

**LawFinance Limited**

**ABN 72 088 749 008**

**Annual report - 31 December 2023**

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**LawFinance Limited**  
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**31 December 2023**

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Directors	Anthony Murphy - Non-Executive Director Christopher Geh Chong Beng - Non-Executive Director Michael Henshaw - Non-Executive Director
Company secretary	Phillip Smith
Registered office	Suite 335 49-51 Queens Road Five Dock NSW 2046 Tel: +61 2 9696 0220 Fax: +61 2 9252 3430
Principal place of business in Australia	Suite 335 49-51 Queens Road Five Dock NSW 2046 Tel: +61 2 9696 0220 Fax: +61 2 9252 3430
Share register	Automic Pty Ltd Level 5 126 Phillip Street Sydney NSW 2000 Tel: 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) Fax: +61 2 9287 0303
Auditor	Stantons Level 36, Gateway 1 Macquarie Place Sydney NSW 2000
Solicitors	Arnold Bloch Leibler Level 24, Chifley Tower 2 Chifley Square Sydney NSW 2000
Stock exchange listing	LawFinance Limited shares are listed on the Australian Securities Exchange (ASX code: LAW)
Corporate Governance Statement	The directors and management are committed to conducting the business of LawFinance Limited in an ethical manner and in accordance with the highest standards of corporate governance. LawFinance Limited has adopted and substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of LawFinance Limited (referred to hereafter as the 'Company', 'LAW' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2023.

### Directors

The following persons were directors of LawFinance Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Anthony Murphy  
Christopher Geh Chong Beng (appointed 17 June 2024)  
Michael Henshaw (appointed 17 June 2024)  
Tim Storey (resigned 17 June 2024)  
Daniel Kleijn (resigned 17 June 2024)  
David Wattel (resigned on 28 February 2023)

### Review of operations

The (loss) for the Group after providing for income tax and non-controlling interest amounted to US\$9,626,000 (31 December 2022: US\$31,277,000).

At the end of 2022, the internal business originations team was restructured out to reduce costs and align personnel with strategic priorities including focusing on advancing the Trident Health Group ('Trident HG') initiative as the main driver of future originations growth. Originations were also paused in September 2022, to conserve cash resources.

In the first half of 2023, the business did not originate any new medical receivables funding. The reduced NHF team focused on collection activities and the run-off of both the PFG and EFI books of receivables. In addition, significant work was undertaken to prepare for the operational transfer of servicing activities relating to the EFI book of receivables. Transfer of control of the EFI book took place in December 2023 as part of the restructure transaction. This Funding Transaction and the LAW Restructuring Conditions are discussed below under the heading Significant Changes in the State of Affairs.

In March 2023, NHF's joint venture Trident Health Group executed a Supplier Service Agreement between Trident HG and the US's largest hospital management company. This agreement was a critical step for Trident Health Group.

As noted in the 31 December 2022 financial statements, the Group had a net asset deficiency of \$35,254,000 at that time and was in need of a restructuring and strengthening of its balance sheet. A conditional Funding Transaction was announced on 31 March 2023 and \$750,000 of Tranche 1 funding was received by the Group in the first half of the year to fund group operations. In the first half of 2023, significant focus was on restructuring the Group's balance sheet and obtaining the funding required to run-off the PFG Book over time, in order to maximise its realizable value to repay debt and release capital.

Progress of receiving Tranche 2 of this Funding Transaction was slower than expected but on 28 December 2023, following approval at Extraordinary General Meeting, the company announced it had implemented the restructure of the Group's debt facilities and recapitalisation.

As detailed in the Going Concern discussions in note 2 and the borrowings in note 15, this restructure has resulted in the release and discharge of the SAF Facility, the release of the Company from its obligations under the EFI Facility Agreement and amending the PFG Loan Agreement to facilitate the managed run-off of the PFG Book.

### Business risks associated with the Group

Immediate key business risks, generally relate to the Group being unsuccessful in the execution of its turnaround, and therefore not continuing to be a Going Concern. In these circumstances, the directors may be left with no viable alternative other than to appoint Voluntary Administrators to the Company (refer to note 2)

#### Reliance on new debt funding and/or equity funding

There is a risk that a suitable debt funding facility cannot be achieved as and when required by the Group, which may constrain the Group's ability to achieve its future plans which would impact the Group's profitability expectations.

#### Recoverability of debts and returns on collections

Recovery rates have improved over 2022, from COVID-19 impacted lows. The Group currently expect these improved recovery rates to be maintained however there is no guarantee that this will occur.

Recovery rates are a key driver of the Group's financial performance and position. Declines in recovery rates from their current levels would adversely impact the Company's financial position in the future.

Additionally, while the Group currently has had safeguards in place, there is the possibility that the Group could be exposed to potential personal injury or other fraud, which may further affect the recoverability of debts.

#### **Michigan contractual claims**

The Group is currently pursuing contractual claims, against Michigan based medical providers, with an original funding cost of c. \$7.3 million (PFG Book; \$4 million and EFI Book \$3.3 million) against the medical service providers that originated claims which NHF purchased or funded. These claims relate to contractual obligations of the medical service providers to provide replacement claims in respect of dismissed claims and damages where medical service providers have not complied with their obligations to support the pursuit and recovery of medical lien claims. The Group is currently pursuing medical providers to provide replacement paper/refunds and/or for damages relating to breaches of their funding arrangements with NHF. These claims, in some cases are being contested, will take time to resolve and their outcomes remain uncertain.

The Group is optimistic that consensual agreements will be reached with them in 2025 and this will preserve value recoverable by NHF in respect of the claims. Notwithstanding this, the recoverable value of these contractual claims has been significantly impaired for reporting purposes as at 31 December 2023. There is a risk that the Company's assumptions and carrying value of these claims/assets in the Group's balance sheet as at 31 December 2023, proves to be incorrect and that the contractual claims will need to ultimately be impaired further.

#### **Changes in laws, regulations and policies**

Changes to laws, regulations and accounting standards which apply to the Group from time to time could materially and adversely impact upon the operating and financial performance and cash flows of the Group. Specifically, it is possible that the law, regulations or government policies may change at any time, which may adversely impact the Group's business model and the industry in which it operates. As the industry of purchasing medical receivables grows, there is the possibility that regulators will increase their level of scrutiny of the business and impose regulatory changes that may impact on the Group's business. There is no guarantee as to how existing laws and regulations will be applied in the future. In particular, the key laws and regulations governing the Group's business (in particular, the NHF business), if they were to change, are summarised as follows:

- (a) the federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b) (and similar applicable US state laws) makes it a felony offence for anyone to knowingly and wilfully offer, pay, solicit or receive remuneration if one purpose of the act is to induce patient referrals or the purchase, order or the arranging for or recommending the purchase or order of items or services, for which payment may be made in whole or in part by any federal or state healthcare program. Payments or inducements offered directly to patients, such as coupons, discounts, fee waivers and giveaways are also prohibited;
- (b) the Federal Stark Law (42 U.S.C. § 1395nn) prohibits physicians from referring Medicare patients for designated health services to any entity with which the physicians or an immediate family member of the physician has an interest or financial relationship, unless an exception applies. Federal Stark Law also prohibits the designated health services entity from submitting claims to Medicare for those services resulting from a prohibited referral;
- (c) the Health Insurance Portability and Accountability Act of 1996 (Pub. L. No. 104-191), the Health Information Technology for Economic and Clinical Health Act (Pub. L. No. 111-5), and their implementing regulations set forth at 45 C.F.R. Part 160, 162 and 164 as amended are the mandated federal privacy regulation for medical information. As a general rule, protected health information must be kept confidential and cannot be used or disclosed without a person's authorisation; and
- (d) other laws and regulations including consumer protection and usury laws, insurance laws and laws regulating security interests.

#### **Management actions**

The directors will, to the best of their knowledge, experience and ability (in conjunction with the management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Group, but without assuming any personal liability for the same, with the aim of reducing, avoiding and mitigating the impact of risks on the performance of the Group and its securities. Despite the directors' best efforts, it may not be possible for the directors to identify or mitigate all risks.

#### **Foreign exchange**

Adverse movements in the exchange rate between the Australian dollar and foreign currencies, mainly the US dollar, may have a detrimental impact on the financial position of the Group for the following reasons:

- (a) LAW is an Australian based entity, the Company raises capital on the ASX in the Australian dollar, but all capital costs incurred by the Company in its operations are directed to US-based books in US dollars;
- (b) the revenue of the Group is derived from US-based collections through its receivables books, which are denominated in US dollars; and
- (c) general fluctuation of exchange rates provides risk for investors in the Company given the value attributed to securities in the Company is in Australian dollars, yet the fundamental value of the Company is based on US dollars.

#### **Key personnel**

Shareholders will be dependent on the Group's management to assess financing opportunities as they arise. In common with many businesses, the success of the Group, will, to a significant extent, be dependent on the expertise and experience of its directors. The success of the Group may be at risk if certain of these key personnel cease to be involved in the management of the Group.

The Group has faced significant headwinds in 2023 and is facing significant financial challenges. There is a heightened risk associated with retaining key personnel at this time.

#### **Insurance**

The Group notes that it maintained adequate insurances during the financial year under audit up to July 2024. These insurances were within ranges of coverage the Group believes to be consistent with industry practice and having regard to the nature of activities being conducted. Following the restructuring transaction in December 2023 and the use of a law firm to collect on the PFG loan book, the Directors deemed insurance coverage to not be necessary from July 2024. Should the company be successful in its re-compliance, the Directors will re-instate adequate insurances. No assurance, however, can be given that the Group will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims. If the Company and its Subsidiaries incur uninsured losses or liabilities, this may have a material adverse impact on the operating and financial performance of the Company and its Subsidiaries. There is a further risk that the Group's insurers may not insure every material risk, requiring the Company and its Subsidiaries to consider alternative hedging models.

#### **Cyber risk, data loss, theft or corruption**

The Group holds personal medical and financial information of patients/victims in the US which it stores on its own systems and networks and also with a variety of third party service providers.

The Group's information, technology and communication systems are vulnerable to certain threats such as hacking, data breaches, human error, severe weather, and electrical, hardware or software failure. Exploitation or hacking of any of the Group's systems or networks could lead to corruption, theft or loss of the data which could have a material adverse effect on the Group's business, financial condition and results. Further, if the Group's systems, networks or technology are subject to any type of 'cyber' crime, its technology may be perceived as unsecure which may lead to a decrease in the number of customers. As far as the Company is aware, its technology systems have not been hacked, but it is possible that the Company may experience negative publicity or potential breaches of U.S. privacy law or HIPPA compliance issues if their systems are able to be hacked at some point in the future.

The Group does not currently hold cyber insurance.

#### **Nature of operations and principal activities**

During the financial year the Group operated a medical lien funding business in the United States.

##### Medical lien funding

National Health Finance Holdco, LLC and its subsidiaries ('NHF') operate a medical lien funding business in the United States.

Established in 1999, the NHF business is an Arizona-based medical lien funding business with the ability to provide funding in 22 states in the United States. Funding is generally provided by way of purchasing medical lien claims or providing loan funding (lines of credit) to medical service providers which are secured against a pool of medical lien claims. These medical lien claims generally related to the provision of medical services to individuals involved in motor vehicle accidents where the services are required due to an injury sustained in the accident and where those individuals were the not-at-fault party (except in Michigan, which is a not-at-fault state). This business was purchased by the Group on 28 September 2018.

NHF purchases or lends against a lien or obtains a letter of protection over medical receivables associated with personal injury cases from healthcare providers and hospitals. The return to NHF is realised upon payment by the at-fault party or their insurance carrier upon conclusion of the personal injury litigation, either by settlement or judgment.

NHF effectively provides a funding solution for the victim of a motor vehicle accident by facilitating access to medical care they would likely not otherwise receive. NHF's funding solution enables medical providers to maintain liquidity and reduce the administrative burden by managing the medical claims through the litigation process. Medical providers working on a lien basis who do not use the NHF solution are required to wait for a successful conclusion of the legal proceeding before being paid. NHF's funding solution is also of benefit to the lawyers acting on behalf of the injured party as it ensures there is no 'gap' in medical care and the claim can be maximised. Thus, the solution assists all three plaintiff-side parties.

In any given financial year, the profitability of this business is dependent upon revenue and settlement levels. Legislative, regulatory, judicial, policy changes, and additional competition may have an impact on future profitability.

#### Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

#### Significant changes in the state of affairs

On 3 January 2023, the Company announced that it had entered into discussions with the holders of the Capitalised Converting Notes ('CCN') and that the Board agreed to postpone the maturity date by three months to 31 March 2023 following receipt of a conditional and incomplete proposal to amend the terms of the CCNs in return for a staged capital injection of up to A\$5 million. The existing CCNs would have converted on 31 December 2022 to 2,045,531 shares based on an outstanding principal of A\$20.5 million and a conversion price of A\$10 per share. CCN holders agreed that no interest will be capitalised in the period up to 30 September 2023.

On 28 February 2023, Daniel Kleijn resigned as an executive/Group CEO and will remain as a non-executive director. On the same date, David Wattel resigned as non-executive director of the Company and some of its US-based subsidiaries.

In March 2023, NHF's joint venture Trident Health Group executed a Supplier Service Agreement between Trident HG and the US's largest hospital management company. This agreement was a critical step for Trident Health Group.

As noted in the 31 December 2022 financial statements, the Group had a net asset deficiency of \$35,254,000 at that time and was in need of a restructuring and strengthening of its balance sheet. A conditional Funding Transaction was announced on 31 March 2023 and \$750,000 of Tranche 1 funding was received by the Group in the first half of the year to fund group operations. In the first half of 2023, significant focus was on restructuring the Group's balance sheet and obtaining the funding required to run-off the PFG Book over time, in order to maximise its realizable value to repay debt and release capital.

On 28 December 2023, following approval at Extraordinary General Meeting, the company announced it had implemented the restructure of the Group's debt facilities and recapitalisation. This restructure has resulted in the following;

- (1) the release and discharge of the SAF Facility;
- (2) the release of the Company from its obligations under the EFI Facility Agreement and the sale of its subsidiary, NHF SPV III; and
- (3) amending the PFG Loan Agreement to facilitate the managed run-off of the PFG Book in order to maximise value and repay the PFG Loan in full.
- (4) NHF reducing costs and staff to minimize expenditure
- (5) PFG and secured book lenders continue to collect on the PFG book, with further updates on this to be provided in due course.

Other than those set out in this report, there were no other significant changes in the state of affairs of the Group during the financial year.

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

### Information on directors

Name:	Anthony Murphy
Title:	Non-Executive Director
Experience and expertise:	Anthony is the Chief Executive Officer of Lucerne Investment Partners and is responsible for overseeing and leading both Group strategy and ongoing management at Lucerne Investment Partners. Anthony founded and led the Australian Wealth Management business at Canaccord Genuity – a global investment bank. Anthony holds a Bachelor of Economics and Bachelor of Commerce degrees from Australian National University.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Remuneration and Nominations Committee and member of the Audit and Risk Committee
Interests in shares:	210,409 ordinary shares
Interests in options:	Nil options over ordinary shares
Interests in rights:	Nil performance rights over ordinary shares

Name:	Christopher Geh Chong Beng (appointed 17 June 2024)
Title:	Non-Executive Director
Experience and expertise:	Christopher is the Department Head that oversees the Alternative Investment business in Kenanga Investors Berhad, based in Kuala Lumpur Malaysia. He has a wealth of experience spanning 25+ years across various disciplines in the fund management industry. He holds a Bachelor of Arts in Business Administration from Seattle University, USA.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	52,098,331

Name:	Michael Henshaw (appointed 17 June 2024)
Title:	Non-Executive Director
Experience and expertise:	Mike is a director of PURE Asset Management and has over 30 years' experience in financial markets. Prior to this role, Mike was the Head of Industrials Research and a member of the executive leadership team at Petra Capital. He has worked in senior roles as portfolio manager for the Thorney Investments family office and in several international organisations in London. Mike holds a Bachelor of Arts, a Securities Institute Diploma and has completed the General Manager Program at the UNSW Business School.
Other current directorships:	PURE Asset Management, Regional Motel Partners, Mighty Craft Limited (interim)
Interests in shares:	63,127,985

**LawFinance Limited**  
**Directors' report**  
**31 December 2023**

Name: Tim Storey (resigned 17 June 2024)  
Title: Non-Executive Chairman, Non-Executive Director  
Experience and expertise: Tim holds a number of directorships in various private and public companies. He is a barrister and solicitor and was a partner at one of New Zealand's premier law firms through to 2006 and has practised in both Australia and New Zealand, focusing on corporate, commercial and property transactions. He is a member of the Institute of Directors (NZ) and the Financial Services Institute of Australasia.  
Other current directorships: Not applicable as no longer a director  
Former directorships (last 3 years): None  
Special responsibilities: Member of the Remuneration and Nominations Committee and Chairman of the Audit and Risk Committee  
Interests in shares: Not applicable as no longer a director  
Interests in options: Not applicable as no longer a director  
Interests in rights: Not applicable as no longer a director

Name: Daniel Kleijn (resigned 17 June 2024)  
Title: Non-Executive Director from 28 February 2023 (Former Chief Executive Officer, Managing Director)  
Experience and expertise: Prior to joining LawFinance Limited, Daniel was a Managing Director at Lazard and UBS. Daniel has a Master of Economics from the University of Groningen in the Netherlands and is a mentor to CEOs of charities.  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: Not applicable as no longer a director  
Interests in options: Not applicable as no longer a director  
Interests in rights: Not applicable as no longer a director

Name: David Wattel (resigned 28 February 2023)  
Title: Non-Executive Director  
Experience and expertise: David graduated from the University of Illinois in 1984 with a degree in economics before obtaining his Juris Doctor (JD) in 1988 from Arizona State University College of Law. He has practiced personal injury law ever since graduating. He founded Wattel & York - a multi-state personal injury and medical malpractice law firm. He speaks at numerous conferences in the area on personal injury and litigation.  
Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: None  
Interests in shares: Not applicable as no longer a director  
Interests in options: Not applicable as no longer a director  
Interests in rights: Not applicable as no longer a director

'Other current directorships' quoted above are current directorships for listed entities only and exclude directorships of all other types of entities unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and exclude directorships of all other types of entities unless otherwise stated.

**Company secretary**

Phil Smith was appointed Company Secretary on 14 October 2022. Phil has over 20 years' experience in financial advisory focusing on restructuring, turnaround and working capital solutions. Of those 20 years, Phil has spent 13 years at Deloitte and KPMG across Australia, Hong Kong and Vietnam. Phil has completed the CPA Program, holds a Bachelor of Economics and a Masters in Professional Accounting.

### Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 December 2023, and the number of meetings attended by each director was:

	Full Board Held	Full Board Attended
Tim Storey	9	9
Anthony Murphy	8	9
Daniel Kleijn	9	9
David Wattel*	2	2

\* Resigned on 28 February 2023

Held: represents the number of meetings held during the time the Director held office. In addition to formal board meetings held, the Board has regular conferences that have not been designated formal board meetings.

### Remuneration report (audited)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMPs are those persons having authority and responsibility for planning, directing and controlling the activities of the relevant entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- General performance and link to remuneration policy
- Additional disclosures relating to KMPs

### Details of the KMPs

The KMPs comprise of the following directors and other senior executives of the Group.

Name	Title
<i>Non-Executive Directors</i>	
Anthony Murphy	Non-Executive Director
Christopher Geh Chong	Non-Executive Director
<i>Beng</i>	
Michael Henshaw	Non-Executive Director
Tim Storey	Non-Executive Chairman, Non-Executive Director (resigned 17 June 2024)
Daniel Kleijn	Non-Executive Director (resigned 17 June 2024)
David Wattel	Non-Executive Director (resigned on 28 February 2023)
<i>Senior Executives</i>	
Phil Smith	Chief Financial Officer, Company Secretary and Chief Executive Officer (from 28 February 2023, resigned 31 December 2023)
Richard Cruz	President and General Counsel - NHF and CEO - NHF (from 28 February 2023, resigned 31 March 2024)

### Principles used to determine the nature and amount of remuneration

#### Remuneration & Nominations Committee ('R&NC')

Due to the size and composition of the Board, the responsibilities of the R&NC continued to be performed by the full Board during the financial year ended 31 December 2023. Therefore, during the financial year ended 31 December 2023, the Board was responsible for the following in relation to the remuneration policy and practices of the Group:

- determining and reviewing remuneration arrangements for the Board and senior executives; and
- assessing the appropriateness of the nature and amount of the emoluments of the directors and senior executives by reference to relevant employment market conditions, with the overall objective of ensuring the best stakeholder benefit from the Board and executive team.

#### *Remuneration policy*

The remuneration policy of the Group has been designed to align KMP objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives based on key performance areas affecting the Group's financial results.

During the financial year ended 31 December 2023, the Board's policy for determining the nature and amount of remuneration for KMP of the Group was approved by the Board prior to the financial year ended 31 December 2023. This is detailed below:

- senior executives receive a fixed remuneration component;
- senior executives may receive a variable remuneration component via performance incentives;
- performance incentives are paid once predetermined key performance indicators ('KPIs') have been met;
- incentives paid in the form of options or rights are intended to align the interests of the Group and senior executives with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means; and
- senior executive packages are reviewed annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

#### *Use of remuneration consultants*

During the financial year ended 31 December 2023, the Board did not engage a remuneration consultant to review and advise on KMP remuneration, for both directors and senior executives. As a result, no fees were paid to an external remuneration consultant during the financial year.

#### *Non-executive directors' remuneration*

Non-executive directors' fees and payments are reviewed annually. Usually, this review will be undertaken by the R&NC, however due to the current structure of the Board, this responsibility has currently moved to the Board. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors may be offered the opportunity, and encouraged, to participate in the Group's equity plan arrangements to align their interests with shareholder interests.

#### *Non-executive directors' fees*

<b>Role</b>	<b>US\$</b>
Chairman	Nil * (FY22: 34,859)
Non-executive director	Nil * (FY22: 20,231)

\* In January 2023 the Directors and Chairperson agreed to forego remuneration in order to ensure the entity conserves cash.

ASX listing rules require the aggregate non-executive director remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 30 November 2011, where the shareholders approved a maximum annual aggregate remuneration of US\$204,388 (A\$300,000).

#### *Executive remuneration*

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components. The executive remuneration and reward framework has the following components:

##### *Fixed remuneration*

Fixed compensation, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Board. Fixed remuneration is determined after review of Group and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

*Variable remuneration*

The objective of the variable compensation incentive is to reward executives in a manner that aligns this element of their compensation with the objectives and internal KPIs of the Group. The total potential incentive available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

The variable component is delivered in two parts:

*a) Short-Term Incentive Plan ('STIP')*

The STIP is a discretionary annual bonus payment available to participants who are senior executives of the Company and is based on a percentage (up to 75% for the financial year ended 31 December 2022) of the senior executive participant's total fixed remuneration ('TFR'), payable in cash or ordinary shares of the Company at the discretion of the Board.

The purpose of the STIP component is to provide an annual 'at risk' incentive to senior executive participants that is linked to the achievement of specific financial and non-financial objectives. Participants are eligible to participate in the STIP from the beginning of each financial year, which is also when financial and non-financial performance objectives are set for each Executive Participant. At the end of the financial year, the financial objectives are reassessed for the following financial year and may include stretch targets where the Board thinks this is consistent with enhancing Total Shareholders Return ('TSR').

*b) Long-Term Incentive Plan ('LTIP')*

The LTIP is a discretionary bonus available to directors and senior executives and complements the STIP. The LTIP encourages equity ownership and gives participants the opportunity to be rewarded for shareholder value creation.

The LTIP comprises any one, or combination, of the following:

- (i) options;
- (ii) performance rights (or, in certain circumstances, a cash payment in lieu of shares); and/or
- (iii) plan loan under the Loan Agreement (for the purpose of funding the issue price of the shares offered).

*Voting and comments made at the Company's 2022 Annual General Meeting ('AGM')*

At the 2023 AGM held on 31 May 2023, 99.96% of the votes received supported the adoption of the remuneration report for the financial year ended 31 December 2022.

**Details of remuneration**

*Amounts of remuneration*

Remuneration for the year 1 January 2023 to 31 December 2023.

2023	Short-term benefits		Post-employment benefits		Long-term benefits	Share-based payments		Total US\$
	Salary and fees US\$	Bonus US\$	Super-annuation US\$	Termination benefits US\$	Long service leave US\$	Shares US\$	Options US\$	
<i>Executive</i>								
<i>Directors:</i>								
Daniel Kleijn <sup>(1, 2)</sup>	-	-	-	-	-	-	-	-
<i>Non-Executive</i>								
<i>Directors:</i>								
Tim Storey <sup>(1, 2)</sup>	-	-	-	-	-	-	-	-
Anthony Murphy <sup>(1)</sup>	-	-	-	-	-	-	-	-
David Wattel <sup>(1, 3)</sup>	-	-	-	-	-	-	-	-
<i>Other KMP:</i>								
Phil Smith <sup>(4)</sup>	177,894	-	21,426	-	-	-	-	199,320
Richard Cruz <sup>(5)</sup>	225,000	-	-	-	-	-	-	225,000
	<u>402,894</u>	<u>-</u>	<u>21,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,320</u>

**LawFinance Limited**  
**Directors' report**  
**31 December 2023**

- (1) The Directors agreed to forego their salaries during 2023.  
(2) Resigned 17 June 2024.  
(3) Resigned 28 February 2023.  
(4) Resigned 31 December 2023.  
(5) Resigned 31 March 2024.

Remuneration for the year 1 January 2022 to 31 December 2022.

2022	Short-term benefits		Post-employment benefits		Long-term benefits	Share-based payments		Total US\$
	Salary and fees US\$	Bonus US\$	Super-annuation US\$	Termination benefits US\$	Long service leave US\$	Shares US\$	Options US\$	
<i>Executive Directors:</i>								
Daniel Kleijn <sup>(1,6)</sup>	380,880	190,440	17,313	-	-	-	135,862	724,495
<i>Non-Executive Directors:</i>								
Tim Storey <sup>(2)</sup>	55,401	-	-	-	-	-	634	56,035
Anthony Murphy	31,406	-	3,219	-	-	-	634	35,259
David Wattel <sup>(3)</sup>	-	-	-	-	-	-	1,268	1,268
Jane Lamming <sup>(4)</sup>	5,331	-	533	-	-	-	-	5,864
<i>Other KMP:</i>								
Phil Smith <sup>(6)</sup>	188,305	103,876	19,447	-	-	-	59,701	371,329
Richard Cruz	241,638	110,000	-	-	-	-	59,701	411,339
Marialena Ziska <sup>(5)</sup>	73,933	36,700	-	11,673	-	-	(20,895)	101,411
	976,894	441,016	40,512	11,673	-	-	236,905	1,707,000

- (1) Resigned as CEO on 28 February 2023. Non-Executive Director as from 28 February 2023 and resigned 17 June 2024.  
(2) Prolex Limited, an entity associated with Tim Storey, was paid \$55,401 for director's fees.  
(3) Resigned 28 February 2023.  
(4) Resigned 1 March 2022.  
(5) Resigned 10 June 2022.  
(6) The after-tax bonus received was fully invested during the rights issue entitlement offer in May 2022.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		Performance related - STIP		Performance related - LTIP	
	2023	2022	2023	2022	2023	2022
<i>Executive Directors:</i>						
Daniel Kleijn	-	55%	-	26%	-	19%
<i>Non-executive Directors:</i>						
Tim Storey	-	100%	-	-	-	-
Anthony Murphy	-	100%	-	-	-	-
David Wattel	-	-	-	-	-	-
Jane Lamming	-	100%	-	-	-	-
<i>Other KMP:</i>						
Phil Smith	100%	56%	-	28%	-	16%
Richard Cruz	100%	59%	-	27%	-	14%
Marialena Ziska	-	84%	-	36%	-	(20%)

### Service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements. Details of these agreements are as follows:

Name: Anthony Murphy  
Title: Non-Executive Director  
Agreement commenced: 31 October 2017  
Term of agreement: Ongoing  
Details: Anthony was paid a gross salary of US\$34,065 (A\$50,000) per annum inclusive of superannuation. Effective 1 January 2023, Anthony agreed not to take director fees in order to preserve the Company's cash reserves.

Name: Christopher Geh Chong Beng (appointed 17 June 2024)  
Title: Non-Executive Director  
Agreement commenced: 17 June 2024  
Term of agreement: Ongoing  
Details: Christopher is not entitled to a salary for his role as Non-Executive Director.

Name: Michael Henshaw (appointed 17 June 2024)  
Title: Non-Executive Director  
Agreement commenced: 17 June 2024  
Term of agreement: Ongoing  
Details: Michael is not entitled to a salary for his role as Non-Executive Director.

Name: Tim Storey (resigned 17 June 2024)  
Title: Non-Executive Chairman, Non-Executive Director  
Agreement commenced: 1 April 2015  
Term of agreement: Void following resignation  
Details: Tim was paid a gross salary of US\$54,503 (A\$80,000) per annum. Effective 1 January 2023, Tim agreed not to take director fees in order to preserve the Company's cash reserves.

Name: Daniel Kleijn (resigned 17 June 2024)  
Title: Non-Executive Director  
Agreement commenced: 28 February 2023  
Term of agreement: Void following resignation  
Details: Daniel was paid a gross salary of US\$391,743 (A\$575,000) per annum inclusive of superannuation. Effective 1 January 2023, Daniel agreed not to take director fees in order to preserve the Company's cash reserves.

Name: David Wattel (resigned on 28 February 2023)  
Title: Former Non-Executive Director  
Agreement commenced: 28 September 2018  
Term of agreement: Void following resignation  
Details: During the year, David was not paid a salary and has decided to forego his salary in order for the business to succeed.

Name: Phil Smith  
Title: Chief Financial Officer, Company Secretary and Chief Executive Officer (from 28 February 2023)  
Agreement commenced: 8 December 2020  
Term of agreement: Resigned in March 2024  
Details: Phil is paid a gross salary of US\$199,320 (A\$300,000) per annum inclusive of superannuation. The required notice period is 3 months by the Company or 6 months by the employee.

**LawFinance Limited**  
**Directors' report**  
**31 December 2023**

Name: Richard Cruz  
Title: President and General Counsel - NHF and CEO - NHF (from 28 February 2023)  
Agreement commenced: No signed agreement is in place, commenced employment 25 April 2016.  
Term of agreement: No agreement is in place and the employment relationship is governed by general Arizonian law.  
Details: Richard was paid an annual salary of US\$236,900 per annum. There is no notice period required by either party. Effective May 2022, Richard annual salary increased to US\$244,007.

KMPs have no entitlement to termination payments in the event of removal for misconduct.

**Share-based compensation**

*Issue of shares*

There were no shares issued to directors and other KMP as part of compensation during the year ended 31 December 2023.

*Options*

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2023.

**General performance and link to remuneration policy**

The earnings of the Group for the five years to 31 December 2023 are summarised below:

	2023 US\$'000	31 Dec 2022 US\$'000	31 Dec 2021 US\$'000	31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
Total revenue and other income	(373)	(16,430)	357	(7,519)	(656)
EBIT (excluding discontinued operations)	(3,633)	(22,435)	(10,495)	(35,054)	(9,910)
Loss after income tax	(9,697)	(31,077)	(21,229)	(78,136)	(23,256)

The factors that are considered to affect TSR are summarised below:

	31 Dec 2023	31 Dec 2022	31 Dec 2021*	31 Dec 2020	31 Dec 2019
Share price at financial year end (A\$)	0.01	0.06	0.76	0.03	0.06
Basic loss per share (cents per share)	(14.60)	(55.56)	(73.31)	(867.89)	(4.70)
Diluted loss per share (cents per share)	(14.60)	(55.56)	(73.31)	(867.89)	(4.70)

\* post share consolidation.

**Short-Term Incentive Plan**

*Financial year ended 31 December 2023 - STIP*

There was no short term incentives paid during 2023 in order for the company to conserve cash.

*Financial year ended 31 December 2022 - STIP*

Cash bonuses of US\$190,440 (A\$275,000), US\$103,876 (A\$150,000), US\$110,000 and US\$36,700 were paid to Mr Kleijn, Mr Smith, Mr Cruz and Ms Ziska respectively during the current financial year. There were no other bonuses paid to KMPs during the current financial year.

**Long-Term Incentive Plan**

*Financial year ended 31 December 2023 - LTIP*

There were no options or performance rights issued to directors or employees during 2023.

*Financial year ended 31 December 2022 - LTIP*

David Wattel, Anthony Murphy and Tim Storey received 200,000, 100,000, 100,000 options respectively with a strike price of A\$2.50 each expiring on 8 December 2024.

**Additional disclosures relating to KMPs**

**Shareholding**

The number of ordinary shares in the Company held during the financial year by each director and other KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Additions	Disposals/ other	Balance at the end of the year *
Tim Storey (resigned 17 June 2024)	245,405	-	-	245,405
Anthony Murphy	210,409	-	-	210,409
Daniel Kleijn (resigned 17 June 2024)	581,996	-	-	581,996
David Wattel (resigned 28 February 2023)	1,075,488	-	-	1,075,488
Phil Smith (resigned 31 December 2023)	289,095	-	-	289,095
Richard Cruz (resigned 31 March 2024)	363,913	-	-	363,913
	<u>2,766,306</u>	<u>-</u>	<u>-</u>	<u>2,766,306</u>

\* The ending balance for Directors who resigned up until the date of this report is as at the date of their resignation.

During the financial year ended 31 December 2023, there were no shares in the Company held by directors and other KMPs other than those disclosed in the table above.

**Option holding**

The number of options over ordinary shares in the Company held during the financial year by each director and other KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as remuneration	Expired/ forfeited/ other	Balance at the end of the year
<b>Options over ordinary shares</b>				
Tim Storey	148,386	-	(148,386)	-
Anthony Murphy	155,456	-	(155,456)	-
Daniel Kleijn	1,181,665	-	(1,181,665)	-
David Wattel	325,000	-	(325,000)	-
Phil Smith	644,548	-	(644,548)	-
Richard Cruz	681,957	-	(681,957)	-
	<u>3,137,012</u>	<u>-</u>	<u>(3,137,012)</u>	<u>-</u>

During the financial year ended 31 December 2023, there were no options over ordinary shares in the Company held by directors and KMP's other than those disclosed in the table above.

**Other transactions with KMPs and their related parties**

Lucerne Group manages funds on behalf of third parties. Anthony Murphy is the Chief Executive Officer of Lucerne Investment Partners, part of the Lucerne Group. Refer to note 25 for further details.

David Wattel is a director of Multus Medical LLC, a company that specialises in creating 3-Dimensional anatomical schematics from standardised MRI data. This company provides services to patients to assist in their personal injury insurance claims, and NHF funds the cost of these services. David is also a founding member of Wattel & York – Attorneys at Law, a personal injury and property damage law firm. Wattel & York have the carriage and conduct over a small number of personal injury matters where NHF holds a medical lien. Refer to note 25 for further details.

**This concludes the remuneration report, which has been audited.**

**Shares under option**

There were no unissued ordinary shares of LawFinance Limited under option outstanding at the date of this report.

### Shares under warrants

Unissued ordinary shares of LawFinance Limited under warrants at the date of this report are as follows:

Grant date	Expiry date	Number under rights
28/05/2021*	28/05/2028	2

\* Warrants issued to Partners for Growth. The exercise price is US\$3.287 (A\$4.40).

### Shares issued on the exercise of options

There were no ordinary shares of LawFinance Limited issued on the exercise of options during the year ended 31 December 2023 and up to the date of this report.

### Shares issued on the exercise of warrants

There were no ordinary shares of LawFinance Limited issued on the exercise of warrants during the year ended 31 December 2023 and up to the date of this report.

### Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

### Officers of the Company who are former directors of Stantons

There are no officers of the Company who are former directors of Stantons.

### Rounding of amounts

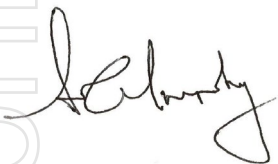
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

### Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Anthony Murphy', is written over a horizontal line.

---

Anthony Murphy  
Director

28 March 2025  
Sydney

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www.stantons.com.au

28 March 2025

Board of Directors  
LawFinance Limited  
Suite 335  
49-51 Queens Road  
Five Dock NSW 2046

Dear Directors

**RE: LAWFINANCE LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of LawFinance Limited.

As Audit Director for the audit of the financial statements of LawFinance Limited for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**

A handwritten signature in black ink, appearing to read "Samir", written over a light blue horizontal line.

**Samir Tirodkar**  
**Director**



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**LawFinance Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2023**

	Note	Consolidated 2023 US\$'000	2022 US\$'000
<b>Revenue</b>			
Net (loss) from medical lien funding	5	(1,524)	(17,017)
Interest income - letter of credit		258	444
Other revenue	6	893	143
Total revenue		<u>(373)</u>	<u>(16,430)</u>
Non-supplier related cost of sales		81	(8)
Gross (loss)		<u>(292)</u>	<u>(16,438)</u>
Interest income		-	8
<b>Expenses</b>			
Employee benefits expense	7	(1,178)	(3,909)
Depreciation and amortisation expense	7	(90)	(144)
Administration and other expenses	7	(1,803)	(1,952)
Finance costs	7	<u>(6,334)</u>	<u>(8,642)</u>
<b>(Loss) before income tax expense</b>		(9,697)	(31,077)
Income tax expense	8	-	-
<b>(Loss) after income tax expense for the year</b>		(9,697)	(31,077)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		608	1,204
Other comprehensive income for the year, net of tax		608	1,204
<b>Total comprehensive (loss) for the year</b>		<u>(9,089)</u>	<u>(29,873)</u>
<b>(Loss) for the year is attributable to:</b>			
Non-controlling interest		(71)	200
Owners of LawFinance Limited		<u>(9,626)</u>	<u>(31,277)</u>
		<u>(9,697)</u>	<u>(31,077)</u>
<b>Total comprehensive (loss) for the year is attributable to:</b>			
Non-controlling interest		-	200
Owners of LawFinance Limited		<u>(9,089)</u>	<u>(30,073)</u>
		<u>(9,089)</u>	<u>(29,873)</u>
	Note	2023 Cents	2022 Cents
Basic loss per share	30	(14.60)	(55.56)
Diluted loss per share	30	(14.60)	(55.56)

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

**LawFinance Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2023**

**Assets**

**Current assets**

	Note	Consolidated 31 Dec 2023 US\$'000	31 Dec 2022 US\$'000
Cash and cash equivalents	9	1,445	1,460
Financial assets at amortised cost - USA	10	3,183	8,794
Other receivables	11	56	133
Prepayments		47	217
<b>Total current assets</b>		<b>4,731</b>	<b>10,604</b>

**Non-current assets**

Financial assets at amortised cost - USA	10	1,957	9,072
Other receivables	11	9	9
Property, plant and equipment	12	24	64
Right-of-use assets	13	88	138
<b>Total non-current assets</b>		<b>2,078</b>	<b>9,283</b>

**Total assets**

	<b>6,809</b>	<b>19,887</b>
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**Liabilities**

**Current liabilities**

Trade and other payables	14	547	1,484
Borrowings	15	9,164	53,249
Lease liabilities		45	41
Employee benefits		43	102
<b>Total current liabilities</b>		<b>9,799</b>	<b>54,876</b>

**Non-current liabilities**

Borrowings	15	-	141
Lease liabilities		79	124
<b>Total non-current liabilities</b>		<b>79</b>	<b>265</b>

**Total liabilities**

	<b>9,878</b>	<b>55,141</b>
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**Net liabilities**

	<b>(3,069)</b>	<b>(35,254)</b>
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**Equity**

Issued capital	16	104,396	102,671
Capitalising converting notes	17	14,460	14,460
Reserves	18	68,295	28,025
Accumulated losses		(189,719)	(180,093)
Deficiency attributable to the owners of LawFinance Limited		(2,568)	(34,937)
Non-controlling interest		(501)	(317)

**Total deficiency**

	<b>(3,069)</b>	<b>(35,254)</b>
--	----------------	-----------------

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

**LawFinance Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2023**

<b>Consolidated</b>	<b>Issued capital US\$'000</b>	<b>Capitalising converting notes US\$'000</b>	<b>Reserves US\$'000</b>	<b>Accumulated losses US\$'000</b>	<b>Non- controlling interest US\$'000</b>	<b>Total deficiency US\$'000</b>
Balance at 1 January 2022	97,626	14,832	26,344	(148,816)	(465)	(10,479)
Profit/(loss) after income tax expense for the year	-	-	-	(31,277)	200	(31,077)
Other comprehensive income for the year, net of tax	-	-	1,204	-	-	1,204
Total comprehensive (loss)/income for the year	-	-	1,204	(31,277)	200	(29,873)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 16)	5,045	-	-	-	-	5,045
Share-based payments (note 29)	-	-	477	-	-	477
Distribution to non-controlling interest	-	-	-	-	(52)	(52)
Capitalising converting notes	-	(372)	-	-	-	(372)
Balance at 31 December 2022	<u>102,671</u>	<u>14,460</u>	<u>28,025</u>	<u>(180,093)</u>	<u>(317)</u>	<u>(35,254)</u>
<b>Consolidated</b>	<b>Issued capital US\$'000</b>	<b>Capitalising converting notes US\$'000</b>	<b>Reserves US\$'000</b>	<b>Accumulated losses US\$'000</b>	<b>Non- controlling interest US\$'000</b>	<b>Total deficiency US\$'000</b>
Balance at 1 January 2023	102,671	14,460	28,025	(180,093)	(317)	(35,254)
(Loss) after income tax expense for the year	-	-	-	(9,626)	(71)	(9,697)
Other comprehensive income for the year, net of tax	-	-	608	-	-	608
Total comprehensive (loss)/income for the year	-	-	608	(9,626)	(71)	(9,089)
<i>Transactions with owners in their capacity as owners:</i>						
Restructuring	1,725	-	39,538	-	-	41,263
Share-based payments	-	-	124	-	-	124
Distribution to non-controlling interest	-	-	-	-	(113)	(113)
Balance at 31 December 2023	<u>104,396</u>	<u>14,460</u>	<u>68,295</u>	<u>(189,719)</u>	<u>(501)</u>	<u>(3,069)</u>

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

**LawFinance Limited**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2023**

	Note	Consolidated 2023 US\$'000	2022 US\$'000
<b>Cash flows from operating activities</b>			
Cash collections from customers (inclusive of GST)		8,201	16,521
Payments for disbursement reports and medical liens		-	(9,583)
Payments to suppliers and employees		(2,986)	(6,164)
Net repayment of working capital facilities - medical lien funding division		(4,288)	(3,224)
Interest and fees related to working capital facilities		(875)	(5,152)
Interest received		-	227
Net cash inflow/(outflow) from operating activities	28	<u>52</u>	<u>(7,375)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1)	(5)
Net proceeds from term deposits		-	693
Other - insurance commission		-	82
Net cash inflow/(outflow) from investing activities		<u>(1)</u>	<u>770</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	4,502
Share issue transaction costs		-	(523)
Proceeds from borrowings - corporate		-	71
Repayment of borrowings - other		(7)	(1,002)
Repayment of lease liabilities		(37)	(36)
Interest and fees related to loans and borrowings		(6)	(17)
Net cash (outflow)/inflow from financing activities		<u>(50)</u>	<u>2,995</u>
Net (decrease)/increase in cash and cash equivalents		1	(3,610)
Cash and cash equivalents at the beginning of the financial year		1,460	5,101
Effects of exchange rate changes on cash and cash equivalents		(16)	(31)
Cash and cash equivalents at the end of the financial year	9	<u><u>1,445</u></u>	<u><u>1,460</u></u>

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

## Note 1. General information

The financial statements cover LawFinance Limited (ASX: LAW) as a Group consisting of LawFinance Limited ('Company' or 'parent entity') and the entities it controlled ('the Group') at the end of, or during, the period.

The financial statements are presented in United States dollars ('US\$' or '\$'), which is LawFinance Limited's presentation currency. The functional currency of the Group's Australian operations is Australian dollars ('A\$') and that of its United States operations is United States dollars.

LawFinance Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Suite 335  
49-51 Queens Road  
Five Dock NSW 2046

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 March 2025.

## Note 2. Significant accounting policies

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

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

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

### Basis of preparation

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

### Significant changes in the current reporting period

Due to the delayed restructure and reduced cash available the company was required to make certain decisions regarding ongoing cashflows. These decisions have had the following impacts the preparation of the financial report:

- As part of this process the company did not maintain its license to its historic accounting software, opting for a lower cost alternative. In particular this required the company to use an alternative method to simplify the accounting for its complex financial assets at amortised cost. Further information on this method is detailed in the Financial Instruments (subsequent measurement) section of this note.
- Some of the supporting documents used may not be the same as if the data contained in the accounting software was available. In particular this relates to revenue, income tax, financial assets and the restructuring reserve.
- Where possible, the company has reduced detail throughout the financial report.

### Historical cost convention

The financial statements have been prepared under the historical cost convention, modified where appropriate, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### Critical accounting estimates

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

## Note 2. Significant accounting policies (continued)

### Going concern

The consolidated financial statements of the Group have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business. In making their assessment the Directors have considered factors including those detailed below.

Per these financial statements, the Group made a loss after tax of \$9,697,000 for the 2023 year (2022: \$31,077,000). In addition, the Group had a net asset deficiency of \$3,069,000 (31 December 2022: net asset deficiency of \$35,254,000).

As at 31 December 2023, the Group held \$1,445,000 (31 December 2022: \$1,460,000) in cash. Of this amount \$1,099,000 (31 December 2022: \$1,056,000) was unrestricted and available to fund operations and investment in the business.

### Restructuring

As noted in the 31 December 2022 financial statements, the Group had a net asset deficiency of \$35,254,000 at that time and was in need of a restructuring and strengthening of its balance sheet. A conditional Funding Transaction was announced on 31 March 2023 and \$750,000 of Tranche 1 funding was received by the Group in the first half of the year to fund group operations. In the first half of 2023, significant focus was on restructuring the Group's balance sheet and obtaining the funding required to run-off the PFG Book over time, in order to maximise its realizable value to repay debt and release capital.

Progress of receiving Tranche 2 of this Funding Transaction was slower than expected but on 28 December 2023, following approval at Extraordinary General Meeting, the company announced it had implemented the restructure of the Group's debt facilities and recapitalisation. This restructure has resulted in the following;

- the release and discharge of the SAF Facility;
- the release of the Company from its obligations under the EFI Facility Agreement and the sale of its subsidiary, NHF SPV III; and
- amending the PFG Loan Agreement to facilitate the managed run-off of the PFG Book in order to maximise value and repay the PFG Loan in full.
- NHF reducing costs and staff to minimize expenditure
- PFG and secured book lenders continue to collect on the PFG book, with further updates on this to be provided in due course.

The Directors are pleased to report that, with the conditions for Tranche 2 of the Funding Transaction now satisfied and the funding successfully provided, alongside the conversion of the SAF and EFI debt into equity, the company has reduced its net asset deficiency to \$3,066,000. This positive development is expected to enhance the company's capacity to raise new capital moving forward.

Additionally the Directors can report that for the year ended 31 December 2024 the entity has employed a legal firm to collect on the PFG book of receivables, reducing the need to employ staff. During the 2024 financial year, there were \$3.2m of collections. These collections have been used to pay down the outstanding PFG debt which as at 28 February 2025 was \$2.85m. It is expected that LAW will be able to discharge this liability in full settlement. Concurrently the company is making good on its overdue reporting obligations with the ASX, with the goal of re-listing once the company is compliant. The Board remains focused on identifying high-value opportunities to maximize returns and create value for shareholders.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the preliminary financial report at 31 December 2023. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

There is however material uncertainty related to events or conditions that may cast doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in this Financial Report.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of LawFinance Limited as at 31 December 2023 and the results of all subsidiaries for the period then ended.

## Note 2. Significant accounting policies (continued)

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

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

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

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

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

### Operating segments

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

### Foreign currency translation

The financial statements are presented in United States dollars, which is LawFinance Limited's presentation currency. The functional currency of the Group's Australian operations is Australian dollars and that of its United States operations is United States dollars.

#### *Foreign currency transactions*

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

#### *Foreign operations*

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

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

### Revenue recognition

The Group recognises revenue as follows:

#### ***US medical lien funding business***

In this business, the Group purchases a lien or obtains a letter of protection over receivables of medical providers and hospitals associated with personal injury legal cases ('medical lien receivables').

## Note 2. Significant accounting policies (continued)

The Group does not take primary responsibility for the actual medical treatment in the United States nor is it obliged to purchase any medical lien. The Group solely enters into a contract with the medical provider to take a lien over a specific invoice and notifies the law firm of the patient (who is the party ultimately responsible for paying the invoice) of that medical lien. Considering this arrangement does not involve the provision of any good or service to the law firm, the Group has concluded that the arrangement is not a contract with a customer under AASB 15. As the transaction involves a payment for a right to future cash flows arising from an existing receivable, the Group has concluded that medical lien receivables are financial assets in the scope of AASB 9 and are classified as financial assets held at amortised cost.

Medical lien receivables are recognised initially at fair value. The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received).

Financial assets at amortised cost are adjusted from their initial fair value by accruing interest using the effective interest rate method. This is the interest rate that discounts expected future cash flows arising from the asset to its fair value on inception. At initial recognition, POCI assets do not carry a separate impairment allowance; instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. Interest is recognised as income in profit or loss.

At each period end, the future expected cash flows now expected to arise from the asset going forward are discounted at the original effective interest rate. Any changes in value arising from changes in the amount or timing of expected cash flows are recognised as an impairment gain or loss.

### *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.

### **Government grants**

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss as other income over the periods necessary to match them with the costs that they are intended to compensate.

### **Income tax**

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

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where the permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

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.

## Note 2. Significant accounting policies (continued)

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.

### Current and non-current classification

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

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

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

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

### Cash and cash equivalents

Cash and cash equivalents include 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.

### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Loan receivables at amortised cost – US medical lien receivables funding business*

##### *Initial recognition and measurement*

Medical lien receivables are recognised initially at fair value.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). The transaction price of medical lien receivables is the amount of cash paid to the medical provider for the lien and is considered to represent fair value. The initial fair value of medical lien receivables acquired in the NHF acquisition has been determined through valuation techniques that are consistent in approach to those used for Australian disbursement receivables (but with inputs appropriate for the nature of the medical lien receivables).

##### *Subsequent measurement*

'For the year under audit, the calculation of the financial assets at amortised cost was changed. This was done to reflect more accurately the realities of the future collections on the loan book. As the audit was completed more than 12 months after the financial year-end, data was immediately available to ascertain the current portion of the financial asset. Therefore, the amount of funds received during 2024 has been classified as current. To calculate the non-current portion, the average reduction in collections across the 12 months was applied to the funds received during 2024. An assumption was made that no more collections would be received in the year 2026 and onwards.

##### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when the contractual rights to receive cash flows from the loan receivables have either occurred or expired, or where there is an obligation to transfer the cash flows from those receivables and that transfer qualifies for derecognition. Additional impairment gains or losses can arise if the amount or timing of cash flows differ from the expectation set at the previous period end.

## Note 2. Significant accounting policies (continued)

### Derivative financial instruments

#### Hedges of a net investment

Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

### Investments and other financial assets

#### Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

### Trade and other receivables

Trade receivables, other than loan receivables from its disbursement funding business and medical lien funding business mentioned previously in the financial instruments note, are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

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

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write-off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	3-7 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## Note 2. Significant accounting policies (continued)

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### Website

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their useful life of 3 years.

### Joint ventures

A joint venture is a joint arrangement whereby parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

### Impairment of non-financial assets

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

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

### Trade and other payables

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

### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

## Note 2. Significant accounting policies (continued)

### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### Finance costs

All other finance costs are expensed in the period in which they are incurred.

### Employee benefits

#### *Short-term employee benefits*

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

Equity-settled share-based compensation benefits are provided to employees and directors.

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

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

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

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

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

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

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

## Note 2. Significant accounting policies (continued)

### Fair value measurement

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

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

### Issued capital

Ordinary shares are classified as equity.

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

### Earnings per share

#### Basic earnings per share

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

#### Diluted earnings per share

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

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

### Rounding of amounts

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

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

### Note 3. Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, 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, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgments and estimates will seldom equal the related actual results. 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 next financial year are discussed below.

#### *Key judgments and estimates - medical lien receivables (note 10)*

The key judgment applied in determining the accounting treatment for medical lien receivables is that the cash flows arising from the arrangement are solely repayment of the original invoiced amount.

#### *Carrying value measurement of loan receivables for Medical Lien Receivables (note 10)*

Classifying loan receivables at amortised cost and the use of the credit-adjusted effective interest rate method requires the Group to estimate future cash flows from medical lien receivables at acquisition date and at each balance sheet date.

Estimating the timing and amount of cash flows for both the calculation of credit-adjusted effective interest rates ('CAEIRs') and subsequent re-measurement of the carrying amount of medical lien receivables requires significant management judgment regarding key assumptions.

The key underlying estimates that form the basis for amortised cost accounting are the quantum of the expected cash receipt from the lien and its expected timing, as the vast majority of medical liens are settled through one-off payments.

Cash flow forecasts are generated using models incorporating a number of factors including historical experience of the magnitude and timing of recoveries on accounts which have similar key attributes, which is determined at an invoice level basis.

The Group uses the information and data obtained on acquisition of the medical lien to determine expected cash flow forecasts and calculate the CAEIRs. The Group in later periods adjusts the carrying amount of the portfolios to reflect revised estimated cash flows. The Group then adjusts the carrying amount of the portfolios to reflect the revised estimated cash flows. Events or changes in assumptions and management's judgement will affect the recognition of revenue in the period.

As with any litigation the outcomes are uncertain and challenging to estimate. Estimates have been formulated by management based on information available at the time. Actual outcomes may ultimately differ significantly to these estimates. Estimated future cash flows for this portfolio have been based on an assessment of:

- The likelihood of obtaining a judgement debt and an estimate of time and cost to obtain such judgement; and
- the existence of valuable assets to pursue judgement against.

In undertaking this assessment management have considered, amongst other things:

- views of our legal advisors engaged in respect of the relevant actions;
- the strength of our legal arguments and potential defences;
- quality and completeness of information to support the actions;
- experience from similar actions;
- settlement offers obtained to date; and
- information available to identify and assess the potential assets available to defendants in order to satisfy any successful judgement debt.

The level of information available to assess the financial position of debtors varies from case to case, however given they are private companies and individuals the information is not typically publicly available and is generally obtained through discovery actions that are ongoing.

Management also reviews the model on a portfolio basis to take into account external factors, which have impacted historical, or will impact future performance and where necessary portfolios are calibrated to take into account these known factors. The assumptions and estimates made are specific to the particular characteristics of each state-based portfolio.

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

If resolution of any uncertainty results in an increase or decrease in the carrying value of loan receivables, this is recognised in the income statement at that point in time. The estimated future cash flows are most sensitive to observed payment history, as well as timing of future cash flow receipt.

#### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group.

#### *Impairment of non-financial assets other than goodwill*

The Group assesses impairment of non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. This includes an assessment of each individual litigation contract in progress as to whether the underlying litigation is likely to be successful, the cost and timing of future expected cash flows to completion and the ability of the defendant(s) to pay upon a successful completion. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions.

#### *Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### *Recovery of deferred tax assets*

No deferred tax assets have been recognised either as at 31 December 2023 or 31 December 2022 due to the uncertainty of the recoverability of these assets.

### Note 4. Operating segments

#### *Identification of reportable operating segments*

The Group is organised into two operating segments: (i) National Health Finance, comprising the US medical lien funding business and (ii) all other operations and head office costs.

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

Note 4. Operating segments (continued)

Operating segment information

	National Health Finance US\$'000	Corporate US\$'000	Total US\$'000
<b>Consolidated - 2023</b>			
<b>Revenue</b>			
Net (loss) from disbursement funding/medical lien funding	(1,524)	-	(1,524)
Other revenue	401	750	1,151
	<u>(1,123)</u>	<u>750</u>	<u>(373)</u>
Other income	-	-	-
<b>Total revenue</b>	<u>(1,123)</u>	<u>750</u>	<u>(373)</u>
<b>Segment result</b>			
Depreciation and amortisation	(4,023)	750	(3,273)
Finance costs	(90)	-	(90)
	<u>(5,196)</u>	<u>(1,138)</u>	<u>(6,334)</u>
<b>(Loss) before income tax expense</b>	<u>(9,309)</u>	<u>(388)</u>	<u>(9,697)</u>
Income tax expense			-
<b>(Loss) after income tax expense</b>			<u>(9,697)</u>
<b>Assets</b>			
Segment assets	6,302	507	6,809
<b>Total assets</b>			<u>6,809</u>
<b>Liabilities</b>			
Segment liabilities	9,878	-	9,878
<b>Total liabilities</b>			<u>9,878</u>
<b>Consolidated - 2022</b>			
<b>Revenue</b>			
Net (loss) from disbursement funding/medical lien funding	(17,017)	-	(17,017)
Other revenue	508	79	587
	<u>(16,509)</u>	<u>79</u>	<u>(16,430)</u>
Other income	-	-	-
<b>Total revenue</b>	<u>(16,509)</u>	<u>79</u>	<u>(16,430)</u>
<b>Segment result</b>			
Depreciation and amortisation	(20,637)	(1,654)	(22,291)
Finance costs	(144)	-	(144)
	<u>(6,043)</u>	<u>(2,599)</u>	<u>(8,642)</u>
<b>(Loss) before income tax expense</b>	<u>(26,824)</u>	<u>(4,253)</u>	<u>(31,077)</u>
Income tax expense			-
<b>(Loss) after income tax expense</b>			<u>(31,077)</u>
<b>Assets</b>			
Segment assets	19,698	189	19,887
<b>Total assets</b>			<u>19,887</u>
<b>Liabilities</b>			
Segment liabilities	36,641	18,500	55,141
<b>Total liabilities</b>			<u>55,141</u>

**Note 4. Operating segments (continued)**

*Segment assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

*Segment liabilities*

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Accordingly, all liabilities are allocated based on the operations of the segment.

**Note 5. Net loss from disbursement funding/medical lien funding**

	Consolidated 2023 US\$'000	Consolidated 2022 US\$'000
<i>Medical lien funding - USA:</i>		
Interest income at amortised cost	5,187	6,043
Net impairment losses on financial assets at amortised cost (refer to note 10)	(6,711)	(23,097)
Net settlement gains on financial assets at amortised cost	-	37
	<u>(1,524)</u>	<u>(17,017)</u>

**Note 6. Other revenue**

	Consolidated 2023 US\$'000	Consolidated 2022 US\$'000
Gain on write off of PFG Make Good Provision (i)	750	-
Gain on write off of EIDL (ii)	143	-
Brokerage commission received – insurance	-	79
Rental income	-	64
Other revenue	<u>893</u>	<u>143</u>

(i) As part of the restructuring, the previous requirement for Law Finance to make good on \$750,000 of the loan book was removed. This reversal of the provision has been recorded as other revenue in the period.

(ii) In 2020, an Economic Injury Disaster Relief loan ('EIDL Loan') of \$150,000 was made available to the Company by the U.S. Small Business Administration. The remaining balance on this loan will not be repaid, and has been recorded as other revenue.

Note 7. Expenses

	Consolidated 2023 US\$'000	2022 US\$'000
(Loss) before income tax includes the following specific expenses:		
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	20	36
Share-based payments expense	124	260
Employee benefits expense excluding superannuation	<u>1,034</u>	<u>3,613</u>
	<u>1,178</u>	<u>3,909</u>
<i>Depreciation and amortisation expense</i>		
Depreciation - property, plant and equipment	40	47
Depreciation - right-of-use assets	<u>50</u>	<u>97</u>
	<u>90</u>	<u>144</u>
<i>Administration and other expenses</i>		
Legal and professional fees	788	1,504
Other	<u>1,015</u>	<u>448</u>
	<u>1,803</u>	<u>1,952</u>
<i>Finance costs</i>		
Interest expense and line fees	6,322	8,626
Interest - right-of-use assets	<u>12</u>	<u>16</u>
	<u>6,334</u>	<u>8,642</u>

Note 8. Income tax

	Consolidated 2023 US\$'000	2022 US\$'000
Income tax expense is attributable to:		
(Loss) from continuing operations	-	-
Profit from discontinued operations	-	-
Aggregate income tax expense	<u>-</u>	<u>-</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
(Loss) before income tax expense	(9,697)	(31,077)
Tax at the statutory tax rate of 27.5% (2022: 25%)	(2,667)	(7,769)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenses not deductible	1,709	8,818
Income not assessable	-	(845)
	(958)	204
Difference in overseas tax rates	-	(35)
Exchange differences	-	(169)
Tax losses not recognised	958	-
Income tax expense	<u>-</u>	<u>-</u>

Due to the restructuring and ongoing operational matters the company does not anticipate being able to recover any historic tax losses and no asset has been recognised in relation to any previously incurred amounts.

Note 9. Cash and cash equivalents

	Consolidated 31 Dec 2023 US\$'000	31 Dec 2022 US\$'000
<i>Current assets</i>		
Cash at bank*	<u>1,445</u>	<u>1,460</u>

\* Of the total cash at bank, \$351,000 (2022: \$404,000) is considered unavailable for operations as it is held pending distribution to asset-backed lenders. Refer note 15( (iii) Partners for Growth ('PFG')).

**Note 10. Financial assets at amortised cost - USA**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Current assets</i>		
Loan receivables - medical lien funding - USA (gross)	46,650	62,656
Allowance for expected credit losses	(44,732)	(54,518)
Loan receivables - letter of credit	1,265	656
	<u>3,183</u>	<u>8,794</u>
<i>Non-current assets</i>		
Loan receivables - medical lien funding - USA (gross)	66,674	64,194
Allowance for expected credit losses	(64,717)	(55,856)
Loan receivables - letter of credit	-	734
	<u>1,957</u>	<u>9,072</u>
	<u><u>5,140</u></u>	<u><u>17,866</u></u>

The loan receivables - letter of credit are measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognised in profit or loss. Changes in fair value are recognised in profit or loss when the asset is derecognised or reclassified.

Medical lien funding receivables are considered purchased credit impaired assets under Australian Accounting Standards. They are initially recognised with an allowance for expected credit losses reflecting estimated lifetime credit losses. This reflects an estimate of both the probability that a settlement will not recover the entire face value of the underlying receivable and the probability that no settlement is obtained and is based on historical loss rates and realisation rates specific to the state of origination.

As part of the Group's year end asset review of claim within the portfolio, the Group identified receivables considered to be of 'higher risk' of non-collection. Claims were identified as identified as higher risk due to a number of factors including age and lack of reliable information to support recoverability of claims and also where the credit risk has effectively shifted from underlying medical lien claims to being against the US medical provider that originated the claims which NHF acquired or funded. These higher risk claims were assessed by management based on a number of factors including available information regarding the debtors' financial positions, nature of claim and progress of legal and enforcement actions (where applicable). Based on these estimates, management raised specific allowances for expected credit losses reflecting the uncertainties relating to the realisable value of claims and the broad range of potential outcomes.

**Note 11. Other receivables**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Current assets</i>		
Other receivables*	<u>56</u>	<u>133</u>
<i>Non-current assets</i>		
Other receivables**	<u>9</u>	<u>9</u>
	<u><u>65</u></u>	<u><u>142</u></u>

\* Other receivables (current) as at 31 December 2023 is composed of Mesh receivables of \$56,000 (2022: \$126,000). The associated Mesh liabilities were \$nil as at 31 December 2023 and 2022.

\*\* Other receivables (non-current) as at 31 December 2023 includes rental bond of \$9,000 (2022: \$9,000).

**Note 12. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Non-current assets</i>		
Plant and equipment - at cost	375	374
Less: Accumulated depreciation	(351)	(310)
	24	64
	24	64

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Plant and equipment US\$'000</b>
Balance at 1 January 2022	106
Additions	5
Depreciation expense	(47)
	64
Balance at 31 December 2022	64
Depreciation expense	(40)
	24
Balance at 31 December 2023	24

**Note 13. Right-of-use assets**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Non-current assets</i>		
Land and buildings - right-of-use	549	549
Less: Accumulated depreciation	(461)	(411)
	88	138
	88	138

There were no additions to the right-of-use assets during the period.

The Group leases land and buildings for its offices under agreements of between two and seven years, with, in some cases, options to extend.

For other AASB 16 lease related disclosures refer to the following:

- note 7 for details of interest on lease liabilities and other lease payments;
- note 20 for undiscounted future lease commitments;
- consolidated statement of financial position for lease liabilities at the end of the reporting period; and
- consolidated statement of cash flows for repayment of lease liabilities.

**Note 14. Trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Current liabilities</i>		
Trade and other payables	249	407
Accruals and other liabilities	298	1,077
	<u>547</u>	<u>1,484</u>

Trade and other payables are paid within the agreed credit terms.

Refer to note 20 for further information on financial instruments.

**Note 15. Borrowings**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Current liabilities</i>		
Efficient Frontier Investing (i)	-	24,072
Syndicated acquisition facility (ii)	-	18,308
Partners for Growth ('PFG') (iii)	9,158	10,796
Convertible Promissory Note (v)	3	3
Economic Injury Disaster Relief loan (vi)	-	4
Insurance financing - Australia (vii)	-	62
Credit cards	3	4
	<u>9,164</u>	<u>53,249</u>
<i>Non-current liabilities</i>		
Economic Injury Disaster Relief loan (vi)	-	141
	<u>9,164</u>	<u>53,390</u>

Refer to note 20 for further information on financial instruments.

*(i) Efficient Frontier Investing*

On 4 December 2020, a subsidiary of the Company (NHF SPV III, LLC) ('SPV III') entered into a facility agreement for \$25,550,000 with (amongst others) EFI Cayman SPC for and on behalf of NHF SPV III Segregated Portfolio ('EFI'), acting as agent for a syndicate of financiers. The facility was used to (amongst other things) refinance amounts owing to Atalaya Special Opportunities Fund VI LP and Paradise Diversified Holdings Limited Partnership and has a three-year term expiring on 4 December 2023, with interest (including management fee) on the facility accruing at 12.50% per annum (31 December 2022: 12.50%).

On 28 December 2023 the company announced it had implemented the restructure of the Group's debt facilities and recapitalisation. As part of this restructure, the Company sold its US based subsidiary, NHF SPV III, and in turn it was released from its obligations under the EFI Facility Agreement. Accordingly the amount owing has been converted into equity in LawFinance as at this date.

**Note 15. Borrowings (continued)**

*(ii) Syndicated acquisition facility ('SAF')*

The Syndicated acquisition facility was provided by various leading Australian institutions and family offices. The facility was restructured as part of the Company's debt restructure approved by shareholders at the Company's Annual General Meeting on 25 May 2021 ('2021 Debt Restructure'). As part of the 2021 Debt Restructure a portion of the SAF debt was converted to equity in the Company and two remaining tranches of debt were formed. The remaining SAF facility debt was \$13,750,000 (A\$20,000,000), which is now referred to as Tranche 1. A new loan amount of \$2,630,000 (A\$3,825,000) was also made, which is referred to as Tranche 2.

This facility was also subject to the restructure of the Group's debt facilities and recapitalisation, implemented on 28 December 2023. In line with this restructure, all indebtedness outstanding under the SAF Facility Agreement was converted into equity in LawFinance on this date. These Shares will represent approximately 62.5% of the Shares on issue immediately following the Funding and Restructure Transaction.

*(iii) Partners for Growth ('PFG')*

This loan facility was established on 14 April 2021 to fund the US medical lien funding business. The Borrowers are NHF SPV IV, LLC ('SPV IV') and National Health Finance DM, LLC ('DM') (SPV IV and DM are together, 'NHF'). By agreement in November 2022 (discussed below), the undrawn portion of the facility was cancelled and all collections from the PFG Book since that agreement are being applied to reduce the PFG loan (facility is in amortisation).

The loan is secured by a first ranking priority lien over all the assets of SPV IV and DM, including also share security over SPV IV and DM, lockbox agreements and deposit account control agreements.

The facility is subject to several covenants. A breach of a covenant may require the Group to (amongst other things) repay the loan earlier.

As of 30 September 2022, the Company was in breach of the PFG Liquidity Covenant which requires NHF (book servicer entity) to maintain US\$1 million of unrestricted cash in its operating bank account at all times. Following this breach, in addition to earlier breaches, a facility modification agreement was executed with PFG as announced on 16 November 2022 ("Facility Modification"). The Facility Modification represented a collaborative approach between PFG and the Company, whereby PFG provided the Company support to create a stable platform to focus on advancing strategic priorities including the refinance of the PFG loan.

As part of the Facility Modification, the Company and PFG agreed:

- The release of US\$1,000,000 from the facility to the Company.
- A waiver of existing defaults and reduced triggers for certain financial covenants until 1 March 2023.
- Ability to refinance early without penalty.
- The issuance of warrants to PFG on a successful refinancing of the PFG facility.
- Cancellation of the undrawn facility amount.
- All collections will go towards a reduction of the PFG facility and a reduction of interest in line with the drawn amount.

On 28 December 2023 the company announced it had implemented the restructure of the Group's debt facilities and recapitalisation. As part of this restructure, the PFG Loan Agreement was once again amended to provide the following:

**Note 15. Borrowings (continued)**

(a) that the medical receivable proceeds collected in connection with the PFG Loan Agreement are to be applied as follows:

(A) 40% of the Michigan Contractual Claims are to be retained by the PFG Borrowers and the balance of the Michigan Contractual Claims are to be disbursed to PFG in repayment of principal and interest owing to PFG under the PFG Loan Agreement until PFG is repaid in full and following that date to PURE and Law Finance MIS in accordance with their interests until they have been repaid the balance of all outstanding principal and interest to which they are entitled under the PFG Loan Agreement; and

(B) the lessor of:

(1) 15% of the PFG Receivables; and (2) an amount equal to 100% of the proceeds of collections of the PFG Receivables minus the sum of (i) 90% of the "Net CoGs" (as defined in the PFG Loan Agreement) of such PFG Receivables collected and (ii) the interest payable on the PFG Loan during that month calculated at 11.50% per annum, are to be retained by the PFG Borrowers and the balance of such PFG Receivables are to be disbursed to PFG in repayment of principal and interest owing to PFG under the PFG Loan Agreement until PFG is repaid in full and following that date to PURE and Law Finance MIS in accordance with their interests until they have been repaid the balance of all outstanding principal and interest to which they are entitled under the PFG Loan Agreement; and

(b) the "Maturity Date" for the loans which have been participated in by Law Finance MIS to be extended to 31 December 2025; and

(c) the obligation on the PFG Borrowers to pay the US\$750,000 "Make Good Fee" will be deleted.

As at this date, there was a reset of the financial covenants and undertakings in line with expected performance of the receivables owned by the Borrowers. Pursuant to the Facility Modification, covenant breaches that are not cured or waived by PFG within 5 business days of their occurrence shall constitute and event of default, which would allow PFG to exercise its rights and remedies under the facility.

The Facility Modification dated November 2023 extended the loan's maturity date to 31 December 2025. However, as the covenant waivers granted by PFG are set to expire in March 2025, the loan may become immediately repayable at that time. As a result, the loan has been classified as a current liability.

*(v) Convertible Promissory Note*

Given that the Convertible Promissory Note was not converted to equity in the Company by 10 September 2022 the cash settlement amount calculated pursuant to the formula prescribed in Note terms became payable in the amount of A\$4,775.

*(vi) Economic Injury Disaster Relief loan ('EIDL Loan')*

The EIDL Loan of \$150,000 was made available to the Company by the U.S. Small Business Administration on 16 June 2020 as a way for the entity to counter the effects of Covid-19. During the year the company wrote off this loan on the understanding that the entity the money was lent to is no longer operational.

**Note 15. Borrowings (continued)**

*(vii) Insurance financing - Australia*

On 17 August 2022, the Company entered into a loan premium funding arrangement for a loan amount of A\$182,000. A monthly interest of 6.49% is payable under the arrangement. Repayments including principal and interest commenced on 17 August 2022. As at 31 December 2023 the facility has been repaid.

*Financing arrangements*

At the reporting date, the following lines of credit were available:

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Total facilities		
Efficient Frontier Investing (a)	-	24,072
Syndicated acquisition facility (b)	-	18,308
Partners for Growth (c)	9,158	10,796
	<u>9,158</u>	<u>53,176</u>
Used at the reporting date		
Efficient Frontier Investing (a)	-	24,072
Syndicated acquisition facility (b)	-	18,308
Partners for Growth (c)	9,158	10,796
	<u>9,158</u>	<u>53,176</u>
Unused at the reporting date		
Efficient Frontier Investing (a)	-	-
Syndicated acquisition facility (b)	-	-
Partners for Growth (c)	-	-
	<u>-</u>	<u>-</u>

(a) This facility does not have a redraw option.

(b) This facility includes capitalised interest.

(c) By agreement in November 2022, the undrawn portion of the facility was cancelled.

**Note 16. Issued capital**

	<b>Consolidated</b>			
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>Shares</b>	<b>Shares</b>	<b>US\$'000</b>	<b>US\$'000</b>
Ordinary shares - fully paid	<u>315,797,822</u>	<u>63,867,656</u>	<u>104,396</u>	<u>102,671</u>

**Note 16. Issued capital (continued)**

*Movements in ordinary share capital*

Details	Date	Shares	US\$'000
Balance	1 January 2022	40,770,740	97,626
Issue of shares - placement (i)	11 April 2022	6,109,091	1,200
Issue of shares - entitlement offer (i)	5 May 2022	7,213,579	1,418
Issue of shares - entitlement offer (i)	6 May 2022	9,487,509	1,864
Issue of shares - entitlement offer (ii)	10 May 2022	100,000	20
Issue of shares - conversion of CCN (ii)	18 November 2022	186,737	1,232
Share issue costs		-	(689)
Balance	31 December 2022	63,867,656	102,671
Debt for Equity Conversion on restructuring (iii)	28 December 2023	251,930,166	1,725
Balance	31 December 2023	<u>315,797,822</u>	<u>104,396</u>

(i) Issue price A\$0.275 (US\$0.1965) per share

(ii) Conversion of capitalising converting notes ('CCN') at A\$10 (US\$6.7) per share.

(iii) These shares were issued in consideration for the conversion of all outstanding indebtedness owed by the Company under the SAF and EFI Facility Agreements into equity in the Company. Please refer to note 15 for further details of this restructuring.

*Ordinary shares*

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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.

*Convertible bonds*

Convertible bonds do not entitle the holder to participate in dividends or to vote at a meeting of the Company.

*Capital risk management*

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

**Note 17. Capitalising converting notes**

	Consolidated	
	31 Dec 2023 US\$'000	31 Dec 2022 US\$'000
Capitalising converting notes	<u>14,460</u>	<u>14,460</u>

On 9 June 2020, the Company issued 188,972,861 Capitalising converting notes ('CCN') at a face value of A\$0.10 per share (pre-share consolidation) to convert A\$18.9 million of existing subordinated debt owed by the Company. The noteholders may elect to convert the notes into ordinary shares before 31 December 2022. The CCN accrues the noteholder at 6% per annum and this interest is also convertible into ordinary shares, and not payable in cash. The CCN do not entitle the noteholders to participate in dividends or to vote at a meeting of the Company.

During the year ended 31 December 2023, none of the convertible notes were converted to ordinary shares (2022: 186,737 (note 16)).

**Note 17. Capitalising converting notes (continued)**

As announced on 3 January 2023 and on 31 March 2023, the Company was in discussions with the holders of the CCN, and that the Board agreed to postpone the maturity date firstly by three months to 31 March 2023 and then a further extension to 30 June 2025. The purpose of the extensions is to allow a committed funding offer to be provided, which is capable of acceptance by the Group. The existing CCNs would have converted on 31 December 2022 to 2,045,531 shares based on an outstanding principal of A\$20.5 million and a conversion price of A\$10 per share. CCN holders have agreed that no interest will be capitalised in the period up to 30 June 2025. The Funding Transaction announced on 31 March 2023 includes a staged injection of capital of \$3 million in two tranches based on milestones in return for the extension of the maturity date and a reduction of the conversion price.

Financial instruments issued by the Company are classified as equity when they do not meet the definition of a financial liability. The CCN's do not create a contractual obligation to deliver cash to the noteholder and the number of ordinary shares to be issued upon conversion is fixed at 2,045,531, hence these CCN's have been classified as equity.

**Note 18. Reserves**

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Foreign currency reserve	2,891	2,283
Share-based payments reserve	6,956	6,832
Restructuring reserve	58,448	18,910
	<u>68,295</u>	<u>28,025</u>

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of Australian operations to United States dollars.

*Share-based payments reserve*

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

*Restructuring reserve*

The reserve is used to recognise the gain on debt to equity conversion.

*Movements in reserves*

Movements in reserves during the current and previous financial period are set out below:

<b>Consolidated</b>	<b>Foreign currency US\$'000</b>	<b>Share-based payments US\$'000</b>	<b>Restructuring US\$'000</b>	<b>Total US\$'000</b>
Balance at 1 January 2022	1,079	6,355	18,910	26,344
Foreign currency translation	1,204	-	-	1,204
Share-based payments	-	477	-	477
Balance at 31 December 2022	2,283	6,832	18,910	28,025
Foreign currency translation	608	-	-	608
Restructuring gain on debt to equity conversion*	-	-	39,538	39,538
Share-based payments	-	124	-	124
Balance at 31 December 2023	<u>2,891</u>	<u>6,956</u>	<u>58,448</u>	<u>68,295</u>

## Note 18. Reserves (continued)

\* On 28 December 2023, following approval at Extraordinary General Meeting, the company announced it had implemented the restructure of the Group's debt facilities and recapitalisation. The restructure resulted in the above gain on the conversion of debt to equity. Refer to 'Significant changes in the state of affairs of the company' in the Directors Report for further detail on this restructure.

## Note 19. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Note 20. Financial instruments

### Financial risk management objectives

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

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy 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 market risk (foreign currency risk and 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 currencies and assessments of market forecasts for interest rates and foreign currencies. Ageing analyses and monitoring of receivables using an expected credit loss matrix are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

### Market risk

#### Foreign currency risk

Foreign currency risk arises from investments and borrowings that are denominated in a currency other than the functional currencies of the entities within the Group. These are Australian dollars and United States dollars based on country of operation of the entities within the Group.

In addition, the Group is exposed to non-financial instrument risk on the translation of these entities from their functional currency to the presentation currency of United States dollars. This presentation risk is separate to the foreign currency risk dealt with here.

The Group does not hedge any foreign currency risks as those currency positions are considered to be long-term in nature.

The carrying amount of the Group's foreign currency denominated financial assets at the reporting date was as follows:

Consolidated	Assets		Liabilities	
	31 Dec 2023 US\$'000	31 Dec 2022 US\$'000	31 Dec 2023 US\$'000	31 Dec 2022 US\$'000
Australian dollars	7	71	(714)	(18,500)
United States dollars	6,585	19,398	(9,164)	(36,641)
	<u>6,592</u>	<u>19,469</u>	<u>(9,878)</u>	<u>(55,141)</u>

The Group had net liabilities denominated in foreign currencies of US\$3,286 (US\$6,592 less liabilities of US\$9,878) as at 31 December 2023 (31 December 2022: net liabilities of US\$35,672 (US\$19,469 less liabilities of US\$55,141)).

Based on this exposure, had the USD weakened/strengthened by 10% (2022: weakened/strengthened by 10%) against the A\$ with all other variables held constant, the Group's profit before tax for the year and equity would have been affected as follows:

Note 20. Financial instruments (continued)

Consolidated - 31 Dec 2023	% change	USD strengthened		% change	USD weakened	
		Effect on profit before tax US\$'000	Effect on equity US\$'000		Effect on profit before tax US\$'000	Effect on equity US\$'000
Australian dollars	10%	<u>71</u>	<u>71</u>	10%	<u>(71)</u>	<u>(71)</u>

Consolidated - 31 Dec 2022	% change	USD strengthened		% change	USD weakened	
		Effect on profit before tax US\$'000	Effect on equity US\$'000		Effect on profit before tax US\$'000	Effect on equity US\$'000
Australian dollars	10%	<u>1,843</u>	<u>1,843</u>	10%	<u>(1,843)</u>	<u>(1,843)</u>

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

*Price risk*

The Group is not exposed to any significant price risk.

*Interest rate risk*

The Group's main interest rate risk arises from borrowings and cash and cash equivalents. The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on financial liabilities, is as follows:

	31 Dec 2023 Weighted average interest rate %	31 Dec 2023 Balance US\$'000	31 Dec 2022 Weighted average interest rate %	31 Dec 2022 Balance US\$'000
Efficient Frontier Investing	-	-	12.50%	24,072
Syndicated acquisition facility	-	-	9.50%	18,308
Partners for Growth	11.25%	9,158	11.25%	10,796
Convertible Promissory note	-	3	-	3
Economic Injury Disaster Relief loan	-	-	3.75%	145
Insurance financing - Australia	-	-	6.49%	62
Credit cards	-	3	-	4
Cash and cash equivalents	-	<u>(1,445)</u>	-	<u>(1,460)</u>
Net exposure to cash flow interest rate risk		<u>7,719</u>		<u>51,930</u>

The weighted average interest rate for the period ended 31 December 2023 was 11.25% (2022: 10.89%).

The Group has net interest-bearing liabilities and therefore income and operating cash flows are subject to changes in the market rates. The Group regularly analyses its interest rate exposure. Within this analysis consideration is given to expected interest rate movements and the Group's future cash requirements, potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates. A movement in interest rates of +/-100 basis points will result in less than a +/-US\$ 91,640 (2022: US\$541,000) impact on the Group's results and operating cash flows.

**Note 20. Financial instruments (continued)**

**Credit risk**

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents and receivables.

Cash and cash equivalents comprise of cash on hand and demand deposits. The Group limits its credit risk by holding cash balances and demand deposits with reputable counterparties with acceptable credit ratings.

Receivables for the US medical lien funding division are held with licensed lawyers who have a fiduciary duty to protect the receivable. In the past, the Group transacted with in excess of 2,000 law firms and limits its credit risk by ensuring that the lawyer has a valid and active license to practice law in their respective State. Settlement funds are required to be deposited into the law firms' trust accounts where State Bar rules and regulations apply, protecting the funds from mismanagement.

**Liquidity risk**

Refer to Note 2 – 'Going concern'.

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.

**Remaining contractual maturities**

The following are the remaining contractual maturities as at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

<b>Consolidated - 31 Dec 2023</b>	<b>Weighted average interest rate %</b>	<b>1 year or less US\$'000</b>	<b>Between 1 and 2 years US\$'000</b>	<b>Between 2 and 5 years US\$'000</b>	<b>Over 5 years US\$'000</b>	<b>Remaining contractual maturities US\$'000</b>
<i>Non-interest bearing:</i>						
Trade and other payables	-	547	-	-	-	547
<i>Interest bearing:</i>						
Partners for Growth*	11.25%	9,158	-	-	-	9,158
Lease liabilities	7.50%	45	79	-	-	124
		<u>9,750</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>9,829</u>

\* The Facility Modification dated November 2023 extended the loan's maturity date to 31 December 2025. However, as the covenant waivers granted by PFG are set to expire in March 2024, the loan may become immediately repayable at that time. As a result, the loan has been classified as a current liability.

Note 20. Financial instruments (continued)

Consolidated - 31 Dec 2022	Weighted average interest rate %	1 year or less US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Remaining contractual maturities US\$'000
<i>Non-interest bearing:</i>						
Trade and other payables	-	1,157	-	-	-	1,157
<i>Interest bearing:</i>						
Efficient Frontier Investing*	12.50%	26,858	-	-	-	26,858
Syndicated acquisition facility	9.50%	23,959	-	-	-	23,959
Partners for Growth*	11.25%	12,360	-	-	-	12,360
Convertible Promissory Note	-	3	-	-	-	3
Economic Injury Disaster Relief loan	3.75%	5	5	16	274	300
Insurance financing	6.49%	65	-	-	-	65
Credit cards	-	4	-	-	-	4
Lease liabilities	7.50%	44	9	138	-	191
		<u>64,455</u>	<u>14</u>	<u>154</u>	<u>274</u>	<u>64,897</u>

\* Refer to note 15 and the technical breaches of these facilities – the above remaining contractual maturities are as expected once the breaches have been rectified.

Note 21. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel ('KMP') of the Group is set out below:

	Consolidated 2023 US\$	Consolidated 2022 US\$
Short-term employee benefits	402,894	1,417,910
Post-employment benefits	21,426	40,512
Termination benefits	-	11,673
Share-based payments	-	236,905
	<u>424,320</u>	<u>1,707,000</u>

The above figures include amounts paid to companies related to directors for the service and/or director fees payable to directors.

Note 22. Remuneration of auditors

During the financial period, the following fees were paid or payable for services provided by Stantons, the auditor of the Company:

	Consolidated 2023 US\$	Consolidated 2022 US\$
Audit services - Stantons		
Audit or review of the financial statements	<u>45,700</u>	<u>104,804</u>

### Note 23. Contingent liabilities

#### *Litigation against NHF*

NHF is involved in two separate proceedings (litigation) that were commenced in Florida in 2017. These proceedings relate to a failed medical practice which sold various medical invoices to NHF. The proceedings are being defended as the medical invoices purchased were on an arm's length basis and are subject to a contract entered into with the now bankrupt medical practice. As such, NHF believes there are no amounts payable to the medical practice or its creditors. There has been no change to the status of this case since 31 December 2023.

NHF was also involved with litigation that was commenced in Oklahoma in 2019. The proceedings related to a patient of a medical provider that sold various receivables to NHF. The proceeding was being defended as the lien is a legal contract, binding upon the patient. NHF also has an indemnity clause with the medical provider. The matter was dismissed and closed on 8 February 2023 with no amounts payable by NHF.

NHF was involved in two separate proceedings (litigation) that were commenced in Michigan in 2020 and 2021. The proceedings relate to a RICO action, which has become a common tactic alleging numerous and widespread allegations of misrepresentation in an effort to eliminate provider claims. The proceedings were defended as having no basis in fact or proof, as NHF is not a medical provider of care. Both matters were dismissed and closed in 2023 with no amounts payable by NHF.

NHF received a lawsuit in Arizona in 2023, however the Company believed the action to be frivolous and not filed in accordance with applicable laws. The Court summarily dismissed the action on 14 July 2023.

### Note 24. Commitments

The Group had no capital commitments for property, plant and equipment as at 31 December 2023 and 31 December 2022.

### Note 25. Related party transactions

#### *Parent entity*

LawFinance Limited is the parent entity.

#### *Subsidiaries*

Interests in subsidiaries are set out in note 27.

#### *Key management personnel*

Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the directors' report.

#### *Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$</b>	<b>US\$</b>
<i>Other related parties - income:</i>		
Multus Medical LLC - office rental	-	63,880

David Wattel is a director of Multus Medical LLC, a company that specialises in creating 3-Dimensional anatomical schematics from standardised MRI data. This company also provides services to patients to assist in their personal injury insurance claims, and NHF fund the cost of these services. NHF leased office space from this company in 2022, however this agreement ceased in early 2022.

**Note 25. Related party transactions (continued)**

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$</b>	<b>US\$</b>
<i>Current payables to other related parties:</i>		
Desiree Wattel - Convertible Promissory Note	3,249	3,249

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date, except for the facilities with the Lucerne Group and the NHF Vendors/Founders as detailed in note 15.

*Terms and conditions*

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

**Note 26. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>31 Dec 2023</b>	<b>31 Dec 2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Profit/(loss) after income tax	384	(2,081)
Total comprehensive (loss)/income	384	(2,081)

*Statement of financial position*

	<b>Parent</b>	
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Total current assets	507	190
Total assets	507	190
Total current liabilities	-	191
Total liabilities	-	18,577
Net assets/(liabilities)	507	(18,387)
Equity		
Issued capital	104,396	102,693
Capitalising converting notes	14,460	14,460
Foreign currency reserve	(6,235)	(4,532)
Share-based payments reserve	6,956	6,832
Restructuring reserve	37,296	18,910
Accumulated losses	(156,366)	(156,750)
Total equity/(deficiency)	507	(18,387)

**Note 26. Parent entity information (continued)**

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

Except as described in note 15 and note 23, the parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2023 and 31 December 2022.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2023 and 31 December 2022 other than those disclosed in note 23.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2023 and 31 December 2022.

*Material accounting policy information*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Note 27. Interests in subsidiaries**

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2023 %	31 Dec 2022 %
JustKapital Litigation Insurance Pty Limited	Australia	100.00%	100.00%
JustKapital Co-Funding No 1 Pty Limited	Australia	100.00%	100.00%
JustKapital STL Pty Limited	Australia	100.00%	100.00%
JustKapital NHF USA Holdings, LLC	USA	100.00%	100.00%
JustKapital NHF Holdings Pty Limited	Australia	100.00%	100.00%
National Health Finance HoldCo, LLC	USA	100.00%	100.00%
<b>Subsidiaries of National Health Finance HoldCo, LLC</b>			
Accident Medical Funding, LLC	USA	71.00%	71.00%
Apex Injury Network, LLC	USA	75.00%	75.00%
Arizona Injury Medical Specialists, LLC	USA	75.00%	75.00%
Ark-La-Tex Injury Network, LLC	USA	75.00%	75.00%
Atlanta Health Funding, LLC	USA	75.00%	75.00%
Auto Medical Funding, LLC	USA	75.00%	75.00%
Bakersfield Injury Network, LLC	USA	75.00%	75.00%
Balboa Medical Funding, LLC	USA	75.00%	75.00%
Bay Area Medical Finance, LLC	USA	75.00%	75.00%
Bayou Health Finance, LLC	USA	99.00%	99.00%
California Health Finance, LLC	USA	50.50%	50.50%
California Legal Medical Funding, LLC	USA	68.00%	68.00%
Central Coast Injury Network, LLC	USA	72.50%	72.50%
Classic City Injury Solutions, LLC	USA	72.50%	72.50%
Coast Medical Finance, LLC	USA	75.00%	75.00%
Complete Health Network, LLC	USA	48.50%	48.50%
Cordova Injury Network, LLC	USA	75.00%	75.00%
Desert Sky Medical Funding, LLC	USA	75.00%	75.00%
DFW Medical Finance, LLC	USA	90.50%	90.50%
East Bay Medical Finance, LLC	USA	72.50%	72.50%
Florida Healthcare Finance, LLC	USA	75.00%	75.00%
Fresno Injury Treatment Network, LLC	USA	75.00%	75.00%
Georgia Injury Treatment Network, LLC	USA	71.50%	71.50%

Note 27. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2023 %	31 Dec 2022 %
Great Salt Lake Medical Finance, LLC	USA	89.00%	89.00%
Greater Houston Medical Funding, LLC	USA	75.00%	75.00%
GTI Medical Funding, LLC	USA	75.00%	75.00%
HALO Medical Funding, LLC	USA	75.00%	75.00%
Healthcare Affiliates of Florida, LLC	USA	75.00%	75.00%
Hospital Capital Partners, LLC	USA	82.50%	82.50%
Illinois Injury Solutions, LLC	USA	87.00%	87.00%
Injury Health Alliance, LLC	USA	70.00%	70.00%
Injury Medical Network, LLC	USA	67.00%	67.00%
Inland Empire Medical Funding, LLC	USA	75.00%	75.00%
Kentucky Injury Network, LLC	USA	75.00%	75.00%
Lone Star Lien Solutions, LLC	USA	75.00%	75.00%
Louisiana HealthNet Solutions, LLC	USA	73.00%	73.00%
Medical Financial Group, LLC	USA	70.00%	70.00%
Metroplex Medical Finance, LLC	USA	70.00%	70.00%
Monument Medical Funding, LLC	USA	75.00%	75.00%
Mountain Medical Finance, LLC	USA	78.00%	78.00%
Mountain West Medical Funding, LLC	USA	75.00%	75.00%
MSP Payment Solutions, LLC	USA	70.00%	70.00%
Nashville Injury Network, LLC	USA	75.00%	75.00%
National Health Finance DM, LLC	USA	100.00%	100.00%
National Health Finance of Florida, LLC	USA	100.00%	100.00%
National Health Finance of Florida 2, LLC	USA	76.00%	76.00%
National Health Finance WA, LLC	USA	75.00%	75.00%
National Medical Finance & Assistance, LLC	USA	100.00%	100.00%
Nevada Health Finance, LLC	USA	60.00%	60.00%
Nevada Medical Concierge Services, LLC	USA	75.00%	75.00%
Nevada Orthopedic and Spinal Financing, LLC	USA	75.00%	75.00%
New Mexico Health Finance, LLC	USA	68.00%	68.00%
New Mexico Medical Financing, LLC	USA	49.00%	49.00%
North Carolina Health Finance, LLC	USA	73.00%	73.00%
North Texas Medical Finance, LLC	USA	70.00%	70.00%
Northern Florida Medical Finance, LLC	USA	89.00%	89.00%
NW Health Network, LLC	USA	66.00%	66.00%
Odessa Health Finance, LLC	USA	75.00%	75.00%
Oklahoma Health Finance, LLC	USA	83.00%	83.00%
Oklahoma Injury Network, LLC	USA	71.50%	71.50%
Oklahoma Injury Solutions, LLC	USA	75.00%	75.00%
Old Pueblo Medical Financing of Delaware, LLC	USA	100.00%	100.00%
Old Pueblo Medical Financing, LLC	USA	50.00%	50.00%
ONYX Medical Funding Group, LLC	USA	50.00%	50.00%
Pennsylvania Healthcare Finance, LLC	USA	70.00%	70.00%
Physicians Accident Injury Network, LLC	USA	75.00%	75.00%
Pikes Peak Medical Funding, LLC	USA	75.00%	75.00%
Premier Medical Review, LLC	USA	75.00%	75.00%
Red River Medical Funding, LLC	USA	75.00%	75.00%
Rocky Mountain Medical Finance, LLC	USA	73.00%	73.00%
San Fernando Injury Network, LLC	USA	75.00%	75.00%
Silver State Surgical Solutions, LLC	USA	100.00%	100.00%
Smash Medical Funding, LLC	USA	75.00%	75.00%
SMD Medical Finance, LLC	USA	68.00%	68.00%
Southern California Injury Treatment Network, LLC	USA	99.00%	99.00%
Southern Idaho Medical Funding, LLC	USA	75.00%	75.00%
Southwest Injury Solutions, LLC	USA	73.00%	73.00%
Southwest Medical Financing, LLC	USA	75.00%	75.00%

**Note 27. Interests in subsidiaries (continued)**

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2023 %	31 Dec 2022 %
Surgical Capital Partners, LLC	USA	100.00%	100.00%
Top Tier Injury Solutions, LLC	USA	75.00%	75.00%
Tri Cities Injury Solutions, LLC	USA	75.00%	75.00%
Tristate Medical Finance, LLC	USA	75.00%	75.00%
Waterleaf Medical Finance, LLC	USA	73.00%	73.00%
West Coast Injury Solutions, LLC	USA	75.00%	75.00%

**Note 28. Cash flow information**

*Reconciliation of (loss) after income tax to net cash inflow/(outflow) from operating activities*

	Consolidated 2023 US\$'000	Consolidated 2022 US\$'000
(Loss) after income tax expense for the year	(9,697)	(31,077)
Adjustments for:		
Depreciation and amortisation	90	144
Share-based payments	124	260
Employee leave provision	-	(19)
Interest income	258	542
Commissions payable	-	19
Interest expense	1,127	3,124
Write off of Make Good provision and EIDL loan	893	-
Net foreign exchange differences	-	60
Transfer of borrowings to restructuring reserve	39,538	-
Change in operating assets and liabilities:		
Decrease in other receivables	12,771	23,576
Decrease in prepayments	170	76
Decrease in trade and other payables	(937)	(584)
Decrease in provisions or employee benefits	(59)	(75)
Decrease in borrowings	(44,226)	(3,421)
Net cash inflow/(outflow) from operating activities	<u>52</u>	<u>(7,375)</u>

**Note 29. Share-based payments**

*Share options*

At the 2021 Annual General Meeting held on 25 May 2021, shareholders approved the adoption of the LAW Incentive Plan ('Incentive Plan') and associated Non-Recourse Loan Agreements for directors, officers, employees and consultants ('Participants'). The Incentive Plan, effective from 25 May 2021, replaced the previous Incentive Option Plan and Executive Incentive Plans ('EIP').

The objectives of the Incentive Plan are to:

- supplement Participant remuneration;
- ensure that the Group's remuneration policy is competitive in retaining and motivating the Participants;
- provide a mechanism for achieving the Group's overarching remuneration objective of aligning the interests of Participants and shareholders; and
- reward Participants based on the Group's overall performance and other businesses and high performance.

**Note 29. Share-based payments (continued)**

Set out below are summaries of options granted under the plans:

**31 Dec 2023**

Grant date	Expiry date	Exercise price*	Balance at the start of the year	Granted	Lapsed/expired	Balance at the end of the year
13/03/2020	28/09/2023	US\$44.8190	250,000	-	(250,000)	-
28/05/2021	08/12/2024	US\$1.8670	1,000,000	-	-	1,000,000
18/06/2021	08/12/2024	US\$1.8670	916,667	-	-	916,667
01/06/2022	30/04/2024	US\$0.3945	6,054,554	-	-	6,054,554
01/06/2022	08/12/2024	US\$1.8670	400,000	-	-	400,000
			<u>8,621,221</u>	<u>-</u>	<u>(250,000)</u>	<u>8,371,221</u>
Weighted average exercise price			US\$2.0780	US\$0.0000	US\$44.8190	US\$0.8020

\* Exercise price - A\$40, A\$60, A\$2.50, A\$2.50, A\$0.55 and A\$2.50 respectively.

**31 Dec 2022**

Grant date	Expiry date	Exercise price*	Balance at the start of the year	Granted	Lapsed/expired	Balance at the end of the year
13/03/2020	28/09/2022	US\$29.8790	225,000	-	(225,000)	-
13/03/2020	28/09/2023	US\$44.8190	250,000	-	-	250,000
28/05/2021	08/12/2024	US\$1.8670	1,300,000	-	(300,000)	1,000,000
18/06/2021	08/12/2024	US\$1.8670	916,667	-	-	916,667
01/06/2022	30/04/2024	US\$0.3945	-	6,054,554	-	6,054,554
01/06/2022	08/12/2024	US\$1.8670	-	400,000	-	400,000
			<u>2,691,667</u>	<u>6,454,554</u>	<u>(525,000)</u>	<u>8,621,221</u>
Weighted average exercise price			US\$8.1980	US\$0.4858	US\$13.8800	US\$2.0780

\* Exercise price - A\$40, A\$60, A\$2.50, A\$2.50, A\$0.55 and A\$2.50 respectively.

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

Grant date	Expiry date	31 Dec 2023 Number	31 Dec 2022 Number
13/03/2020	28/09/2023	-	250,000
01/06/2022	08/12/2024	400,000	400,000
		<u>400,000</u>	<u>650,000</u>

The weighted average share price during the financial period was US\$0.012 (2022: US\$0.19).

The weighted average remaining contractual life of options outstanding at 31 December 2023 was 0.5 years (31 December 2022: 1.4 years).

Note 29. Share-based payments (continued)

Warrants

Set out below are summaries of warrants granted on acquisition of NHF:

31 Dec 2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Lapsed/expired	Balance at the end of the year
28/05/2021	28/05/2028	US\$0.0000	2	-	-	2
			<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>

\* Exercise price - A\$4.400

31 Dec 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Lapsed/expired	Balance at the end of the year
28/09/2018	08/11/2022	US\$10.0840	4,527,438	-	(4,527,438)	-
28/05/2021	28/05/2028	US\$3.2870	2	-	-	2
			<u>4,527,440</u>	<u>-</u>	<u>(4,527,438)</u>	<u>2</u>

\* Exercise price - A\$4.400

The weighted average remaining contractual life of warrants outstanding at 31 December 2023 was 4.4 years (31 December 2022: 5.4 years).

Note 30. Earnings per share

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	65,944,004	56,294,576
Weighted average number of ordinary shares used in calculating diluted earnings per share	65,944,004	56,294,576
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2023</b>	<b>2022</b>
	<b>US\$'000</b>	<b>US\$'000</b>
(Loss) after income tax	(9,697)	(31,077)
Non-controlling interest	71	(200)
(Loss) after income tax attributable to the owners of LawFinance Limited	<u>(9,626)</u>	<u>(31,277)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	65,944,004	56,294,576
Weighted average number of ordinary shares used in calculating diluted earnings per share	65,944,004	56,294,576
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(14.60)	(55.56)
Diluted loss per share	(14.60)	(55.56)

**Note 31. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

For personal use only

**LawFinance Limited**  
**Directors' declaration**  
**31 December 2023**


In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board and Australian Accounting standards as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable as stated in the Going Concern section of note 2 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



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Anthony Murphy  
Director

28 March 2025  
Sydney

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
LAWFINANCE LIMITED****Report on the Audit of the Financial Report*****Disclaimer of Opinion***

We were engaged to audit the financial report of Lawfinance Limited ("the Company"), and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit and 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 statements, including a summary of accounting policies, and the directors' declaration.

We do not express a opinion on the accompanying financial report of the Group. Because of the significance of the matter described in the Basis for Disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

***Basis for Disclaimer of Conclusion***

As referred to in Note 10, included in the financial report, the consolidated Group included current financial assets at amortised cost of US\$3,183,000 (31 December 2022 US\$8,784,000) and non-current financial assets at amortised cost of US\$1,957,000 (31 December 2022 US\$9,072,000). The consolidated Group's revenue of \$1,524,000(31 December 2022 US\$17,017,000) is directly related to the carrying value of these assets.

On the 28 December 2023 the consolidated Group completed its restructure of its debt and facilities. As part of this transaction the consolidated Group lost control of the financial assets referred to as the "EFI book" (refer to note 15(i)).

We were not provided with documentation, financial models to support the financial performance and the carrying value of these assets to ensure their compliance with AASB 9 Financial Instruments and its required disclosures. We were also not provided sufficient audit evidence as to the split of the "EFI book" from the remaining financial assets at amortised cost. This impacted the calculation of the restructuring reserve of \$58,448,000.

As referred to in note 2 of the financial report, the company since May 2024 had no access to some historical accounting records due to the change in accounting software. Accordingly, we unable to gain sufficient appropriate audit evidence to support the restructuring, other events, transactions and certain financial statement disclosures.

As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of these transactions, balances and disclosures and therefore the impact on the Group's financial statements and notes.

**Material Uncertainty regarding the Going Concern Basis of Accounting**

As described in note 2 to the financial report, the financial statements have been prepared on a going concern basis of accounting. At 31 December 2023 the Group had working capital deficiency of US\$5,068,000 (31 December 2022 deficiency of US\$44,272,000), cash and cash equivalents of US\$1,445,000 (31 December 2022 US\$1,460,000) and had incurred a loss for the year amounting to US\$9,697,000 (31 December 2022 US\$31,077,000). The Group had an operating cash inflow of \$52,000 for the period ending 31 December 2023 (31 December 2022 outflow of \$7,375,000). The main financing facilities of the entity as described in note 15 has become payable in March 2024.

The ability of the Group to continue as a going concern is subject to collecting its outstanding medical lien receivables books and rectifying the various breaches of loan covenants (refer note 15). The company also needs to progress its strategic priorities as outlined in note 2 of the financial statements.

In the event that the Group does not successfully in these objectives the consolidated entity may not be able to meet its liabilities as and when they fall due.

Our opinion is not modified in respect of this matter

**Report on Other Legal and Regulatory Requirements**

As described in our disclaimer opinion above, we have not been given all information, explanations and assistance necessary for the conduct of the audit; and the company has not kept financial records sufficient to enable a financial report to be prepared and audited in compliance with the Corporations Act 2001.

**Key Audit Matter**

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no other Key Audit Matter to be communicated in our report.

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2023 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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, 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.

**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 responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

***Report on the Remuneration Report******Opinion on the Remuneration Report***

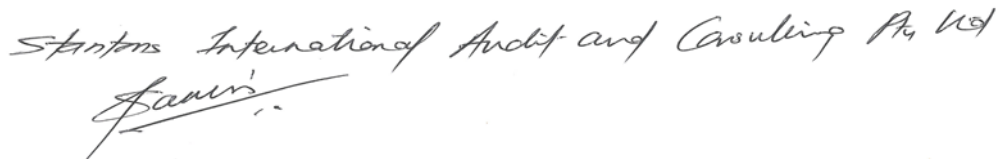
We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Lawfinance Limited for the year ended 31 December 2023 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.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Samir Tirodkar**  
Director  
West Perth, Western Australia  
28 March 2025

**LawFinance Limited**  
**Shareholder information**  
**31 December 2023**

The shareholder information set out below was applicable as at 25 March 2025.

**Distribution of equity securities**

Analysis of number of equity security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	322	0.03	2	0.01
1,001 to 5,000	111	0.09	1	0.17
5,001 to 10,000	43	0.10	-	-
10,001 to 100,000	151	1.76	4	3.76
100,001 and over	112	98.02	3	96.06
	<u>739</u>	<u>100.00</u>	<u>10</u>	<u>100.00</u>
Holding less than a marketable parcel <i>(based on last trading price of \$0.005 on 21 April 2023)</i>	<u>626</u>	<u>1.98</u>	<u>-</u>	<u>-</u>

**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	% of total shares issued
	Number held	
J P Morgan Nominees Australia	71,873,855	22.76
Lucerne LCF Pty Limited	63,127,985	19.99
Law Finance Managed Investment Scheme	52,098,331	16.50
EFI CAYMAN SPC (NHF SPV III SEG PORT A/C)	28,787,111	9.12
Lucerne Finance Pty Limited	8,562,754	2.71
Portfolio Services Pty Limited	7,743,835	2.45
Australian Philanthropic Services Foundation Pty Limited (APS Foundation A/C)	5,389,722	1.71
Partners for Growth VI LP	5,150,618	1.63
Partners for Growth V LP	5,150,617	1.63
Aquasia PTY LTD (Aquasia Private Invest A/C)	4,577,460	1.45
Mr. Craig Graeme Chapman	4,080,060	1.29
Papailoa Holdings Pty Limited	3,871,913	1.23
Principis Master Fund SPC	3,346,583	1.06
Citicorp Nominees Pty Limited	2,720,666	0.86
Cuffe Family Foundation PTY LTD (Cuffe Family Foundation A/C)	1,990,027	0.63
Tuwele PTY LTD (Rosella Superannuation A/C)	1,862,902	0.59
Farr Pty Limited	1,711,869	0.54
Principis Master Fund SPC (Lucerne Composite Master A/C)	1,652,277	0.52
HSBC Custody Nominees (Australia) Limited	1,641,177	0.52
EHF SPV1 LLC	1,511,809	0.48
	<u>276,851,571</u>	<u>87.67</u>

**LawFinance Limited**  
**Shareholder information**  
**31 December 2023**

*Unquoted equity securities (options)*

	<b>Number on issue</b>	<b>Number of holders</b>
Options – exercisable at A\$60.00 cent before 28 September 2023	250,000	2

**Substantial holders**

Substantial holders in the Company are set out below:

	<b>Ordinary shares % of total shares issued</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
J P Morgan Nominees Australia Pty Limited	71,873,855	22.76
Lucerne LCF PTY LTD	63,127,985	19.99
Law Finance Managed Investment Scheme	52,098,331	16.50
EFI Cayman SPC (NHF SPV III Seg Port A/C)	28,787,111	9.12

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

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.

**Warrants**

**Details**

	<b>Number of warrants</b>
Partners for Growth	2