LITIGATION CAPITAL MANAGEMENT LIMITED
ACN 608 667 509

DIRECTORS' REPORT

CONSOLIDATED FINANCIAL FOR THE HALF YEAR ENDING 31 DECEMBER 2018

The Directors present their report, together with the financial statements consisting of Litigation Capital Management Limited (**LCM**) and the entities it controlled (the **LCM group**) at the end of, or during, the half year ending 31 December 2018.

Directors

The following persons were directors of the company during the whole of the financial half year period and up to the date of this report:

Name	Title
Dr. David King	Chairman and Non-Executive Director
Mr. Patrick Moloney	Chief Executive Officer
Mr. Steven McLean	Non-Executive Director

The names of persons, together with their appointment dates, who were directors for part of the financial half year period and up to the date of this report:

Name	Title	Date of Appointment
Mr Jonathan Moulds	Non-Executive Director	19 December 2018
Mr Stephen Conrad	Chief Financial Officer	30 November 2018
Mr Nick Rowles-Davies	Executive Vice-Chairman	19 December 2018

Principal activities

LCM is a leading international provider of litigation financing solutions. This includes single case and portfolios of class actions, commercial claims, claims arising out of insolvency and international arbitration. LCM has an unparalleled record, driven by effective project selection, active project management and robust risk management. LCM is headquartered in Sydney with offices in London, Singapore, Brisbane and Melbourne.

Operating and financial review

Overview of the Group

LCM is a company limited by shares and was incorporated on 9 October 2015. It was listed on the Australian Securities Exchange (**ASX**) on 13 December 2016 under the code LCA. It was subsequently admitted to trade on the Alternative Investment Market (**AIM**) of the London Stock Exchange on 19 December 2018 under the ticker LIT. LCM delisted from ASX on 21 December 2018.

LCM's registered office and principal place of business is Suite 12.06, Level 12 The Chifley Tower, 2 Chifley Square, Sydney NSW 2000.

Operations

During the half year period, LCM achieved significant growth in its operations, opening offices in both London and Singapore, establishing a global litigation finance platform across the Australian, EMEA and Asia Pacific regions. LCM launched an office in London to service the key growth region of EMEA. LCM secured a highly skilled and experienced team in London led by Nick Rowles Davies, giving the Company a strong and immediate presence in the region. Nick brought to LCM a team of highly experienced practitioners in litigation finance and a wealth of experience in funding, not only in relation to single case funding but also corporate portfolio funding in London, Europe and the Middle East. LCM expects corporate funding to become a source of future growth driven by the extensive expertise in this area of litigation finance that the Company now has through its London office.

In addition, legislation was passed in the jurisdictions of both Singapore and Hong Kong during the 2017 calendar year to permit litigation funding and finance products to be utilised in association with international arbitration projects. Ahead of the legislation being passed, LCM anticipated these changes and began its search for the appropriate team to represent LCM's interest in those jurisdictions. Roger Milburn was appointed to lead the Singapore office that was formally opened in November 2018, which services both Singapore and Hong Kong; which are viewed as key growth markets for the Company.

In December 2018, LCM was listed on AIM in London and delisted from the ASX, creating a new primary listing location for the Company amongst other listed litigation finance peers. During the period, LCM raised capital of $45m (AIM capital raise: £20m c. A$35m, and ASX capital raise: $10m) by way of a primary equity offering upon admission to trading on AIM and on the ASX post the announcement of LCM's intention to delist from the ASX.

LCM's capital raise on both the ASX and AIM took place in extremely turbulent market conditions, demonstrating not only the strength of LCM's brand and offering, but a strong commitment by investors to the litigation finance asset class.

In expanding its operations, LCM has become a global provider of litigation funding and finance solutions to the legal profession and disputation generally. LCM is proud to have been part of one of the pioneers of an industry which has grown exponentially in recent years.

Review of financial position / Operating and financial review

It is fair to observe that the half year period ending 31 December 2018 was dominated by operational changes outside LCM's usual day to day operations. Those were the very significant expansion achievements described above, as well as the de-listing from ASX and admission to AIM. Those activities commanded senior management's time with respect to almost the entire period. Having said that, and as a testament to how strong LCM's business and growth plan is, the company continued to significantly improve its financial performance when compared with the six-month period ending 31 December 2017.

LCM completed three litigation projects or investments during H1 2019. Two of the litigation projects completed during the financial period generated high return metrics predominately in line with LCM's ongoing performance. The project which completed in October 2018 generated revenue to LCM of $9.7m and contributed $4.1m to EBITDA. The project was for a single case in Australia and generated an IRR of 86%, ROIC of 88% and the total time to completion was 27.4 months.

The project which completed in December 2018 generated exceptional returns. It contributed revenue of $2m and $1.6m to EBITDA. The characteristics of this project (funding an international arbitration case) were unremarkable and comparable to other projects routinely funded by LCM. However, the project concluded within an exceptionally short period of time which was reflective of LCM's active project management approach in an opportunistic situation. LCM generated an exceptionally large return after making a modest investment and given these circumstances, it is not possible to disclose a meaningful IRR as the percentage is just too large. ROIC was 5613% with a total time to completion of 2.1 months.

The other project was not on LCM's balance sheet (it was funded by our International Funding Partner subject to the joint venture agreement as previously disclosed) and did not contribute to financial performance. This project was the second last litigation project subject to the joint venture arrangement with LCM's international funding partner and the project resulted in loss of $0.15m. The final litigation project subject to that joint venture is forecast to complete this financial year.

The high return metrics of the second on-balance sheet project is an example of how the provision of litigation finance in a dispute, either before the Courts or as part of an arbitration, can bring about a swift resolution. This particular project saw LCM provide funding to an applicant engaged in international arbitration. That international arbitration had been on foot for some years and had been vigorously defended by the respondent. As soon as the respondent learnt of the financial backing of LCM, the matter was promptly resolved. This is a perfect example of how the provision of litigation finance can level the playing field and bring about the resolution of a dispute. It should not be expected that the same dynamic will regularly occur across our portfolio of investments, but it is a situation which does occur from time to time.

At the end of the financial period, LCM's running IRR calculated over the past 7.5 years (inclusive of losses) was 78%. Similarly, LCM's running ROIC was 117%. Both the IRR and ROIC are exceptional figures for the industry and are testament to the consistent quality of LCM's approach to funding litigation projects and investments. There will be inevitable fluctuations to these metrics, but LCM will continue to provide strong returns over a reasonable investment period. The average time to completion remains 27 months.

In the half year period, LCM generated statutory revenue of $18,500,625 which amounted to an increase of 181% for the corresponding period ending 31 December 2017. LCM's adjusted revenue was A$11.71 million (H1 2018: $0.10 million). Of that revenue, a contribution of $5,666,134 (before overheads) was made to LCM's EBITDA for the full financial period which compared favourably to the same period last year (31 December 2017: $30,428).

As at 31 December 2018, the Group had net cash of $52,604,656 (30 June 2018: $13,786,949). LCM deployed capital of $12,834,491 during the half year period, representing an increase of 96% on capital invested in the 6 months to 31 December 2017 of $6,559,965. LCM has a total investments in litigation projects of $20,701,296 as at 31 December 2018, representing a 49% increase on the investment as at 30 June 2018 of $13,914,646. The Group raised capital through two equity raises during the period totalling A$45m, which places LCM in a strong position to take advantage of its substantial pipeline of investment opportunities. Even the relatively modest level of capital injection into LCM's business, taking into account its consistent performance in relation to investment returns, translates into future profits for the company. LCM is excited to expand its portfolio of investment opportunities and invest in projects which are already at an advanced stage of due diligence.

Review of LCM's portfolio of litigation projects

As at 26 February 2019, LCM has a portfolio of 24 current projects under management. 17 litigation projects are unconditionally funded and seven projects conditionally signed. The balance of investment to be made in current portfolio is $70.1m; conditional and unconditional. At the time of listing on AIM in December 2018, LCM had a portfolio of 21 projects under management.

In addition to the seven conditional projects, LCM is in advanced negotiations and has term sheets issued with respect to eight additional projects. Project and pipeline opportunities are well diversified by litigation type and geography; while maintaining a disciplined project selection. LCM has 64 pipeline projects with estimated investments of $409m.

LCM funded its first corporate portfolio transaction in October 2018, comprising of both litigation and arbitral disputes relating to building and construction for a single corporate entity. The provision of litigation finance products to large, sophisticated and well-capitalised corporate entities constitutes a significant opportunity for LCM and through the experience of Nick Rowles-Davies, based in LCM's London office, the Company is actively pursuing corporate portfolio transactions, and will continue to do so going forward.

LCM possesses one of the largest pools of experience in relation to corporate portfolio transactions globally and is presently considering eight significant corporate portfolio transactions as part of its pipeline of investment opportunities. The Company is confident that it will continue to invest further in opportunities to fund corporate portfolio transactions.

The current pipeline demonstrates the very large and diverse pre-qualified investment opportunities within the Company. In addition to the eight corporate portfolio transactions, the current pipeline includes projects across the mix of litigation financing: commercial (27), international arbitration (17), insolvency (six), class actions (five) and law firm funding (one).
In terms of applications received during the accounting period, LCM received a total of 87 compared to the six month period ending 31 December 2017 of 64, representing an increase of 36%. That increase in applications does not include any applications originated or initiated by LCM's newly established London office for the period. LCM is expecting and is currently experiencing a significant increase in the number of applications following the opening of both our London and Singapore offices. LCM will continue its investment strategy of diversifying its investments by industry sector, capital commitment, geography and jurisdiction. The opening of our London and Singapore offices will add to the geographic and jurisdictional diversification of our portfolio of investments.

Dividend

LCM announces an interim dividend of 0.506 cents (Australian) per share, or A$550,000 based on the current issued share capital of the Company, that will be paid in respect of the financial period ending 31 December 2018.

The ex-dividend date is 23 May 2019 with a record date of 24 May 2019. The associated payment date is 21 June 2019. The Board anticipates establishing a dividend reinvestment plan such that shareholders who receive their dividend in sterling can choose to elect to participate in such a plan in relation to any future dividends.

Shareholders on the Australian Register

- The dividend will be paid on 21 June 2019 in Australian dollars to holders on the Australian share register as at 24 May 2019.

Shareholders on the Guernsey Register and Depositary Interest holders

- The dividend will be paid on 21 June 2019 in Sterling to holders on the Guernsey share register and within the Depositary Interest facility as at 24 May 2019. The Sterling rate will be announced in due course.
- The dividend is capable of being paid in Australian dollars, provided that the relevant shareholder has registered to receive their dividend in Australian dollars under the Company's Dividend Currency Election form by the close of business on 31 May 2019.
- A copy of the Dividend Currency Election form, which when completed should be sent to Link Asset Services, The Registry, Beckenham Road, Beckenham, Kent, BR3 4TU, can be found on the Company's website at https://www.lcmfinance.com/.

In keeping with the dividend policy set out in the Company's Admission document, the Board looks to adopt the appropriate balance between capital investment and dividend payment by implementing a progressive, but measured, dividend policy going forward.

Significant changes in the state of affairs

The significant changes that have occurred during the financial period are the establishment of offices in both London and Singapore. Further details of those offices are described above. The opening of those offices will increase LCM's base operational expenditure on an ongoing basis.

Matters subsequent to the end of the half-year

There are no significant matters arising subsequent to the end of the interim financial period on 31 December 2018.

Environmental Regulation

LCM's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory in any of the jurisdictions in which it operates.

Auditor's Independence Declaration

The lead auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors.

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Patrick Moloney
Chief Executive Officer

Dated this 4th day of March 2019

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

As lead auditor for the review of Litigation Capital Management Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

G K Edwards
Director

BDO Audit (SA) Pty Ltd

Adelaide, 4 March 2019

LITIGATION CAPITAL MANAGEMENT LIMITED
ABN 13 608 667 509

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Consolidated Half-Year Dec 2018 $	Restated Dec 2017 $
Revenue	5	18,500,625	6,590,393
Litigation service expense		(12,834,491)	(6,559,965)
Gross profit		**5,666,134**	**30,428**
Other Income	6	328,101	111,980
Expenses			
Corporate & Office Expenses	7	1,805,999	613,765
Legal & Professional Fees	7	545,677	59,257
Depreciation		12,958	8,029
IPO Listing Expense		232,856	-
Employment Expenses	7	2,247,496	972,818
Foreign exchange loss		102,841	-
Finance Costs		-	221,184
		4,947,827	**1,875,053**
Profit/(Loss) Before Income Tax		**1,046,408**	**(1,732,645)**
Income tax expense / (benefit)	8	226,862	(462,835)
Net Profit/(Loss) For the Half-Year		**819,546**	**(1,269,810)**
Other comprehensive income		-	-
Total comprehensive income for the half-year		**819,546**	**(1,269,810)**
Profit/(Loss) for the half-year and total comprehensive income attributable to:			
Owners of the company		823,494	(1,262,178)
Non-controlling interest		(3,948)	(7,632)
		819,546	**(1,269,810)**

Earnings Per Share for profit attributable to the owners of the parent entity during the half-year (cents per share):

	Consolidated Half-Year Dec 2018	Dec 2017
Basic (cents per share)	1.30	(2.25)
Diluted (cents per share)	1.26	(2.25)

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 31 DECEMBER 2018

		Consolidated	
			Restated
		Dec	Jun
	Note	2018	2018
CURRENT ASSETS		$	$
Cash and cash equivalents		52,604,656	13,786,949
Other receivables		256,773	638,891
Contract assets - litigation contracts	5	8,680,037	11,048,971
TOTAL CURRENT ASSETS		**61,541,466**	**25,474,811**
NON-CURRENT ASSETS			
Property, plant and equipment		219,004	175,114
Contract assets - litigation contracts	5	12,021,259	2,865,675
Deferred tax asset	9	8,262,991	4,837,848
TOTAL NON-CURRENT ASSETS		**20,503,254**	**7,878,637**
TOTAL ASSETS		**82,044,720**	**33,353,448**
CURRENT LIABILITIES			
Trade and other payables		5,251,585	3,816,048
Employee Benefits		235,790	254,481
TOTAL CURRENT LIABILITIES		**5,487,375**	**4,070,529**
NON-CURRENT LIABILITIES			
Deferred tax liability	9	6,210,389	3,826,528
Employee Benefits		63,562	34,358
TOTAL NON-CURRENT LIABILITIES		**6,273,951**	**3,860,886**
TOTAL LIABILITIES		**11,761,326**	**7,931,415**
NET ASSETS		**70,283,394**	**25,422,033**
EQUITY			
Issued Capital	10	68,830,062	24,865,111
Share-Based Payments Reserve	11	369,348	292,484
Retained Earnings		1,062,066	238,572
Parent interest		70,261,476	25,396,167
Non-controlling interest		21,918	25,866
TOTAL EQUITY		**70,283,394**	**25,422,033**

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 HALF-YEAR ENDED 31 DECEMBER 2018

Consolidated	Issued capital	Retained profits	Share-based payments reserve	Total	Non-controlling interests	Total equity
Balance at 1 July 2017	24,865,111	(8,357,591)	165,903	16,673,423	(15,325)	16,658,098
Profit / (Loss) for the half-year	-	(1,262,178)	-	(1,262,178)	(7,632)	(1,269,810)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the half-year	**-**	**(1,262,178)**	**-**	**(1,262,178)**	**(7,632)**	**(1,269,810)**
Equity Transactions:						
Share-based payments	-	-	51,512	51,512	-	51,512
	-	**-**	**51,512**	**51,512**	**-**	**51,512**
Balance at 31 December 2017	**24,865,111**	**(9,619,769)**	**217,415**	**15,462,757**	**(22,957)**	**15,439,800**
Balance at 1 July 2018	24,865,111	238,572	292,484	25,396,167	25,866	25,422,033
Profit / (Loss) for the half-year	-	823,494	-	823,494	(3,948)	819,546
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the half-year	**-**	**823,494**	**-**	**823,494**	**(3,948)**	**819,546**
Equity Transactions:						
Contributions of equity (note 10)	46,923,957	-	-	46,923,957	-	46,923,957
Transaction costs	(2,959,006)	-	-	(2,959,006)	-	(2,959,006)
Share-based payments	-	-	76,864	76,864	-	76,864
	43,964,951	**-**	**76,864**	**44,041,815**	**-**	**44,041,815**
Balance at 31 December 2018	**68,830,062**	**1,062,066**	**369,348**	**70,261,476**	**21,918**	**70,283,394**

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 HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated	
		Restated
	Dec	Dec
	2018	2017
	$	$
Cash flows from operating activities		
Payments to suppliers and employees	(16,258,871)	(5,358,764)
Interest received	26,925	5,017
Proceeds from litigation contracts - settlements, fees and reimbursements	10,994,735	101,000
Net cash (used in)/from operating activities	**(5,237,211)**	**(5,252,747)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(56,848)	(189,301)
Net cash (used in)/from investing activities	**(56,848)**	**(189,301)**
Cash flows from financing activities		
Proceeds from issue of shares	46,879,707	-
Proceeds from borrowings	-	4,000,000
Share issue transaction costs	(2,767,941)	-
Net cash (used in)/from financing activities	**44,111,766**	**4,000,000**
Net increase/(decrease) in cash and cash equivalents	38,817,707	(1,442,048)
Cash and cash equivalents at the beginning of the period	13,786,949	1,862,645
Cash and cash equivalents at the end of the half-year	**52,604,656**	**420,597**

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

Note 1 Corporate Information

The financial statements and interim report of Litigation Capital Management Limited for the half-year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors and covers the consolidated entity consisting of Litigation Capital Management Limited and its subsidiaries. Litigation Capital Management Limited is a for-profit entity for the purpose of preparing these financial statements.

Litigation Capital Management Limited is incorporated and domiciled in Australia. The principal activities of the consolidated entity are the investigation, management and funding of litigation.

The financial statements are presented in Australian dollars ($AUD), which is the functional currency of the Parent Company.

Note 2 Basis of preparation

a) Basis of preparation
The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting* .

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2018 of Litigation Capital Management Limited.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* became mandatorily effective for reporting periods beginning on or after 1 January 2018. Accordingly, these standards apply for the first time to this set of interim financial statements. The nature and effect of changes arising from these standards are summarised below and in Note 3. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

New standards adopted as at 1 July 2018

AASB 15 *Revenue from Contracts with Customers*
AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. AASB 15 contains new requirements for the recognition and disclosure of revenue, which the Group has assessed as the standard applicable to its litigation funding services. The Group has applied the new Standard from 1 July 2018. In accordance with the transition provisions in AASB 15, the Group has adopted the new requirements retrospectively and has restated comparatives. The adoption of AASB 15 has mainly affected the following areas:

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

As these costs are incurred and the services are rendered by the Group, the client receives a benefit from the services and the service is transferred to the client on the basis that another litigation funder would not need to substantially re-perform the work completed to date by the Group.

Costs incurred are recoverable from the client only upon a successful outcome. As the total consideration is variable, the recognition of revenue over time is limited to the costs incurred. Furthermore, as a successful outcome is probable based on the Group's historical experience with similar arrangements, the anticipated recovery is reasonable despite being limited to costs incurred. Previously, under AASB 138 *Intangible Assets,* these costs were capitalised as incurred as an intangible asset. Under AASB 15 these costs are recognised as a contract asset. When a judgement has been awarded or an agreed settlement between the parties to the litigation, the total consideration is recognised and the contract asset is reclassified as receivables.

The tables below highlight the impact of AASB 15 on the Group's statement of profit or loss and other comprehensive income, statement of financial position and the statement of cash flows for the comparative amounts.

Statement of profit or loss and other comprehensive income for the half-year ended 31 December 2017 (extract):	**Previously presented**	**Adjustments**	**Restated**
	$	**$**	**$**
Revenue	5,017	6,585,376	6,590,393
Litigation service expense	-	(6,559,965)	(6,559,965)
Other income	137,391	(25,411)	111,980
Profit/(loss) before income tax	**(1,732,645)**	**-**	**(1,732,645)**
Net profit/(loss) for the half-year	**(1,269,810)**	**-**	**(1,269,810)**

Statement of financial position at 30 June 2018 (extract):	**Previously presented**	**Adjustments**	**Restated**
	$	**$**	**$**
Current assets			
Intangible assets - litigation contracts	11,048,971	(11,048,971)	-
Contract assets - litigation contracts	-	11,048,971	11,048,971
Non-current assets			
Intangible assets - litigation contracts	2,865,675	(2,865,675)	-
Contract assets - litigation contracts	-	2,865,675	2,865,675
Total assets	**33,353,448**	**-**	**33,353,448**

Note 2 Basis of preparation (cont.)

Statement of cash flows for the half-year ended 31 December 2017 (extract):	Previously presented	Adjustments	Restated
	$	$	$
Cash flows from operating activities			
Payments to suppliers and employees	(1,521,886)	(3,836,878)	(5,358,764)
Proceeds from litigation contracts - settlements, fees and reimbursements	-	101,000	101,000
Net cash (used in)/from operating activities	**(1,516,869)**	**(3,735,878)**	**(5,252,747)**
Cash flows from investing activities			
Proceeds from litigation funding - settlements, fees and reimbursements	101,000	(101,000)	-
Payments for litigation funding and capitalised supplier costs	(3,836,878)	3,836,878	-
Net cash (used in)/from investing activities	**(3,925,179)**	**3,735,878**	**(189,301)**
Net increase/(decrease) in cash and cash equivalents	**(1,442,048)**	**-**	**(1,442,048)**

Note 5 provides additional disclosures disaggregating revenue by geographical market, major products and services and the timing of revenue recognition.

AASB 9 *Financial Instruments*

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes new requirements for the classification and measurement of financial assets. The new impairment requirements are now based on an 'expected loss' model rather than an 'incurred loss' model. The Group has applied the new Standard from 1 July 2018. In accordance with the transition provisions in AASB 9, the Group has adopted the new requirements without restating comparatives. The adoption of AASB 9 has changed the method of assessing impairment of receivables and contract assets, but had no effect on 1 July 2018 retained earnings.

Note 3 Changes in significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018, except as described below.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied these standards for the interim period ended 31 December 2018. Changes to the Group's accounting policies arising from this standard is summarised below:

3.1 Revenue recognition

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

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

The Group only receives payment upon successful completion of a litigation project and when the litigation project is finalised and payment of the claim by the defendant has been paid to the client. On average litigation projects take a period of 27 months from inception to settlement, although this varies depending upon the specific litigation project.

Revenue is recognised as litigation service revenue to the extent of costs incurred by the Group over time, being the life of the litigation project, as the client receives a benefit from the Group's management of the litigation project (ie, the services rendered by the Group) and as third party lawyers and professionals work on the case.

Revenue in excess of costs incurred is only recognised as revenue on the successful completion of the litigation project, which is generally once a judgement has been awarded or on an agreed settlement between the parties to the litigation, and therefore when the outcome is considered highly probable.

3.2 Financial instruments

AASB 9 *Financial Instruments* became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 9 for the interim period ended 31 December 2018. Changes to The Group's new accounting policies arising from this standard are summarised below:

The new impairment requirements apply to the Group's trade receivables (zero at 31 December 2018) and contract assets. The Group applies a simplified approach of recognising lifetime expected credit losses using a provision matrix. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. No impairment allowance was recognised at 1 July 2018 or 31 December 2018.

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 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. The Group's customers are all commercial litigants with specific information disclosed within the Operating and Financial Review of the Directors Report.

Geographically, the Group operates in Australia, and more recently opened offices in London and Singapore. The Group operates in one geographical segment, being Australia, on the basis that the new offices in London and Singapore are not currently operating as independent segments. Accordingly, all segment disclosures are based upon analysis of the group as one reportable segment.

Note 5 Revenue

	Consolidated	
	Dec 2018 $	Dec 2017 $
Litigation service revenue	12,834,491	6,559,965
Revenue on completion of litigation projects	5,666,134	30,428
	18,500,625	**6,590,393**

(a) Revenue on completion of litigation projects

The Group's revenue on the completion of litigation projects consists of;
- amounts recognised on a successful judgement or settlement; and/or
- write offs, if any, on contracts which have been lost by the Group or where the Group has decided not to pursue the contract further;
which is detailed as follows:

	Dec 2018 $	Dec 2017 $
Settlements & judgements	11,713,975	101,000
Less litigation service revenue previously recognised as expenditure incurred	(5,965,217)	(35,847)
Litigation contracts - written down	(82,624)	(34,725)
	5,666,134	**30,428**

(b) Segments

The Group's litigation contract revenue segments principally generate revenue from actively managing and financing litigation projects. The types of litigation projects funded by the Group are insolvency claims, commercial claims and class actions however the contract terms for each type of litigation project does not vary materially nor does it change the service provided or the price. On this basis, the Group does not segment litigation contract revenue based on the type of litigation project.

(c) Disaggregation of revenue

In the following tables, revenue is disaggregated by jurisdiction and contract duration.

Jurisdiction	Dec 2018 $	Dec 2017 $
Australia	18,500,625	6,590,393
	18,500,625	**6,590,393**

Contract duration	Dec 2018 $	Dec 2017 $
< 1 year	7,328,699	1,011,311
2-3 years	10,407,132	5,395,050
> 4 years	671,118	184,031
	18,406,948	**6,590,392**

(d) Contract balances

The following table provides information about contract assets:

(a) Reconciliation of carrying amounts at the beginning and end of the period	$
Balance at 1 July 2017	12,470,549
Additions	6,559,965
Litigation contracts in progress - expenses	(35,847)
Litigation contracts in progress - written down	(34,725)
Balance at 31 December 2017	**18,959,942**
Additions	8,057,781
Litigation contracts in progress - expenses	(13,099,997)
Litigation contracts in progress - written down	(3,080)
Balance at 30 June 2018	**13,914,646**
Balance at 1 July 2018	13,914,646
Additions	12,834,491
Litigation contracts in progress - expenses	(5,965,217)
Litigation contracts in progress - written down	(82,624)
Balance at 31 December 2018	**20,701,296**

	Consolidated	
	Dec 2018 $	Jun 2018 $
Current	8,680,037	11,048,971
Non-current	12,021,259	2,865,675
	20,701,296	**13,914,646**

Note 6 Other income

	Consolidated	
	Dec 2018 $	Dec 2017 $
Interest received	26,925	5,017
Other income	301,176	106,963
	328,101	**111,980**

Note 7 Expenses

	Consolidated	
	Dec 2018 $	Dec 2017 $
a) Corporate & Office Expenses		
Consultancy fees	760,206	81,764
Insurance	45,480	3,952
Listing & company secretarial	124,322	92,865
Staff recruitment	160,686	-
Travel & entertainment	277,469	154,234
Rent	321,227	200,066
General office	116,610	80,884
	1,805,999	**613,765**

Consultancy fees, which increased significantly on the prior period, relates to the establishment and expansion of the Group's Global operations.

b) Employment Expenses		
Employee Benefits Expense	1,847,215	796,187
Superannuation	96,160	77,099
Provision for employee entitlements	115,513	22,218
Payroll tax	67,494	25,802
Share-based payments expense	121,114	51,512
	2,247,496	**972,818**
c) Legal fees - Litigation	**526,278**	**34,060**

Legal fees relates to the costs of litigation commenced by Australian Insolvency Group Pty Limited (AIG) against the Group, and subsequent cross claim by the Group in these proceedings against Vannin Capital Limited and Mr Patrick Coope, a director of AIG and former employee of the Group. The proceedings are likely to be heard and determined around the middle of the 2019 calendar year subject to the court's availability. The potential economic impact for the Group is limited.

Note 8 Income tax expense

	Consolidated	
	Dec 2018	Dec 2017
The components of tax expense comprise:	$	$
Current tax expense	-	-
Deferred tax expense	(226,862)	462,835
	(226,862)	**462,835**

Note 9 Deferred taxes

	Consolidated	
Deferred tax asset comprises temporary differences attributable to:	Dec 2018 $	Jun 2018 $
Property, plant and equipment	571	523
Employee benefits	89,806	50,556
Accrued expenses	9,454	14,591
Tax losses carried forward	6,568,023	4,331,692
Transaction costs on share issue	1,595,137	440,486
	8,262,991	**4,837,848**

Deferred tax liability comprises temporary differences attributable to:

Contract assets	6,210,389	3,826,528
	6,210,389	**3,826,528**

Note 10 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 shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

(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 31 December 2018, there are currently 2,866,050 partly paid shares issued at an issue price of $0.17 and will become fully paid upon payment to LCM of $0.17 per share.

(c) Ordinary shares - Loan Share Plan
The Board adopted the Loan Share Plan (LSP) to retain, motivate and attract executives and to better align the interest of employees with those of the Company and its shareholders by providing an opportunity for eligible senior executives to acquire shares subject to the terms and conditions of the LSP.
The Loan Plan Shares may be issued to the participant at market value and the Group may provide a limited recourse loan to assist the participant to purchase the Loan Plan Shares. Each Loan Plan Share is one fully paid Ordinary Share and generally rank equally with all existing shares from the date of issue however due to the vesting conditions attached to them (eg, continuous employment conditions and share price hurdles) represent a share-based payment arrangement. For further details refer to Note 11.

	Consolidated			
	Dec 2018 Shares	Jun 2018 Shares	Dec 2018 $	Jun 2018 $
Ordinary shares - fully paid	104,580,899	53,533,247	68,830,062	24,865,111
Partly paid shares	2,866,050	2,866,050	-	-
Ordinary shares - Loan Plan Shares	4,107,030	2,000,000	-	-

Movements in fully paid ordinary share capital	**Date**	**No of shares**	**Issue price**	**$**
Opening balance at 1 July 2018		53,533,247	n/a	24,865,111
Issue of ordinary shares - fully paid	Oct-18	11,111,112	$0.90	10,000,001
Issue of ordinary shares - fully paid (£20,000,000)	Dec-18	38,461,540	£0.52	36,186,456
Issue under Employee Share Option Scheme	Nov-18	1,475,000	$0.47	737,500
Share issue transaction costs, net of tax				(2,959,006)
Balance at 31 December 2018		**104,580,899**		**68,830,062**

Movements in partly paid ordinary share capital	**Date**	**No of shares**	**Issue price**	**$**
Opening balance at 1 July 2018		2,866,050	n/a	-
Balance at 31 December 2018		**2,866,050**		**-**

Movements in ordinary share capital in relation to Loan Share Plan	**Date**	**No of shares**	**Issue price**	**$**
Opening balance at 1 July 2018		2,000,000		-
Issue of shares (Refer to Note 11)	Aug-18	411,972	n/a	n/a
Issue of shares (Refer to Note 11)	Nov-18	1,595,058	n/a	n/a
Issue of shares (Refer to Note 11)	Dec-18	100,000	n/a	n/a
Balance at 31 December 2018		**4,107,030**		**-**

Note 11 Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of shares and options issued to employees under the Employee Share Option Scheme and Loan Share Plan.

	Consolidated	
	Dec 2018 $	Jun 2018 $
Share-based payments reserve	369,348	292,484
Movements in share-based payments reserve		
Opening balance	292,484	165,903
Movements arising from share-based payments transactions during the period:		
Employee Share Option Scheme	(6,001)	93,600
Loan Share Plan	82,865	32,981
Closing balance	**369,348**	**292,484**

The share-based payment movements comprise the following:

a) Employee share options for which the following amounts were recognised:

- $31,200 expensed for 1,500,000 options already on issue;
- $44,250 transferred from the reserve to share capital on 1,475,000 options being exercised during the half-year;
- $7,049 expense relating to the fair value adjustment when the expiry date on 1,598,058 options was extended from 1 December 2018 to 1 December 2028 (refer Note 13).

b) Employee Loan Plan Shares on issue which due to the vesting conditions attached to them (eg, continuous employment conditions and share price hurdles) represent a share-based payment arrangement. During the half-year, $28,269 has been expensed for loan shares already on issue, and $54,596 has been expensed for 511,972 loan shares which were issued during the period. The fair value of the shares granted during the period is $144,987. The remainder will be expensed over vesting period.

Note 12 Dividends proposed

The directors have determined to pay a fully franked interim dividend of 0.506 cents (Australian) per share in respect of the period ended 31 December 2018, totalling $550,000. The ex-dividend date is 23 May 2019, record date is 24 May 2019 and the payment date is 21 June 2019.

Note 13 Related party transactions

Significant transactions with Director's and their associates

(a) Patrick Moloney was granted a limited recourse interest free loan of $749,677.26 for the exercise of 1,595,058 options on 19 November 2018 which due to the terms of the loan represents extension of the expiry date on the options to 1 December 2028. The expiry date is inline with the loan term, being 10 years.

(b) Patrick Moloney was granted a gross cash bonus of $550,000, which was awarded in November 2018 in respect of the financial year ended 30 June 2018.

(c) Stephen Conrad was provided with 100,000 ordinary shares in Litigation Capital Management Limited under the Loan Share Plan.

The loan is provided under a limited recourse borrowing arrangement and has a term of 10 years. The loan value is $89,000 and is calculated at the issue price of the Plan Shares, being $0.89, on the issue date of the shares.

The fair value of these shares granted during the period is $11,920. An amount of $788 has been expensed during the period, with the remainder to be expensed over the vesting period.

(d) Stephen Conrad is a shareholder and director of Thedoc Pty Ltd, which carries out advisory services. During the half-year, Thedoc Pty Ltd has earned fees of $130,625 (2017: nil). The services provided by Thedoc Pty Ltd ceased once Mr. Conrad became an employee of the Group. As at 31 December 2018 there were no amounts owing to Thedoc Pty Ltd (2017: $nil).

Note 14 Events after the reporting period

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

LITIGATION CAPITAL MANAGEMENT LIMITED
ABN 13 608 667 509

DIRECTORS DECLARATION

In the directors' opinion:

1. the attached financial statements and notes comply with the *Corporations Act 2001* , including:

   a. complying with Accounting Standard AASB 134: *Interim Financial Reporting* ; and

   b. the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;

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

Signed in accordance with a resolution of directors.

On behalf of the directors

Director

Dated this 4 day of March 2019.

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Litigation Capital Management Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO

BDO Audit (SA) Pty Ltd

G Edwards

G K Edwards
Director

Adelaide, 4 March 2019