1 December 2013. He was a non-executive director from 2003. Patrick was previously the principal of Moloney Lawyers, which he established in 2003 and specialised in commercial litigation and had a diverse client base. Patrick has acted in more than 200 commercial litigation cases for clients in the District Court of NSW, the Supreme Court of NSW, the Federal Court of Australia and the High Court of Australia. Patrick was admitted to practice law in 1996.</p> <p>Prior to establishing his own firm, Patrick was an employed solicitor for 3 years and then a partner in the firm of Eddy Moloney for 4 years. Patrick is also the Chairman of 101 Capital Pty Ltd, the holder of a current Australian Financial Services Licence, which was formerly the Responsible Entity of a registered Managed Investment Scheme which raised significant monies from investors and operated an enhanced equity income strategy</p>
Directorships of listed companies (last 3 years):	Nil
Committee membership:	N/A

Name	Steven McLean
Title:	Non-executive Director
Qualifications:	BEC
Term of office:	Appointed Director in November 2015.
Experience and expertise	Steven has an investment banking background, with over 20 years' experience, commencing with Ernst & Young Corporate Finance before moving to J.P. Morgan both in Australia and Europe. Steven has led equity transactions which have raised in

	<p>excess of A\$50bn for corporates across various countries including Australia, USA, UK, Switzerland, Finland, Holland, Austria, France, Russia, Singapore and Bermuda.</p> <p>In additional to his role with LCM, Steven is currently the Head of Corporate Finance at FinEx, Chairman of ASX listed ReNu Energy Ltd and holds numerous private company board positions. Steven is a graduate of the University of Sydney with a Bachelor of Economics.</p>
Directorships of listed companies (last 3 years):	ReNu Energy Limited (ASX: RNE) - Non-executive Director since 14 March 2017
Committee membership:	N/A

2. Company Secretaries

Steven McLean (whose details appear above) resigned as Company Secretary on 7 September 2016.

Anna Sandham was appointed Company Secretary of LCM on 7 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. Meetings of Directors

The number of meetings of the Company's Board of Directors ("the Board") and the number of meetings attended by each Director during the financial period are:

	Board	
	A	A
David King	4	4
Patrick Maloney	4	4
Steven McLean	4	4

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

No Committee meetings have been held this financial year. The Directors acknowledge that an Audit & Risk Committee was established on IPO, however they determined during

the year that the Board was fulfilling the role of the Audit & Risk Committee and that therefore convening separate meetings of the Audit & Risk Committee was not an effective use of time or resources given the composition of the Board and the Audit & Risk Committee are identical. This may be reviewed in the future.

4. Principal Activities

Litigation Capital Management provides financial and risk management services associated with the legal industry and most particularly, litigation. The company provides service including the funding of contentious commercial litigation and class actions as well as corporate risk management associated with litigation.

5. Operating and financial review

Overview of the Group

Litigation Capital Management is a company limited by shares and was incorporated on 9 October 2015. It listed on the Australian Securities Exchange on 13 December 2016 under the code LCA. Its registered office and principal place of business is Level 25, 88 Phillip Street Sydney NSW 2000.

Operations

Litigation Capital Management 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 position

The Directors of LCM continue to be pleased with the progress that the company is making as it transforms its business model to a direct investment model rather than a model in which LCM manages Litigation Projects on behalf of third parties.

The loss for LCM after providing for income tax amounted to \$2.34m for the full financial year ended 30 June 2017 (30 June 2016: loss of \$2.21m).

During the first half of the period, 1 July 2016 to 31 December 2016, LCM reported a loss of \$2.42m which when compared against the loss for the full financial year of \$2.34m supports the view held by the Directors of LCM that the transition to profitability is well under way.

During the period LCM completed two Litigation Projects with recognised 'Other income' of \$3.4m.

The financial performance of these Litigation Projects was very strong - demonstrating 3.8x Return on Invested Capital (ROIC) at an average time to maturity of 18 months at an IRR of 480%.

The financial performance of the two Litigation Projects Completed in FY17 positively contributes to LCM's historical financial performance. LCM is proud to have managed Litigation Projects over the last six financial years that have produced a ROIC of 2.4x at an average time to maturity of 26 months at an IRR of 81%.

As at 30 June 2017 LCM had recognised \$12.5m of Litigation Projects as assets as compared with \$6.5m as at 30 June 2016.

LCM is currently managing 14 Litigation Projects, 11 of which LCM is financing directly.

Significant Changes in the State of Affairs

Litigation Capital Management was incorporated on 9 October 2015 and undertook an initial public offering and listed on the Australian Securities Exchange on 13 December 2016.

No matters or circumstances have arisen during the financial year which have significantly affected or could significantly affect the operations of LCM or the LCM group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Future Developments, Prospects and Business Strategies

LCM is pleased with the composition and maturation of its Litigation Project portfolio and continues to see significant levels of attractive investment opportunities. The Directors of LCM continue to be encouraged by the scale and pace of the growth of the litigation financing industry globally. LCM will continue to monitor these developments closely with a view to broadening out its service offering should any of these opportunities present themselves in a suitable manner.

The Board of LCM regard the future prospects of LCM as bright.

6. Dividends

No dividends were paid during the financial year.

7. Matters subsequent to the end of the financial period

On 31 August 2017 LCM entered into a credit facility with a private investor, Ambro Nominees Pty Ltd. The credit facility provides LCM with a line of credit up to \$4 million over a term of 18 months. The credit facility has been provided on normal commercial terms and is secured by charges granted by LCM and two of its operating subsidiaries. The entry into the credit facility enables LCM to enter into a number of litigation funding opportunities, which will be announced to the market in due course, and continue with the growth of its portfolio of Litigation Projects.

In addition, LCM is engaged in advanced negotiations with a number of parties in respect of both a larger commercial credit facility as well as a commercial co-funding arrangement. A larger and more permanent source of debt capital will enable LCM to continue with the growth of its portfolio of Litigation Projects and meet the increasing demand for its services. A commercial co-funding arrangement may enable LCM to enter into larger scale Litigation Projects which might otherwise represent concentration risk in its portfolio. LCM will announce to the market the entry into either of those anticipated facilities in due course.

8. Likely developments

The maturation of LCM's current book 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 of Litigation Projects presently being managed and funded by LCM are generally tracking as, or better than expected. The Litigation Projects which were expected to complete within FY17 are progressing towards a resolution well within FY18. In addition, the Portfolio of Litigation Projects which LCM had originally forecast for resolution in FY18 are maturing towards a resolution well within that timeframe.

9. Environmental regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

10. Directors' interests

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	Ordinary shares (held directly and indirectly)	Unlisted options over ordinary shares exercisable at \$0.47*	Unlisted options over ordinary shares exercisable at \$1.00**	Unlisted partly paid shares
David King	1,601,484	-	600,000	-
Steven McLean	577,499	-	-	-
Patrick Moloney	3,212,557	1,595,058	900,000	1,433,022

* to acquire fully paid ordinary shares, exercisable on or before 1 December 2018 at an exercise price of \$0.47 per option.

**to acquire fully paid ordinary shares, exercisable between 1 November 2018 and 1 November 2021 at an exercise price of \$1.00 per option.

11. Share Options and Rights outstanding

As at the date of this report there are 3,190,116 options outstanding at an exercise price of \$0.47 per option and an expiry date of 1 December 2018 and 1,500,000 options outstanding at an exercise price of \$1.00 exercisable between 1 November 2018 and 1 November 2021.

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

The terms and condition of each grant of options granted during 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

No shares have been issued during or since the year end as a result of the exercise of options.

12. 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.

13. 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 20 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 20 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 undermines 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 Company, acting as an advocate for the company or jointly sharing economic risks and rewards.

14. 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.

15. Lead Auditor's independence declaration

The Auditor's independence declaration as required under section 307C of the Act is included on page 25 of the Annual Report.

16. Auditor

BDO continues in office in accordance with section 327 of the Act.

17. Officers of the Company who are former partners of BDO

There are no officers of LCM who are former partners of BDO.

18. Remuneration Report

The Remuneration Report which forms part of this Directors' Report is presented separately on pages 12 to 23.

19. 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.

Remuneration report (Audited)

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 2017 which has been audited in accordance with the Corporations Act 2001 (Cth) (**Act**) and its regulations, and outlines key aspects of our remuneration framework. It contains the following sections:

1. Remuneration Framework
2. Remuneration details
3. Service Agreements
4. Remuneration table
5. Other statutory disclosures

1. REMUNERATION FRAMEWORK

1.1 Overview of remuneration framework

Relationship between remuneration policy, the company's performance and shareholder wealth

As LCM only listed on the Australian Securities Exchange (**ASX**) in December 2016, this Remuneration Report specifically focusses on the remuneration arrangements for Non-executive Directors and Executives for the period since listing and the philosophy the Board has set going forward. The remuneration disclosed for this period is consistent with disclosures made in the Prospectus.

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. Executive remuneration and incentive policies and practice are performance-based and aligned with LCM Group's vision, values and overall business objectives.

LCM's remuneration framework is designed to support and reinforce its vision, value and overall business objectives, with four guiding principles in mind:

- Alignment of executive pay with shareholder interests and wealth outcomes;
- Motivation of executive 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 executive talent to ensure business success; and

- Provision of a simple and transparent framework that is clear to participants and external stakeholders.

LCM is committed to developing and communicating an effective remuneration framework that assists with attracting, retaining and motivating non-executives and executives and that supports the execution of our strategy to the benefit of long term value creation. The Board welcomes feedback from external stakeholders around its remuneration practices and disclosures.

We look forward to providing further detail on the remuneration and reward framework in future reports and the linkages this provides with business performance.

1.2 Role of the Board

In lieu of a Remuneration Committee the Board ensures that the remuneration of Directors and senior executives is consistent with market practice and sufficient to ensure that the LCM Group can attract, develop and retain the best individuals.

The Board ensures that the Company's remuneration philosophy and strategy (as set out above) continues to be designed to:

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

1.3 Key Management Personnel

Key Management Personnel ("KMP") are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any director of LCM or the Group. The following persons were KMP's during the past financial year:

1.3.1 Non-executive directors

Dr David King	Non-executive Chairman
Steven McLean	Non-executive Director

1.3.2 Executives (also a member of the Board)

Patrick Moloney	Managing Director
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1.4 Remuneration Consultants

When and where it is considered necessary, the Board will seek advice from independent experts and advisers including remuneration consultants. No remuneration consultants were used this financial year.

1.5 Long term incentive scheme

There has been no long term incentive scheme in place for any KMPs or executives of LCM in the past financial year.

2 REMUNERATION DETAILS

2.1 Remuneration payable to Non-executive Directors

Annual Directors' fees

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.

The following persons acted as Non-executive Directors of the Company during and since listing on ASX in December 2016 and are considered members of Key Management Personnel:

Non-executive Directors

Dr David King	Non-executive Chairman
Steven McLean	Non-executive Director

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 provides that LCM may remunerate each Director as the Board decides, 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, \$200,000 per annum.

As no amount has been fixed by LCM in general meeting, the aggregate fee pool limit is \$200,000 per annum. There is no intention to seek to increase the Non-executive Director fee pool at the 2017 AGM.

The Non-executive Director annual fee structure (including superannuation) is as follows:

	Fee (\$ per annum)
Non-executive Chairman	75,000*
Non-executive Director	50,000

*comprising a base fee of \$50,000 and a fee of \$25,000 for the role of Chairman

Section 4.1 provides details of fees paid during the financial year to each non-executive director. The Non-executive Directors were both appointed in October 2015 and did not receive any fees for these services until payment of Dr David King for his services as Chairman commenced from October 2016, and Mr Steven McLean for his services as a Non-executive Director from January 2017, after LCM listed on the ASX.

The objective of LCM's remuneration policies with regard to Non-executive Directors is to ensure the Company 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. The Board also believes that remuneration for Non-executive Directors should reflect the time commitment and responsibilities of the role as well as taking into account market levels.

It is the policy of LCM not to pay lump sum retirement benefits to Non-executive Directors. Non-executive Directors do not receive any bonus payments whilst holding office as a Non-executive Director.

145 Fleet

LCM entered into an agreement with 145 Fleet Pty Limited in October 2015 to act as LCM's Financial Adviser in relation to the Offer to acquire new shares as detailed in the IPO Prospectus dated 17 November 2016 (Offer). Mr Steven McLean is the sole Director of 145 Fleet Pty Limited.

As LCM's Financial Adviser in relation to the Offer, including assisting with the structure of the Offer, 145 Fleet and its affiliates received consideration of \$512,430,49 (including GST and expenses).

The agreement with 145 Fleet Pty Limited was entered into prior to Mr McLean's appointment to the Board of LCM, and it was a result of this assistance provided by Mr McLean that the Directors (other than Mr McLean) considered that he would be a suitable candidate as a Director of LCM. Accordingly, the Directors of LCM (other than Mr McLean who makes no statement of opinion), consider that the agreement with 145 Fleet Pty Limited was entered into on an arms' length basis.

Dr David King

In recognition of his assistance with the Offer and in recognition of him acting as Chairman of the Company in return for nil Director fees for a considerable period of time in the lead up to the IPO, Dr David King was awarded the following unquoted Incentive Options to acquire shares:

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*

*all are subject to a 2 year escrow period following LCM's shares becoming quoted.

Further details on the valuation of these Options are contained in sections 2.3 and 4.1 below.

2.2 Remuneration payable to Managing Director

LCM, via its wholly owned subsidiary, LCM Litigation Fund Pty Ltd, entered into an employment agreement in February 2014 with Patrick Moloney for the performance of his role as Managing Director. As part of that employment agreement, the Managing Director is entitled to 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 section 4.1.

Forming part of the Managing Director's remuneration package include the following:

Grant date	Vesting date	Expiry date	Exercise price	Number of Options
20 September 2016	1 November 2018	1 November 2021	\$1.00 per share	900,000*
1 December 2013	1 December 2013	1 December 2018	\$0.47 per share	1,595,058

*all are subject to a 2 year escrow period following LCM's shares becoming quoted.

The tranche of 900,000 options were issued to the Managing Director in recognition of his assistance with the Offer and in recognition of his ongoing services to LCM.

Further details on the valuation of these Options are contained in sections 2.3 and 4.1 below.

Appropriate benchmarking analysis was undertaken prior to finalising the Managing Director's base remuneration package and benefits.

2.3 Share based payment arrangements

The terms and condition of each grant of options in existence during the financial year are summarised below:

Grant date	Vesting date	Expiry date	Exercise price	Value at Grant date	Number of Options
20 September 2016	1 November 2018	1 November 2021	\$1.00 per share	\$75,750	600,000
20 September 2016	1 November 2018	1 November 2021	\$1.00 per share	\$113,625	900,000
1 December 2013	1 December 2013	1 December 2018	\$0.47 per share	\$201,377	1,595,058

The fair value at grant date of options issued during the year was determined by using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate, vesting and performance criteria, the impact of dilution, the fact that the options are not tradeable. The inputs used for the Black-Scholes option pricing model for options granted were as follows:

- options are granted for no consideration, have a 3 year life and are exercisable after the vesting date of 1 November 2018
- grant date: 20/09/2016
- exercise price: \$1.00
- expected volatility rate: 25%
- expected dividend yield rate: 0%
- risk free rate: 25%

Expected volatility was determined based on the historic volatility (based on the remaining life of the option), adjusted for any expected changes to future volatility based on publicly available information.

Holders of the options granted are as follows:

Name	Balance at start of year	Granted as compensation	Exercised	Balance at end of year	Fair value at grant date	Vested and Exercisable	Unvested
Dr David King	-	600,000	-	600,000	\$75,750	-	600,000
Patrick Moloney	-	900,000	-	900,000	\$113,625	-	900,000
Patrick Moloney	1,595,058	-	-	1,595,058	\$201,377	1,595,058	

3 SERVICE AGREEMENT

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

Remuneration and other terms of employment for the Managing Director are formalised in an employment agreement. This agreement specifies the components of remuneration to which he is entitled and outlines base salary, eligibility for incentives and other benefits including superannuation.

Key terms for the Managing Director is as follows:

Name	Term of Agreement	Termination arrangements
Patrick Moloney	Term of 5 years (commencing 1 December 2013) 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.	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.

Litigation Capital Management Limited
Remuneration Report (forming part of the Directors' Report)
30 June 2017

4 REMUNERATION TABLE

4.1 Remuneration table for year ended 30 June 2017

The table below provides remuneration for KMPs for the 12 months ended 30 June 2017. Due to the Company listing in December 2016, no comparatives for the prior year have been provided.

KMP Remuneration expenses for the twelve months ended 30 June 2017 (\$)

	Short Term				Post employment		Long Term			TOTAL	
<i>in AUD</i>	Salary & Fees ¹	IPO Bonus ²	Annual leave accrual for 12 months	STI	Total Short Term	Superannuation	Total Post employment	Long Service Leave	Options	Total Long Term	TOTAL
<u>DIRECTORS</u>											
<i>Non-executive Directors</i>											
Dr David King	51,370		-	-	51,370	4,880	4,880	-	28,080	28,080	84,330
Steven McLean	22,831	512,430	-	-	535,261	2,169	2,169	-	-		537,430
<i>Executive Directors</i>	-			-	-			-	-	-	
Patrick Moloney	450,000		29,423	-	479,423	25,000	25,000	7,475	42,120	49,595	554,018
Total Directors' remuneration	524,201	512,430	29,423	0	1,066,054	32,049	32,049	7,475	70,200	77,675	1,175,778

¹ shown gross of tax

² Includes GST and expenses and was paid to 145 Fleet Pty Limited of which Steven McLean is the sole Director

4.2 Relative proportion of Remuneration

Non-executive directors	Fixed remuneration	At Risk - Cash Bonus / Other	At Risk - Securities
	2017 %	2017 %	2017 %
Dr David King	100	-	N/A
Steven McLean	100	-	N/A
Executive Director			
Patrick Moloney	100	N/A	N/A

4.3 Performance holdings of key management personnel

No Performance Rights have been issued to any Key Management Personnel during the current year.

4.4 Shareholdings of key management personnel

Fully Paid Ordinary Shares

The table below provides the number of fully paid ordinary shares in the company held by each Non-executive Director and Executive KMP during the period:

2017	Balance as at start of year	Shares received during the period on exercise of Performance Options / Rights	Net other change	Balance as at 30 June 2017
	No.	No.	No.	No.
Dr David King	1,601,484	-	-	1,601,484
Steven McLean	0	-	577,499	577,499
Patrick Moloney	3,212,557	-	-	3,212,557

Unlisted Options to acquire Shares (exercisable between 1 November 2018 and 1 November 2021 at an exercise price of \$1.00 per option)

The table below provides the number of unlisted Options to acquire shares in the company held by each Non-executive Director and Executive KMP during the period (exercisable between 1 November 2018 and 1 November 2021 at an exercise price of \$1.00 per option):

2017	Balance as at start of year	Granted as compensation	Exercised	Net other change	Balance as at 30 June 2017	Balance vested as at 30 June 2017	Options vested during the year
	No.	No.	No.	No.	No.	No.	No.
Dr David King	0	600,000	-	-	600,000	-	-
Steven McLean	0	0	-	-	0	-	-
Patrick Moloney	0	900,000	-	-	900,000		--

Unlisted Options to acquire Shares (exercisable on or before 1 December 2018 at an exercise price of \$0.47 per option)

The table below provides the number of unlisted Options to acquire shares in the company held by each Non-executive Director and Executive KMP during the period (exercisable on or before 1 December 2018 at an exercise price of \$0.47 per option):

Litigation Capital Management Limited
Remuneration Report (forming part of the Directors' Report)
30 June 2017

2017	Balance as at start of year	Granted as compensation	Exercised	Net other change	Balance as at 30 June 2017	Balance vested as at 30 June 2017	Options vested during the year
	No.	No.	No.	No.	No.	No.	No.
Dr David King	0	-	-	-	0	-	-
Steven McLean	0	-	-	-	0	-	-
Patrick Moloney	1,595,058	-	-	-	1,595,058	-	--

Unlisted Partly Paid Shares

The table below provides the number of unlisted partly paid shares in the company held by each Non-executive Director and Executive KMP during the period (issued at an issue price of \$0.17 per share, wholly unpaid and will convert to a share upon payment to LCM of \$0.17 per share):

2017	Balance as at start of year	Granted as compensation	Exercised	Net other change	Balance as at 30 June 2017	Balance vested as at 30 June 2017	Options vested during the year
	No.	No.	No.	No.	No.	No.	No.
Dr David King	0	-	-	-	0	-	-
Steven McLean	0	-	-	-	0	-	-
Patrick Moloney	1,433,022	-	-	-	1,433,022	-	--

5 OTHER STATUTORY DISCLOSURES

Loans to Non-executive Directors and Executive KMPs

No loans were made to Non-executive Directors or Executive KMPs at the end of the financial year.

Other transactions with Non-Executive Directors and Executive KMPs

No interest was paid to or received since the IPO from Non-executive Directors or Executive KMPs.

This concludes the remuneration report, which has been audited.

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



Dr David King
Chairman
31 August 2017
Sydney

LITIGATION CAPITAL MANAGEMENT LIMITED
ABN 13 608 667 509

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	CONSOLIDATED	
		June 2017 \$	June 2016 \$
Revenue	5	13,312	564,825
Other income	6	2,182,426	108,049
Total Income		2,195,738	672,874
Expenses			
Finance Costs	7(a)	1,665,149	101,859
Depreciation	7(b)	6,258	4,898
Employment expenses	7(c)	1,402,493	1,230,051
Corporate and office expenses		1,272,033	924,143
Litigation fees - Coope Litigation		143,360	1,152,059
Legal and Professional fees		56,973	461,867
IPO Listing Expense		202,229	-
Foreign exchange loss		310,323	-
		5,058,818	3,874,877
Profit/(Loss) Before Income Tax		(2,863,080)	(3,202,003)
Income tax expense/(benefit)	8	(522,572)	(988,588)
Net Profit/(Loss) For the Year		(2,340,508)	(2,213,415)
Other comprehensive income		-	-
Total comprehensive income for the year		(2,340,508)	(2,213,415)
Loss for the year and total comprehensive income attributable to:			
Owners of the parent		(2,285,183)	(2,245,846)
Non-controlling interest	19	(55,325)	32,430
		(2,340,508)	(2,213,415)
Earnings per share			
From continuing operations:			
- basic / diluted weighted average earnings per share (cents)	9	(5.01)	(6.33)
From continuing and discontinued operations:			
- basic / diluted weighted average earnings per share (cents)	9	(5.01)	(6.33)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with accompanying Notes to the Financial Statements.

LITIGATION CAPITAL MANAGEMENT LIMITED
ABN 13 608 667 509

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	NOTE	CONSOLIDATED	
		June 2017 \$	June 2016 \$
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	10	1,862,645	5,918,861
Other receivables	11	43,666	672,645
Intangible assets - litigation contracts	12	11,683,991	3,573,866
TOTAL CURRENT ASSETS		13,590,302	10,165,372
<u>NON-CURRENT ASSETS</u>			
Property, plant and equipment		7,779	13,083
Intangible assets - litigation contracts	12	786,558	2,920,377
Deferred tax asset	13	7,766,837	5,125,323
TOTAL NON-CURRENT ASSETS		8,561,174	8,058,783
TOTAL ASSETS		22,151,476	18,224,155
<u>CURRENT LIABILITIES</u>			
Trade and other payables	14	1,926,074	3,075,866
Employee Benefits	15	111,040	85,188
Borrowings	16	-	7,504,916
TOTAL CURRENT LIABILITIES		2,037,114	10,665,970
<u>NON-CURRENT LIABILITIES</u>			
Deferred tax liability	13	3,429,401	1,948,273
Employee Benefits	16	26,862	-
TOTAL NON-CURRENT LIABILITIES		3,456,263	1,948,273
TOTAL LIABILITIES		5,493,377	12,614,243
NET ASSETS		16,658,099	5,609,912
<u>EQUITY</u>			
Issued Capital	17	24,865,111	11,546,617
Share Based Payments Reserve	18	165,903	95,703
Retained Earnings		(8,357,591)	(6,072,408)
Parent interest		16,673,424	5,569,912
Non-controlling interest		(15,325)	40,000
TOTAL EQUITY		16,658,099	5,609,912

The above Consolidated Statement of Financial Position should be read in conjunction with accompanying Notes to the Financial Statements.

LITIGATION CAPITAL MANAGEMENT LIMITED
ABN 13 608 667 509

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

2016	Issued capital	Retained earnings	Share based payments reserve	Total	Non-controlling interests	Total equity
Balance at 1 July 2015	11,005,621	(3,826,562)	95,703	7,274,762	108,281	7,383,043
Profit / (Loss) for the year	-	(2,245,846)	-	(2,245,846)	32,430	(2,213,416)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	(2,245,846)	-	(2,245,846)	32,430	(2,213,416)
Equity Transactions:						
Contributions of equity (note 18)	540,996	-	-	540,996	-	540,996
Return of capital	-	-	-	-	(68,281)	(68,281)
Distributions	-	-	-	-	(32,430)	(32,430)
	540,996	-	-	540,996	(100,711)	440,285
Balance at 30 June 2016	11,546,617	(6,072,408)	95,703	5,569,912	40,000	5,609,912
2017	Issued capital	Retained earnings	Share based payments reserve	Total	Non-controlling interests	Total equity
Balance at 1 July 2016	11,546,617	(6,072,408)	95,703	5,569,912	40,000	5,609,912
Profit / (Loss) for the year	-	(2,285,183)	-	(2,285,183)	(55,325)	(2,340,508)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	(2,285,183)	-	(2,285,183)	(55,325)	(2,340,508)
Equity Transactions:						
Contributions of equity (note 18)	13,318,494	-	-	13,318,494	-	13,318,494
Share based payments expense	-	-	70,200	70,200	-	70,200
Distributions	-	-	-	-	-	-
	13,318,494	-	70,200	13,388,694	-	13,388,694
Balance at 30 June 2017	24,865,111	(8,357,591)	165,903	16,673,424	(15,325)	16,658,099

The above Consolidated Statement of Changes in Equity should be read in conjunction with accompanying Notes to the Financial Statements.

LITIGATION CAPITAL MANAGEMENT LIMITED
ABN 13 608 667 509

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
Cash flows from operating activities		
Payments to suppliers and employees	(2,500,437)	(3,123,939)
Receipts from management and performance fees	-	552,566
Interest income	13,312	12,259
Interest and other finance costs paid	(1,665,149)	(101,913)
Net cash (used in)/from operating activities	21	(2,661,027)
Cash flows from investing activities		
Proceeds from litigation funding - settlements, fees and reimbursements	3,415,084	1,612,870
Payments for litigation funding and capitalised supplier costs	(8,147,057)	(4,246,108)
Purchase of property, plant and equipment	(954)	(11,915)
Net cash (used in)/from investing activities	(4,732,927)	(2,645,153)
Cash flows from financing activities		
Proceeds from issue of shares	15,000,000	540,996
Share issue transaction costs	(2,319,321)	-
Repayment from borrowings	(7,851,698)	7,504,916
Income and capital distributions paid - non controlling interests	-	(159,235)
Net cash (used in)/from financing activities	4,828,981	7,886,677
Net increase/(decrease) in cash and cash equivalents	(4,056,219)	2,580,497
Cash and cash equivalents at beginning of year	5,918,861	3,338,364
Cash and cash equivalents at end of year	10	1,862,645

The above Consolidated Statement of Cash Flows should be read in conjunction with accompanying Notes to the Financial Statements.

LITIGATION CAPITAL MANAGEMENT LIMITED
ABN 13 608 667 509

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Note 1 Corporate Information

The financial report of Litigation Capital Management Limited ("LCA", "the Company" or "the Parent") for the year ended 30 June 2017 and its subsidiaries was authorised for issue in accordance with a resolution of the directors on 31 August 2017.

Litigation Capital Management Limited (ABN 13 608 667 509) is a for profit company incorporated and domiciled in Australia and limited by shares that are publicly traded on the Australian Securities Exchange (ASX code: LCA).

Note 2 Accounting policies

a) Basis of preparation

The consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The consolidated financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

For the purposes of preparing the consolidated financial statements, the Parent is a for profit entity.

b) New accounting standards and interpretations

i) Accounting Standards and Interpretations issued not yet effective

The following new or amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2017. They have not been adopted in preparing the financial statements for the year ended 30 June 2017 and are expected to impact the entity in the period of initial application. In all cases, the consolidated entity intends to apply these standards from application date as indicated in the table below.

AASB reference	Title	Application date of Standard	Application date for Group
AASB 9 <i>Financial Instruments</i>	<p>This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'.</p> <p>AASB 9 introduces new classification and measurement models for financial assets. The main changes are described below:</p> <p>AASB 9 amends the classification and measurement of financial assets:</p> <ul style="list-style-type: none"> - Financial assets will either be measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). - Financial assets are measured at amortised cost or FVTOCI if certain restrictive conditions are met. All other financial assets are measured at FVTPL. - All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss. <p>The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:</p> <ul style="list-style-type: none"> - Classification and measurement of financial liabilities, and - Derecognition requirements for financial assets and liabilities. <p>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. AASB 9 is not mandatorily effective until 1 January 2018 and the Group has not yet determined the financial impacts of the Standard. The Group does not intend to early adopt the Standard.</p> <p>Impairment</p> <p>The new impairment model in AASB 9 is now based on an 'expected loss' model rather than an 'incurred loss' model.</p> <p>A complex three stage model applies to debt instruments at amortised cost or at fair value through other comprehensive income for recognising impairment losses.</p> <p>A simplified impairment model applies to trade receivables and lease receivables with maturities that are less than 12 months.</p> <p>For trade receivables and lease receivables with maturity longer than 12 months, entities have a choice of <u>applying the complex three stage model or the simplified model.</u></p>	1 January 2018	1 July 2018
AASB 15 <i>Revenue from contracts from customers</i>	<p>This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition.</p> <p>An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 118 Revenue.</p> <p>AASB 15 is not mandatorily effective until 1 January 2018 and the Group has not yet determined the potential financial impacts of the above Standard. The Group does not intend to early adopt the Standard.</p>	1 January 2018	1 July 2018

LITIGATION CAPITAL MANAGEMENT LIMITED
ABN 13 608 667 509

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Note 2 Accounting Policies (cont.)

AASB reference	Title	Application date of Standard	Application date of Group
AASB 16 <i>Leases</i>	<p>AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.</p> <p>There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.</p> <p>AASB 16 is not mandatorily effective until 1 January 2019 and the Group is currently assessing the impacts of the new Standard. The Group does not intend to early adopt the Standard.</p>	1 January 2019	1 July 2019
AASB 2016-1 <i>Amendments to Australian Accounting Standards - Recognitions of Deferred Tax Assets for Unrealised Tax Losses</i>	<p>This Standard amends AASB 112 Income Taxes (July 2004) and AASB 112 Income Taxes (August 2015) to clarify four issues with respect to recognising deferred tax assets (DTAs) for unrealised tax losses:</p> <ul style="list-style-type: none"> - If all other recognition criteria are met, DTAs must be recognised for the deductible temporary difference between the fair value and tax base on fixed rate debt instruments that are not deemed to be impaired. - Deductible temporary differences must be compared to taxable profits of the same type (e.g. capital or revenue profits) to determine whether there are sufficient taxable profits against which the deductible temporary differences can be utilised. - When comparing deductible temporary differences against the amount of future taxable profits, the calculation of future taxable profits must exclude tax deductions resulting from the reversal of those deductible temporary differences. - The estimate of future taxable profits can include recovery of certain assets at amounts more than their carrying amount if there is enough evidence that it is probable that the entity will recover the asset for more than its carrying amount. Examples would include: <ul style="list-style-type: none"> - Property measured using cost model for which an external valuation has been conducted - Fixed rate debt instruments held to maturity. <p>The Group expects that the impacts will not be material on the Group's accounting policies or financial statements.</p>	1 January 2017	1 July 2017
AASB 2016-2 <i>Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 107</i>	<p>This Standard amends AASB 107 Statement of Cash Flows (August 2015) to requires additional disclosures to enable users to evaluate changes in liabilities arising from financing activities, including both cash flow and non-cash flow changes.</p> <p>The Group expects that the impacts will not be material on the Group's accounting policies or financial statements.</p>	1 January 2017	1 July 2017
AASB 2016-5 <i>Amendments to Australian Accounting Standards - Classification and Measurement of Share-Based Payment Transactions</i>	<p>This Standard clarifies three issues with respect to classification and measurement share-based payment transactions as follows:</p> <p>Vesting and non-vesting conditions The measurement of a cash-settled share-based payment liability takes into account vesting and non-vesting conditions in a similar manner to equity-settled transactions.</p> <p>Net settlement feature for withholding tax obligations Tax laws in some countries require an entity to withhold an amount of equity instruments to settle the employee's withholding tax obligation, usually in cash. These transactions are classified as equity-settled in their entirety if, without the net settlement clause, it would have been classified as equity-settled, and the entity does not withhold instruments with a value that exceeds the employee's withholding tax obligation.</p> <p>Changing classifications from cash-settled to equity-settled Guidance has been added to clarify that the difference between the carrying amount of the cash-settled liability, and the fair value of the equity instruments granted, is recognised immediately in profit or loss when a share-based payment transaction changes from being cash-settled, to equity-settled.</p> <p>The Group expects that the impacts will not be material on the Group's accounting policies or financial statements. This Standard is not mandatory for the Group until 1 January 2018 however early adoption is permitted.</p>	1 January 2018	1 July 2018

LITIGATION CAPITAL MANAGEMENT LIMITED
ABN 13 608 667 509

NOTES TO THE FINANCIAL STATEMENTS (continued)
FINANCIAL YEAR ENDED 30 JUNE 2017

Note 2 Accounting Policies (cont.)

ii) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Litigation Capital Management Limited (LCA, the Company or Parent) and its subsidiaries as at 30 June each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity have been eliminated in full. 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 consolidated entity.

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

d) Critical accounting, judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

The judgments, 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 financial year ending 30 June 2017 are included in the following Notes:

- Note 8 - Recovery of deferred tax asset
- Note 12 - Impairment testing of intangible assets - litigation contracts

e) 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 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 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.

f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

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.

g) Foreign Currency Transactions and Balances

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

LITIGATION CAPITAL MANAGEMENT LIMITED
ABN 13 608 667 509

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Note 3 Financial risk management objective and policies

a) Financial risk management and policies

The Group's principal financial instruments comprise cash and short-term deposits, receivables and payables.

The Group actively manages its exposure to financial risks, including interest rate risk. The objective is to support the delivery of the Group's financial targets whilst protecting its future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts. Aging analyses and monitoring of specific debtors are undertaken to manage credit risk. Liquidity is monitored through the development of future rolling cash flow forecasts.

b) Risk exposures and responses

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates to the Group's cash holdings with a floating interest rate, and the Group's borrowings with a fixed interest rate. At reporting date, the Group had the following financial instruments exposed to interest rate risk.

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
Financial Instruments		
Cash and cash equivalents	1,862,645	5,918,861
Borrowings	-	(7,504,916)
	1,862,645	(1,586,055)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 30 June 2017, if interest rates had moved as illustrated in the following table, with all other variables held constant, post tax profit and equity would have been affected as follows:

Potential reasonably possible movements:

+0.5% (2016: +0.5%)	9,313	(7,930)
-0.5% (2016: -0.5%)	(9,313)	7,930

Credit Risk

Credit risk arises from the financial assets of the Group, which comprises cash and cash equivalents and receivables. The Group's exposure to credit risk arises from potential default of the counterparty. The maximum exposure equals the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

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 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. As at 30 June 2017, no receivables existed as at 30 June 2017. However, the Group's continual monitoring of the defendants' financial capacity mitigates this risk.

Foreign Currency Risk

The Group was exposed to currency risk on a USD bank account and the credit facility from Burford Capital. The credit facility from Burford Capital was fully paid down at 31 December 2016.

	CONSOLIDATED	
	2017 \$	2016 \$
Cash and cash equivalents	-	5,427,548
Borrowings	-	(7,504,916)
	-	(2,077,368)

The following sensitivity analysis is based on the currency rate risk exposures in existence at the reporting date. At 30 June 2017, if currency rates had moved as have been illustrated in the following table, with all other variables held constant, post tax profit and equity would be affected as follows:

Potential reasonably possible movements:

+0.5% (2016: +0.5%)	-	(10,387)
-0.5% (2016: -0.5%)	-	(10,387)

Liquidity Risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet the Group's expected financial commitments in a timely and cost effective manner. Management continually reviews the Group's liquidity position, including the preparation of cash flow forecasts, to determine the forecast liquidity position and to maintain appropriate liquidity levels. All trade and other payable financial liabilities of the Group are current and payable within 30 days.

The maturity profile of the Group's financial liabilities based on contractual maturity on an undiscounted basis are:

	< 30 days	< 12 months	Total
2017			
Financial Liabilities			
Trade and other payables	1,926,074	-	1,926,074
Borrowings	-	-	-
	1,926,074	-	1,926,074
2016			
Financial Liabilities			
Trade and other payables	3,075,866	-	3,075,866
Borrowings	-	7,504,916	7,504,916
	3,075,866	7,504,916	10,580,782

Fair Value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

LITIGATION CAPITAL MANAGEMENT LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Note 4 Segment information

Management has determined the operating segments based on internal reports reviewed by chief operating decision maker, being the Chief Executive Officer and other members of the Board. The Board provide strategic director and management oversight of the entity in terms of monitoring results and approving strategic planning of the business.

Each litigation project is an operating segment. However, based on the similarity of the services provided and the nature of the risks and returns associated with each litigation project, the Board consider the business as one reportable segment. Accordingly, all segment disclosures are based upon analysis of the group as one reportable segment.

The Group operates in one geographical location, being Australia. The Group's customers are all commercial litigants with specific information disclosed within the Operating and Financial Review of the Directors Report.

Note 5 Revenue

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
Revenue		
Management Fees	-	42,000
Performance Fees	-	510,547
Distribution Income	-	19
Interest received	13,312	12,259
	13,312	564,825

Significant Accounting Policies

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

Management fees

Management fees are recognised when the Group has performed investment management services for LCM Litigation Investment Fund No 2. Management fee revenue, which is based on a percentage of the funds managed by the Group, is recognised as Revenue in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as it is earned and calculated in accordance with the agreements set by the Fund.

Performance fees

Performance fees are recognised on the settlement of a litigation project to the extent of the commission agreed upon in the contract for the management of the litigation project.

Interest

Interest revenue 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.

Note 6 Other income

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
Other income		
Litigation contracts in progress - settlements and judgments	3,415,086	840,137
Litigation contracts in progress - expenses	(1,226,016)	(620,098)
Litigation contracts - written down	(6,644)	(111,990)
Net gain on derecognition of intangible assets	2,182,426	108,049
	2,182,426	108,049

Significant Accounting Policies

Litigation contracts in progress

Gains or losses arising from derecognition of Litigation Contracts in Progress are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Profit or Loss and Other Comprehensive Income when the asset is derecognised.

The carrying amount of Litigation Contracts in Progress is written off when the case is lost by the Group or the Group decides not to pursue cases that do not meet the Group's required rate of return.

When the litigation has been determined in favour of the Group or a positive settlement has been agreed, this constitutes a derecognition of the intangible asset and accordingly a gain or loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Note 7 Expenses

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
a) Finance costs		
Interest expense	1,460,091	101,859
Borrowing expense	205,058	-
	1,665,149	101,859
b) Depreciation		
Depreciation expense	6,258	4,898

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Note 7 Expenses (cont.)

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
c) Employment Expenses		
Employee benefits expense	1,165,308	1,082,049
Superannuation	91,861	85,007
Provision for employee entitlements	52,714	42,027
Payroll tax	22,410	20,968
Share based payments expense	70,200	-
	1,402,493	1,230,051
d) Rental expense relating to operating leases		
Minimum lease payments	304,003	274,786

Note 8 Income tax

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
<i>The major components of tax expense comprise:</i>		
Movement in deferred tax assets	2,003,700	2,164,290
Movement in deferred tax liabilities	(1,481,128)	(1,175,702)
Income tax benefit reported in profit or loss	522,572	988,588
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax benefit in the financial statements as follows:		
Profit/(loss) for the year	(2,863,080)	(3,202,004)
At the Group's statutory income tax rate of 27.5% (2016: 30%)	(787,347)	(960,601)
Non-deductible expenses:		
- fines and penalties	20	187
- other non-deductible expenses	-	(3,852)
Change in tax rate	264,755	-
Non-assessable distributions to non-controlling interests	-	(24,322)
Income tax benefit	(522,572)	(988,588)
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets (note 13)	637,813	-

Franking credit balance for the Group

As at 30 June 2017, franking credits available for use in future distribution amounts amount to \$nil (2016: \$nil).

Changes in applicable tax rates

The effective tax rate for the year ended 30 June 2017 was 27.5%, down from 30% from the prior year.

Unrecognised temporary differences and tax losses

At 30 June 2017 the Group had no (2016:nil) unrecognised temporary differences and tax losses.

Significant Accounting Policies

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 from 1 July 2003. 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FINANCIAL YEAR ENDED 30 JUNE 2017

Note 8 Income tax (cont.)

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.

Note 9 Earnings per share

	CONSOLIDATED	
	June 2017	June 2016
Profit/(loss) for the period used in earnings per share	\$	\$
Continuing operations	(2,340,508)	(2,213,415)
Weighted average number of shares used in earnings per share		
Basic / diluted weighted average earnings per share per share	46,712,408	34,968,173
Basic / diluted weighted average earnings per share (cents per share)	(5.01)	(6.33)

Significant Accounting Policies

Basic earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus element.

Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the Parent, adjusted for:

- costs of servicing equity (other than dividends);
 - the after tax effect of interest dividends associated with dilutive potential ordinary shares that have been recognised; and
 - other non-discretionary changes in revenue or expenses during the period that would result from dilution of potential ordinary shares, divided by the weighted average number of shares and dilutive shares, adjusted for any bonus element.
- instruments that could potentially dilute basic earnings per share in the future. 3,095,058 options held by David King and Patrick Moloney were not included in the calculation of diluted earnings per share as they are antidilutive for the year ended 30 June 2017.

Note 10 Cash and cash equivalents

	CONSOLIDATED	
	June 2017	June 2016
Cash at Bank	\$	\$
	1,862,645	5,918,861
	1,862,645	5,918,861

Significant Accounting Policies

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.

Reconciliation to the Consolidated Statement of Cash Flows

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	CONSOLIDATED	
	June 2017	June 2016
Cash at Bank	\$	\$
	1,862,645	5,918,861
	1,862,645	5,918,861

Note 11 Other receivables

	CONSOLIDATED	
	June 2017	June 2016
Other receivables	-	644,035
Security Deposit	43,666	28,610
	43,666	672,645

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017

Note 12 Intangible assets

(a) Reconciliation of carrying amounts at the beginning and end of the period

	CONSOLIDATED \$
Year ended 30 June 2016	
Balance at 1 July 2015	2,575,239
Additions	4,651,092
Litigation contracts in progress - expenses	(620,098)
Litigation contracts in progress - written down	(111,990)
Balance at 30 June 2016	6,494,243
Balance at 1 July 2016	
Additions	7,208,966
Litigation contracts in progress - expenses	(1,226,016)
Litigation contracts in progress - written down	(6,644)
Balance at 30 June 2017	12,470,549

	CONSOLIDATED	
	June 2017	June 2016
	\$	\$
Current	11,683,991	3,573,866
Non Current	786,558	2,920,377
	12,470,549	6,494,243

(b) Description of Group's intangible assets

Intangible assets consist of Litigation Contracts in Progress. The carrying value of Litigation Contracts in Progress includes the capitalisation of external costs of funding the litigation, such as solicitors' fees, counsels' fees and experts' fees. No internal costs are considered directly attributable to managing current Litigation Contracts in Progress.

(c) Write off of intangible assets

The carrying value of Litigation Contracts in Progress is written off when the case is lost by the Group or the Group decides not to pursue cases further.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FINANCIAL YEAR ENDED 30 JUNE 2017

Note 12 Intangible assets (cont.)

(d) Impairment testing of intangible assets

The recoverable amount of each Litigation Contract in Progress is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management.

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of Litigation Contracts in Progress:

- The estimated cost to complete a Litigation Contract in Progress is budgeted, based on estimates provided by the external legal advisors handling the litigation.
- The value to The Group of The Litigation Contracts in Progress, 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 funding 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 Contracts in Progress. The discount rate applied ranged between 13% and 15%.

Significant Accounting Policies

Litigation Contracts in Progress

Litigation Contracts in Progress represent future economic benefits controlled by the consolidated entity. As Litigation Contracts in Progress may be exchanged or sold, the consolidated entity is able to control the expected future economic benefits, hence meeting the definition of intangible assets.

Litigation Contracts in Progress are measured at cost on initial recognition and are not amortised as the asset is not available for use until a successful judgement or settlement relating to the project has been determined. It is at this point that the asset is derecognised.

Actions still outstanding

When litigation is outstanding and pending a determination, Litigation Contracts in Progress are carried at cost. Subsequent expenditure is capitalised when it meets the following criteria:

- the consolidated entity has the ability and intention to complete the litigation;
- the asset is expected to generate a future economic benefit;
- adequate, technical, financial and other resources are available to complete the litigation; and
- the expenditure attributable to the litigation during its duration can be measured reliably.

Unsuccessful judgement

Where the litigation is unsuccessful at trial, this is a trigger for impairment of the intangible asset and the asset is written down to its recoverable amount. If the claimant, having been unsuccessful at trial, appeals against the judgement, then future costs of the appeal are expensed as incurred.

Successful judgement

Where the litigation has been favourably determined or a positive settlement has been agreed, this constitutes a derecognition of the intangible asset and accordingly a gain or loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Any future costs relating to the defence of an appeal of the defendant are expensed when incurred.

Critical Accounting Estimates and Judgements

The consolidated entity determines whether intangible assets with indefinite useful lives are impaired at least on an annual basis. The assumptions used in the estimation of the recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in note 12.

Impairment of non financial assets

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.

Classification of Intangible Assets

The classification of Litigation Contracts in Progress is determined by management's best estimate of resolution of the Litigation Project, with those expected to be resolved in the 12 month period to June 2018 classified as current assets and the balance as non-current assets. Litigation contracts in progress are classified as current assets when the asset is expected to be realised within twelve months after the reporting period. In making this judgement in relation to specific assets the directors take into account the circumstances of the associated litigation, including whether a trial date has been set within the twelve months after the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS
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Note 13 Deferred tax

Deferred tax asset comprises temporary differences attributable to:

Property, plant and equipment
Employee benefits
Other Provisions
Accrued expenses
Tax losses carried forward
Transaction costs on share issue

CONSOLIDATED	
June 2017	June 2016
\$	\$
523	895
37,923	25,556
-	-
12,561	34,586
7,100,444	4,955,511
615,386	108,775
7,766,837	5,125,323

Movements in deferred tax assets - 2017

Property, plant and equipment
Employee benefits
Accrued expenses
Tax losses carried forward
Transaction costs on share issue
Closing balance

Opening Balance 1 July 2016	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Closing Balance 30 June 2017
\$	\$	\$	\$
895	(372)	-	523
25,556	12,367	-	37,923
34,586	(22,025)	-	12,561
4,955,511	2,144,933	-	7,100,444
108,775	(131,202)	637,813	615,386
5,125,323	2,003,701	637,813	7,766,837

Movements in deferred tax assets - 2016

Property, plant and equipment
Employee benefits
Other Provisions
Accrued expenses
Tax losses carried forward
Transaction costs on share issue
Closing balance

Opening Balance 1 July 2015	(Charged)/ credited to profit or loss	(Charged)/ credited to equity	Closing Balance 30 June 2016
\$	\$	\$	\$
1,275	(380)	-	895
12,948	12,608	-	25,556
54,390	(54,390)	-	-
6,860	27,726	-	34,586
2,736,232	2,219,279	-	4,955,511
149,328	(40,553)	-	108,775
2,961,033	2,164,290	-	5,125,323

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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Note 13 Deferred tax (cont.)

Deferred tax liability comprises temporary differences attributable to:

	2017 \$	2016 \$
Intangibles	3,429,401	1,948,273
	3,429,401	1,948,273

	Opening Balance 1 July 2016 \$	(Charged)/ credited to profit or loss \$	(Charged)/ credited to equity \$	Closing Balance 30 June 2017 \$
Movements in deferred tax liabilities - 2017				
Intangibles	1,948,273	1,481,128	-	3,429,401
Closing balance	1,948,273	1,481,128	-	3,429,401

	Opening Balance 1 July 2015 \$	(Charged)/ credited to profit or loss \$	(Charged)/ credited to equity \$	Closing Balance 30 June 2016 \$
Movements in deferred tax liabilities - 2016				
Intangibles	772,572	1,175,701	-	1,948,273
Closing balance	772,572	1,175,701	-	1,948,273

Significant Accounting Policies

Recognition of deferred tax assets

Potential deferred tax assets attributable to carried forward tax losses will be recognised and only utilised when:

- The Group derives future assessable income of a nature or amount sufficient to enable the benefits from the deductions for the losses to be utilised;
- The conditions for deductibility imposed by tax legislation continue to be complied with, and
- No changes in tax legislation adversely affect the Group in realising the benefit.

Critical Accounting Estimates and Judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for tax losses and deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. The Group has deferred tax assets relating to timing differences and tax losses arising from prior years totalling of \$25,819,796 (2016: \$16,518,369). The potential tax benefit at the statutory income tax rate for the Group is \$7,100,444 (2016: \$4,955,511).

Management has performed a prima facie analysis of future taxable profits to determine the likelihood of being able to recover the unused tax losses in the short term. Management has concluded that, based on past performance and accuracies of forecast cash flow from operations, the Group will generate taxable earnings in the short term in order to utilise recognised deferred tax assets.

Note 14 Current liabilities - trade and other payables

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
Trade payables	1,911,072	2,849,163
Distribution payable	32,430	32,430
Other payables	(17,428)	194,273
	1,926,074	3,075,866

Significant Accounting Policies

These amounts represent liabilities for goods and services provided to the consolidated entity 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 15 Current and non-current liabilities - Employee benefits

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
Current		
Employee benefits - Annual Leave	111,040	85,188
	111,040	85,188
Non-current		
Employee benefits - Long Service Leave	26,862	-
	26,862	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2017

Note 15 Current and non-current liabilities - Employee benefits (cont.)

Significant Accounting Policies

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 16 Current liabilities - Borrowings

CONSOLIDATED

	June 2017	June 2016
	\$	\$
Secured current borrowings	-	7,504,916
	-	<u>7,504,916</u>

The borrowings related to a facility provided by Burford Capital was paid down in December 2016. As at 30 June 2017, borrowings is \$nil.

Significant Accounting Policies

Borrowings

All loans and borrowings are initially recognised at fair value, including transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method. Fees paid for establishing loan facilities are recognised as transaction costs if it is probable that some or all of the facility will be drawn down, and deferred until the draw down occurs. If it is not probable that the facility will be drawn down, fees are capitalised as prepayments for liquidity services and amortised over the period to which the facility relates.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract has been discharged, cancelled or expires. The difference between the carrying amount of the borrowing derecognised and the consideration paid is recognised in profit or loss as other income or finance costs.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed when incurred.

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NOTES TO THE FINANCIAL STATEMENTS
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Note 17 Equity - Issued capital

(a) 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 a limited shares held. The fully paid ordinary shares have no par value and the company does not have

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.

(b) Partly paid shares

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. As at 30 June 2017, there are currently 1,433,022 partly paid shares and were issued at an issue price of \$0.17 and will become fully paid upon payment to LCM of \$0.17 per share.

CONSOLIDATED				
	June 2017 Shares	June 2016 Shares	June 2017 \$	June 2016 \$
Ordinary shares - fully paid	53,533,247	32,104,675	24,865,111	11,546,617
Ordinary shares - partly paid	2,866,050	2,866,050	-	-
Movements in fully paid ordinary share capital	Date	No of shares	Issue price	\$
Opening balance at 1 July 2015		5,170,447	n/a	11,005,620
Issue of ordinary shares - fully paid	Jul-15	180,332		540,996
Elimination of shares on reverse acquisition by Litigation Capital Management Limited	Oct-15	(5,350,779)		-
Existing shares of Litigation Capital Management Limited	Oct-15	32,104,675		1
Balance at 30 June 2016		<u>32,104,675</u>		<u>11,546,617</u>
Opening balance at 1 July 2016		32,104,675	n/a	11,546,617
Issue of shares	Dec-16	21,428,572	\$0.70	15,000,000
Share issue transaction costs, net of tax				(1,681,506)
Balance at 30 June 2017		<u>53,533,247</u>		<u>24,865,111</u>
Movements in partly paid ordinary share capital	Date	No of shares	Issue price	\$
Opening balance at 1 July 2016		2,866,050	n/a	-
Balance at 30 June 2016		<u>2,866,050</u>		-
Opening balance at 1 July 2016		2,866,050	n/a	-
Issue of shares		-	n/a	-
Balance at 30 June 2017		<u>2,866,050</u>		-

(c) Capital risk management

The Group considers its capital to comprise its contributed equity, any accumulated retained earnings as well as its credit facility which is classified as a financial liability in the Consolidated Statement of Financial Position.

When managing capital, management's objective is to ensure that the consolidated entity continues as a going concern, has sufficient capital to meet its growth aspirations and to provide optimal returns to shareholders. The Company is not subject to any regulatory imposed capital requirements.

In making decisions to adjust its capital structure to achieve these aims, the Group considers not only its short-term position but also its long-term operational and strategic objectives. 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 has not changed during the year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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Note 17 Equity - issued capital (cont.)

Significant Accounting Policies

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.

Note 18 Share based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued to employees under the Employee Share Option Scheme. This reserve can be reclassified as retained earnings if options lapse and subsequently be declared as a dividend.

CONSOLIDATED	
June 2017	June 2016
\$	\$
165,903	95,703

Options issued under option plan

Employee option plan

The Option Plan gives directors David King and Patrick Moloney the opportunity to participate in the plan. The directors have been granted 600,000 and 900,000 options respectively, which vest 3 years after grant date.

When vesting occurs, each option can be exercised to purchase 1 ordinary share in Litigation Capital Management Limited at an exercise price of \$1.00. The options granted on 1 December 2013 can be exercised to purchase 1 ordinary share in Litigation Capital Management Limited at an exercise price of \$0.47.

Details of options outstanding as part of the employee option plan during the period are as follows:

30 June 2017

Grant date	Exercise date	Expiry date	Balance at beginning of the year	Granted during the year	Exercised during the year	Balance at the end of year	Exercisable at the end of the year
01/12/2013	01/12/2013	01/12/2018	3,190,116	-	-	3,190,116	3,190,116
20/09/2016	01/11/2018	01/11/2021	-	1,500,000	-	1,500,000	-
			3,190,116	1,500,000	-	4,690,116	3,190,116
Weighted average exercise price of those with an exercise price			0.47	1.00	-	0.64	0.47

The weighted average remaining contractual life of share options outstanding at the end of the period was 5.13 years. (2016: 2.58 years)

Fair value of options granted

The fair value at grant date was determined by using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate, vesting and performance criteria, the impact of dilution, the fact that the options are not tradeable. The inputs used for the Black-Scholes option pricing model for options granted during the year ended 30 June 2017 were as follows:

- options are granted for no consideration, have a 3 year life and are exercisable after the vesting date of 1 November 2018
- grant date: 20/09/2016
- share price at grant date: \$0.70
- weighted average exercise price: \$1.00
- expiry date: 01/11/2021
- expected volatility: 25%
- expected dividend yield: 0%
- risk free rate: 5%

Expected volatility was determined based on the historic volatility (based on the remaining life of the option), adjusted for any expected changes to future volatility based on publicly available information.

The fair value of the options issued during the period is \$195,000. An amount of \$70,200 has been expensed during the period, with the remainder to be expensed over the remaining vesting period.

Note 19 Subsidiaries and Transactions With Non-Controlling Interests

Interests in Subsidiaries

Information relating to the group's interests in subsidiaries at 30 June 2017 is set out below. All entities are incorporated in and operate within Australia. The ownership of each subsidiary is equal to the voting rights of each entity.

Name of Entity	Ownership Interest		Ownership Interest held by non-controlling interests	
	2017	2016	2017	2016
LCM Litigation Fund Pty Ltd	100%	100%	-	-
ALF No.4 Pty Ltd	n/a ¹	100%	-	-
ALF No 9 Pty Ltd	100%	100%	-	-
LCM Litigation Management Pty Ltd	100%	100%	-	-
LCM Litigation Investment Fund No 1 Pty Ltd	100%	100%	-	-
LCM Operations Pty Ltd	100%	-	-	-
LCM Unit Trust	60%	60%	40%	40%
Basis Partnership	30% ²	30% ²	70%	70%

¹ entity was deregistered during the year.

² the consolidated entity is deemed to control Basis Partnership as it directs activities of the entity as part of its role as Partnership Manager and the non-controlling interests do not have sufficient voting rights to remove the Partnership Manager without the consolidated entities vote.

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Note 19 Subsidiaries and Transactions With Non-Controlling Interests (cont.)

Non-controlling interests (NCI)

The table below sets out the summarised financial information for each subsidiary that has non-controlling interests that are material to the group. Amounts disclosed are before intercompany eliminations.

	LCM Unit Trust		Basis Partnership	
	2017 \$	2016 \$	2017 \$	2016 \$
Summarised statement of financial position				
Current assets	46,063	248,451	-	-
Non-current assets	-	-	-	-
Total assets	46,063	248,451	-	-
Current liabilities	84,375	148,451	-	-
Non-current liabilities	-	-	-	-
Total liabilities	84,375	148,451	-	-
Net assets	(38,312)	100,000	-	-
Summarised statement of profit or loss and other comprehensive income				
Revenue	-	154,108	-	-
Other income	-	-	-	-
Expenses	138,313	73,034	-	-
Profit/(loss) before income tax expense	(138,313)	81,074	-	-
Income tax expense	-	-	-	-
Profit/(loss) after income tax expense	(138,313)	81,074	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	(138,313)	81,074	-	-
Statement of cash flows				
Net cash from operating activities	(202,389)	(5,658)	-	-
Net cash used in investing activities	-	357,374	-	-
Net cash used in financing activities	-	(103,266)	-	(111,328)
Net increase/(decrease) in cash and cash equivalents	(202,389)	248,451	-	(111,328)
Other financial information				
Profit attributable to non-controlling interests	(55,325)	32,430	-	-
Accumulated non-controlling interests at year end	(15,325)	40,000	-	-
Distributions paid to non-controlling interests	-	32,430	-	77,929

Transactions with non-controlling interests

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.

Note 20 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, its network firms and unrelated firms:

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
Audit Services		
Amounts paid/payable for audit and review of financial statements for the entity or any entity in the Group	68,861	52,427
Taxation Services		
Amounts paid/payable to a related practice of the auditor for tax compliance and advisory services	11,235	9,978
Other Services		
Amounts paid/payable to a related practice of the auditor for corporate finance services	58,470	161,819

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Note 21 Reconciliation of profit after income tax to net cash from operating activities

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
Profit/(loss) after income tax expense for the year	(2,340,508)	(2,213,415)
Adjustments for:		
Net impact of the reclassification of litigation related cash flows to cash flows to/(from) investing activities	(2,182,426)	(108,049)
Depreciation and amortisation	6,258	4,898
Change in operating assets and liabilities:		
Decrease in trade and other receivables	628,979	(287,375)
Increase/(decrease) in trade and other payables	135,081	889,477
Increase/(decrease) in deferred taxes	(522,572)	(988,589)
Increase in employee benefits	52,714	42,027
Increase in share based payments	70,200	-
Net cash from operating activities	(4,152,274)	(2,661,026)

Note 22 Related party transactions

(a) Parent entity

Litigation Capital Management Limited is the parent entity of the Group. Litigation Capital Management Limited was incorporated on 9 October 2015 and is domiciled in Australia. The registered address of Litigation Capital Management Limited is Level 25, Aurora Place, 88 Phillip Street, Sydney, NSW, 2000.

Litigation Capital Management Limited acquired 100% of the issued share capital of LCM Litigation Fund Pty Ltd on 16 November 2015. Upon completion of the acquisition, Litigation Capital Management Limited issued 6 shares for every 1 held in LCM Litigation Fund Pty Ltd to existing shareholders as consideration for the share in LCM Litigation Fund Pty Ltd.

(b) Subsidiaries

Interests in subsidiaries are disclosed in note 19.

(c) Key Management Personnel Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	CONSOLIDATED	
	June 2017 \$	June 2016 \$
Short-term employee benefits	1,066,054	450,000
Post-employment benefits	32,049	25,000
Long term benefits	77,675	-
	1,175,778	475,000

(d) Transactions with related parties

The following transactions occurred with related parties:

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. During the year, LCM Litigation Management Pty Ltd has earned a management fee of \$nil (2016: \$42,000) and performance fee of \$nil (2016: \$356,537). As at 30 June 2017 there were no amounts owing to 101 Capital (2016: \$nil).

Patrick Moloney is a shareholder of Litigation Insurance Pty. Ltd which carries out insurance broking services. This entity arranges After The Event insurance policies for either the consolidated entity or Litigants to whom the consolidated entity is providing funding to. Litigation Insurance Pty Ltd is not paid a fee or commission from the consolidated entity for these insurance broking services however brokerage fees are paid by the insurer.

Steven McLean is a shareholder and director of 145 Fleet Pty Ltd, which carries out financial advisory services. During the year, 145 Fleet has consulted to LCM and earned fees of \$512,430 (2016: \$119,000). As at 30 June 2017 there were no amounts owing to 145 Fleet (2016: \$11,000).

During the 2016 year, the following related parties loan funds to Litigation Capital Management Limited which were repaid with interest during the 2016 year.

	Start Date	Amount	Interest	Total	Repayment Date
Douglas Battersby	19/04/2016	150,000	6,295	156,295	22/06/2016
Steven McLean	21/04/2016	140,000	5,692	145,692	22/06/2016
David King	27/04/2016	50,000	1,770	51,770	20/06/2016
Patrick Moloney	03/05/2016	40,639	1,332	41,971	22/06/2016
Patrick Moloney	12/05/2016	200,000	5,377	205,377	24/06/2016
		580,639	20,466	601,105	

Transactions with non-controlling interests

Director Patrick Moloney has a non-controlling interest in LCM Unit Trust and Basis Partnership.

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FINANCIAL YEAR ENDED 30 JUNE 2017

Note 23 Parent entity information

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

	June 2017 \$	June 2016 \$
Statement of profit or loss and other comprehensive income		
Profit/(loss) after income tax	(2,150,133)	(2,550,153)
Total comprehensive income	<u>(2,150,133)</u>	<u>(2,550,153)</u>
Statement of financial position		
Total current assets	13,544,239	10,087,927
Total assets	<u>22,160,032</u>	<u>18,084,352</u>
Total current liabilities	2,028,246	10,566,164
Total liabilities	<u>20,352,609</u>	<u>12,514,438</u>
Equity		
Issued capital	11,546,617	11,546,617
Share based payments reserve	95,703	95,703
Retained profits	(9,834,897)	(6,072,406)
Total equity	<u>1,807,423</u>	<u>5,569,914</u>

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity.

Note 24 Events after the reporting period

On 31 August 2017 the Group entered into a credit facility with a private investor, Ambro Nominees Pty Ltd. The credit facility provides the Group with a line of credit up to \$4 million over a term of 18 months. The credit facility has been provided on normal commercial terms and is secured by charges granted by the Group and two of its operating subsidiaries. The entry into the credit facility enables the Group to enter into a number of litigation funding opportunities, which will be announced to the market in due course, and continue with the growth of its portfolio of Litigation Projects.

In addition, the Group is engaged in advanced negotiations with a number of parties in respect of both a larger commercial credit facility as well as a commercial co-funding arrangement. A larger and more permanent source of debt capital will enable the Group to continue with the growth of its portfolio of Litigation Projects and meet the increasing demand for its services. A commercial co-funding arrangement may enable the Group to enter into larger scale Litigation Projects which might otherwise represent concentration risk in its portfolio. The Group will announce to the market the entry into either of those anticipated facilities in due course.

Note 25 Commitments and Contingencies

(a) Operating lease commitments

Leasing Arrangement

Operating lease relate to business premises leased in Melbourne, Adelaide, Brisbane and Sydney. The Group has lease terms with between 1 and 6 month cancellation period requirements.

Non-cancellable leases
- not later than 12 months

CONSOLIDATED	
June 2017 \$	June 2016 \$
82,496	78,130
<u>82,496</u>	<u>78,130</u>

LITIGATION CAPITAL MANAGEMENT LIMITED
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DIRECTORS DECLARATION

In the directors' opinion:

the attached financial statements and notes comply with the *Corporations Act 2001*, *Corporations Regulations 2001*, Australian Accounting Standards 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 1 to the financial statements;

the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;

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

this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2017.

Signed in accordance with a resolution of directors.

On behalf of the directors



Director

Dated this 31 day of August 2017

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 2017, 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 2017 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
<p>Note 12 to the financial report discloses the intangible assets consisting of Litigation Contracts in Progress, and the assumptions used by the Group in testing these assets for impairment.</p> <p>The impairment assessment of intangible assets was a key audit matter due to the size of the recorded asset 2017 \$12,470,549 (2016 \$6,494,243), the degree of estimation and assumptions required to be made by the Group, specifically concerning future discounted cash flows.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • 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.

Recognition of Deferred Tax Assets

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in note 13 in the financial report, the Group recognised gross deferred tax assets of \$7,766,837 at 30 June 2017, of which \$7,100,444 arises from tax losses carried forward.</p> <p>This area was a key audit matter due to the quantum of the accumulated losses as well as the judgement required in preparing forecasts to demonstrate the future utilisation of these losses in accordance with the requirements of the Australian Accounting Standards.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Evaluating the Group’s rationale for the recognition and measurement of the net deferred tax assets of \$4,337,436 by obtaining calculations of forecast taxable income for the Group in order to evaluate the Group’s conclusion that sufficient taxable income would likely be earned in the future to utilise the tax losses for which deferred tax assets have been recognized.

Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • Assessing and challenging management’s judgements relating to the forecast of future taxable profit and evaluating the reasonableness of the assumptions underlying the preparation of these forecasts. • Assessing the accuracy of the forecasts by comparing previous forecasts with actual business results. • Assessing the adequacy and accuracy of the disclosures included in note 13 of the consolidated financial statements, which outlines the Board’s assessment and conclusion of the recoverability of the tax benefits.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the directors’ report for the year ended 30 June 2017, 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 report and Managing Directors’ report, which are 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 report and Managing Director’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_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 23 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Litigation Capital Management Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (SA) Pty Ltd

Geoff Edwards
Director

Adelaide, 31 August 2017