Annual Report 2022

LAWFINANCE

ABN 72 088 749 008

LawFinance Limited

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Annual report - 31 December 2022

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31 December 2022

Directors	Tim Storey - Non-Executive Chairman Daniel Kleijn - Non-Executive Director Anthony Murphy - Non-Executive Director
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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 Automic Pty Ltd Level 5 126 Phillip Street Sydney NSW 2000
Stock exchange listing	LawFinance Limited shares are listed on the Australian Securities Exchange (ASX code: LAW)
Website	www.lawfinance.com.au
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 Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, was approved by the Board of Directors at the same time as the Annual Report and can be found at http://www.lawfinance.com.au/investorcentre/governance/

LawFinance Limited
Directors' report
31 December 2022

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 2022.

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:

Tim Storey
Anthony Murphy
Daniel Kleijn
David Wattel (resigned on 28 February 2023)
Jane Lamming (appointed on 1 September 2021 and resigned on 1 March 2022)

Review of operations
The first half of 2022 (1H2022), saw the continuation of momentum that was developing at the end of 2021, both in terms of growing the book and returns achieved on settlements of medical lien claims, In the 1H2022, the Company's subsidiary National Health Finance ('NHF') acquired or funded approximately US$8 million of medical receivables, the most for more than two years. The majority of these originations were undertaken by a new product, a letter-of-credit ('LOC') funding, targeting larger medical provider groups.

However, in September and October 2022, US$5.3 million of LOC funding provided to two Texas medical providers in 1H2022, repaid earlier than expected all-be-it in compliance with the terms of the facilities and the NHF earned interest of 16% p.a. on the transaction. Unfortunately, in September 2022, the Company also technically breached the Liquidity Covenant under its Partners for Growth ('PFG') asset backed funding facility despite having approximately US$1 million of funding available under the facility which represented the 'equity component' of collections in September 2022.

The internal business originations team continued to underperform in 3Q 2022, after investing in the team earlier in 2022 and seeing subsequent pipeline improvement, the team was unable to execute on monthly planned originations or provide sufficient confidence that they would originate at planned levels in the near term. At the end of 3Q 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 at the end of 3Q 2022, to conserve cash resources.

During October 2022, PFG and the Company agreed that all collections from the PFG book of receivables would be applied to reduce the outstanding balance of the PFG facility. In November, US$1 million of funding was released to NHF by PFG as part of the Facility Modification detailed in our release on 16 November 2022. The Facility Modification and subsequent further support (refer to note 18) represents a collaborative approach between PFG and the Company, whereby PFG agreed to provide the Company a stable platform to the end of April 2023, to focus on advancing strategic priorities.

As part of the year-end audit process, the Company decided to impair its financial assets with net impairment losses brought to account in FY2022 of c.US$23 million, of which c.US$1 million was recorded in the first half of FY2022. These impairments raised in the second half of 2022, primarily relate to medical lien claim exposures which have converted to damages and contractual claims directly against private US medical providers ('contractual claims'). These contractual claims are subject to various legal processes, which are currently at various stages of pursuit and enforcement. The vast majority of these impaired claims are litigation cases within the EFI receivables book, and to a lesser extent Michigan contractual claims in both the EFI and PFG receivables books. The range of potential recoveries from these claims, is very broad and difficult to accurately estimate based on the latest available and verifiable information.

The net asset deficiency of LAW increased from c.US$10 million as at 30 June 2022 to c.US$35 million as at 31 December 2022 (an increase of c.$25 million). While we have heavily impaired assets for accounting purposes, as at 31 December 2022, it does not change the Company's focus and objectives of maximising value recovered from these claims. Furthermore, secured lenders are considering providing further support to the Company to ensure that value of these claims is maximised.

As detailed in note 18, the Company has agreed various finance facility support measures with PFG and Efficient Frontier Investing ('EFI'). The EFI support measures currently expire at the end of March 2023. The PFG support measures have been extended to 30 April 2023. We are also in discussions with certain key lenders, under the Syndicated Acquisition Facility (with all such lenders comprising the 'SAF Lenders') regarding financial covenant breaches as at 31 December 2022.

Ongoing support from financial creditors beyond the end of March 2023 is uncertain. Any further support provided is likely to be impacted heavily by progress made by the Company on executing the Updated Strategy detailed below. Accordingly, debts owed in respect of the PFG, EFI and SAF facilities have all been classified as ‘current’ liabilities as at 31 December 2022.

Updated Strategy

As stated in the announcement accompanying the 2022 Preliminary Financial accounts dated 28 February 2023 the four strategic priorities of the Group are as set out below. Management is working to implement / progress these priorities sufficiently in the second quarter of 2023, which is required to be successful in order to ensure that the Group can recover to a sustainable financial position and continue as a going concern:

1. Continue to reduce costs and conserve cash resources

   Staff reductions in January and February including management changes announced on 28 February 2023 have reduced monthly OPEX levels to around US$200k to US$250k on average in coming months.

2. Advance Trident HG joint venture as the as main source of origination growth

   The Supplier Service Agreement between Trident HG and the US's largest hospital management company was fully executed in March 2023.
   The process of signing up the first hospital system under a User Agreement is expected to commence in the next two weeks.

3. Refinance the PFG Facility and/or obtain PFG Facility Support

   As announced on 31 March 2023, the Company reached agreement with Lucerne LCF Pty Ltd (who is a related party) (the 'Funder') to provide an initial US$250,000 ('Initial Funding'), and subject to a number of conditions a further US$3.05 million ('Remaining Funding') of funding to certain of the Company's US subsidiaries ('Funding Transaction'). The Company understands that the Funder has entered into a highly conditional back-to-back funding arrangement with Kenanga Investment Berhad ('Kenanga') and the Funder is fully reliant on it receiving the investment funds from Kenanga to have sufficient funds to satisfy its obligation to provide the Remaining Funding. The Company understands that the agreement between the Funder and Kenanga with respect to the Remaining Funding is highly conditional and the Funder may not have any ability to require Kenanga to provide the Remaining Funding to the Funder.

   The Funding Transaction will be made by the Funder via a participation in loans made by PFG under the PFG facility and therefore advanced to or as directed by NHF SPV IV, LLC, National Health Finance DM, LLC (as the 'Borrowers' under the PFG facility).

   Securing funding which the Funding Transaction provides, would (if completed) be a critical step providing OPEX funding to the Group providing time to implement its strategic priorities.

   As noted in the announcement dated 31 March 2023, the Funding Transaction involves two funding tranches.

   Tranche 1, which is equal to US$750,000 is to be made over three equal instalments payable at 31 March, 25 April and 25 May 2023, with the second and third instalments conditional on PFG's agreement to the funding arrangement; and confirmation from the Borrowers that PFG has agreed to any required covenant variation or waiver necessary for compliance with the facility terms at that time.

   Tranche 2, which is equal to US$2,550,000 is to be made as a single advance by no later than 30 June 2023, with such advance conditional on:

A. The Company obtaining approval from: i. the SAF Lenders and ii. its shareholders as required, for the restructure of existing group debt and convertible arrangements on the terms set out below, the ('LAW Restructure'):
   i. all indebtedness outstanding under the Syndicated Acquisition Facility Agreement is to be converted into ordinary shares in the Company;
   ii. the transfer of the shares in NHF SPV III, LLC to or as directed by the EFI and the full release of the Company from all its obligations under the EFI Syndicated Facility Agreement and relevant finance documentation;
   iii. the Funder (or its nominee) to receive approximately 3% of the re-organised ordinary shares in the Company (immediately following the LAW Restructure);
   iv. the terms of the existing Capitalising Convertible Note ('CCN') is restructured so that (i) the 'Maturity Date' is extended to '30 June 2025'; the interest rate is amended to 8% per annum; and the terms are amended such that on conversion at the 'Maturity Date' under the CCN the existing 'Noteholders' under the CCN ('Noteholders') are entitled to receive approximately 15% of the re-organised shares in the Company (immediately following the LAW Restructure);

B. the legal agreements necessary to give effect to the LAW Restructure are entered into by the relevant parties and the LAW Restructure becomes effective; and

C. the terms of the PFG facility are amended on terms acceptable to the Borrowers and to PFG, including certain amendments to the proceeds waterfall and a reset of the financial covenants and undertakings in line with expected performance of the receivables owned by the Borrowers.

   PFG have provided their indicative support in respect of the Group's initial proposal to amend the PFG facility terms in line with a condition of the Funding Transaction and for them to remain as lender to NHF while the book continues to be run-off and debt repaid. We will continue discussions with PFG in April 2023 to obtain their confirmed support for the proposal which will ultimately require a formal facility modification and amendment to be negotiated and agreed.

4. Restructure the EFI and SAF Facilities

   Given the current weak balance sheet position of the Group, in line with the proposed LAW Restructure, we intend to formally request that the SAF Lenders convert their debt to equity and that the lenders under the EFI Syndicated Facility Agreement (the 'EFI Lenders') take direct control of SPV III (removing it from the Group) in return for equity in the Company, as settlement of the limited Guarantee that the Company granted in respect of the EFI facility (note 18). These discussions recently commenced as we worked towards agreeing the Funding Transaction.

   As noted, the restructuring of the SAF and EFI facilities is required as part of obtaining Tranche 2 funding under the Funding Transaction. It is currently uncertain whether these restructurings will be achieved and/or the ultimate terms that the SAF Lenders of EFI Lenders will accept.

   The ability to complete priorities 3 and 4 successfully is highly dependent on making continued progress on priority 2 (Trident HG). While Trident HG is progressing towards commencement of operations it has been a lot slower than the JV Partners would like. However, the progress that has been made is considered very valuable to the ultimate success of the business and its growth potential. Also, priorities 3 and 4 are interrelated. In essence the restructuring terms that the SAF and EFI Lenders may be prepared to accept will be dependent on the terms of the Funding Transaction so far as they relate to the restructuring of the CCN. We cannot control / predict how SAF Lenders and EFI Lenders will act in respect of restructuring proposals we intend to make to them over the coming weeks.

Business risks associated with the Group

Immediate key business risks, generally relate to the Group being unsuccessful in the execution of its 3rd and 4th strategic priorities in the second quarter of 2023 (discussed above), 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.

The directors continue to obtain 'Safe Harbour' advice from suitably qualified advisors, Wexted Advisors, as the Company works to implement its plans which it considers will generate better outcomes for stakeholders generally than the immediate appointment of Voluntary Administrators. Continuation of support from key finance creditors, particularly the SAF Lenders continues to be a key element of the Safe Harbour advice provided by Wexted Advisors.

Reliance on securing the Funding Transaction

To enable time to complete the 3rd and 4th strategic priorities, management has obtained the Funding Transaction as discussed above, which will result in initial funding of US$250,000 being advanced to NHF by a participation in the PFG facility in or around the first week of April ("Initial Funding"). The Company has received confirmation from the Funder that it initiated a wire transfer to PFG of US$250,000 on 31 March 2023. This Initial Funding is required to ensure that the Group can continue to pay its operating expenses as and when they fall due during April 2023.

Pursuant to the Funding Transaction the Group is working to finalise commitments and terms required to secure the remaining US$500,000 to be advanced under Tranche 1. This funding is required to ensure the Group can continue to pay its operating expenses as and when they fall due up to the end of June 2023 and therefore provide sufficient runway for the business to complete priorities 3 and 4 which would include raising sufficient operational funding needs for at least 12 months. There is a risk that the balance of funding outlined in the Funding Transaction is not achieved, which may result in no other viable alternative than to appoint Voluntary Administrators before incurring operating expenses that the business is not able to pay for as and when they fall due.

Required balance sheet restructuring and going concern

If current breaches of EFI and SAF facilities are not cured, or waived these lender groups may enforce their legal rights and remedies under the various finance agreements. In addition, it is uncertain what further facility support may be obtained from PFG when current amendments / support measures expire on 31 March 2023 (refer to note 18).

Whilst the directors consider that the successful completion of strategic priorities 3) 'Refinance the PFG Facility and/or obtain PFG Facility Support', and 4) 'Restructure the EFI and SAF Facilities', discussed above, will largely address the Group's ability to continue as a going concern, the directors note that there are other business risks set out below which may impact the Group's ability to continue as a going concern.

Broad support from the Group's financial creditors being PFG, the SAF Lenders and the EFI Lenders is required to successfully implement the 3rd and 4th strategic priorities on a consensual / negotiated basis. While preliminary restructuring discussions have commenced with these lender groups formal restructuring negotiations have not commenced in earnest Accordingly the position of all lenders who would need to support the Group's restructuring proposals is not yet known.

However, preliminary indications from the Group's key financial creditors indicate that they may be prepared to work collaboratively with the Group and be supportive of the Group's plans and restructuring proposals the directors consider are likely to lead to a better outcome for financial creditors than pursuing their legal rights and remedies available to them under their financing facilities.

If the Initial Funding is not secured or the Group cannot successfully complete the 3rd and 4th strategic priorities (which include the raising of funding for at least 12 months of operating expenses) then the Group may not be able to continue as a going concern, as well as a general risk that the Group will not be able to meet assumptions around growth and value creation.

Group's growth strategies may not achieve their objectives

The Group is focused on progressing the Trident HG Joint Venture as the main source of future originations and growth. There is a risk that if this is not achieved, or the model operates materially differently to currently envisaged/assumed that it will affect the profitability expectations of the Group.

There is a risk that Trident HG operations do not perform or expand the way that management currently envisage. Management have made a number of assumptions in the Trident HG model that require validation through the access to hospital data and commencement of funding operations. Trident HG expects to sign up its first hospital in April 2023 (trial / proof of concept hospital) which would give the Group access to critical information and allow limited operations to commence. Until this occurs and has sufficient time to operate it is difficult to accurately predict how Trident HG operations will actually perform/function.

The strategies may evolve over time due to, among other things, market developments and trends, technical challenges, the emergence of new or enhanced technology, changing regulation and/or industry practice, and otherwise in the Group's sole discretion. As a result, the strategy, approaches, markets and products currently being pursued by the Group man not reflect the strategies, approaches, markets and products relevant to, or pursued by, the Group at a later date. Any change in strategy may involve a risk of delay to revenue generation or on collections by the Group. Any delay in implementation, failure to successfully implement, or unintended consequences of implementing any or all of the Group's growth strategies may have an adverse effect on the Group's future financial and operating performance.

Reliance on new debt funding and/or equity funding

The medical receivable funding business operated by the Group relies on cash collections and access to funding to grow. The Group has extended average collection periods (average of approximately 30 months) which results in a greater reliance on access to capital in order to facilitate growth of its business. Until such time as the Group's medical receivables book is at sufficient scale to generate sufficient collections, the Company's business activities is reliant upon access to equity and debt markets to finance its day-to-day working capital and to invest in the origination of further medical receivables.

The Group has been reliant on new debt financing for the purchase / funding of medical receivables. PFG historically provided debt funding at an advance rate of 85% (80% in certain cases) when eligible receivables are acquired / funded. The balance of funding required to purchase / fund new receivables (15% to 20% of the acquisition cost / funding provided) is provided by the Group.

Available headroom under the PFG facility has been cancelled (refer to note 18) and the Group currently does not have a debt facility available to fund new originations including planned Trident HG originations.

The Group is assuming that once the 3rd and 4th strategic priorities, referred to above, are complete that it will be able to secure a suitable debt facility to fund ongoing Trident HG originations. In the short term the Group intends to fund initial 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 originate through Trident HG and accordingly achieve its originations 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 improved 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 of 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 2023 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 2022. 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 2022, 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 as 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 and senior management. There is a risk that certain employees in key roles will leave the Group, the loss of one or more of whom could have a material adverse effect on the Group. 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 2022 and the first quarter of 2023 and is facing significant financial challenges. There is a heightened risk associated with retaining key personnel at this time.

Insurance
The Group maintains insurance within ranges of coverage the Group believes to be consistent with industry practice and having regard to the nature of activities being conducted. 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.

The Australian based disbursement funding and litigation funding businesses formerly owned and operated by the Group ceased to be controlled by the Group in the 2021 financial year. They did not form part of the Group's operations during the 2022 financial year apart from the $1 million (A$2 million) final settlement of the former financing facility.

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.

The key business drivers of the NHF business entail ensuring that:

- an appropriate discount or loan advance rate is negotiated with the medical provider when purchasing or lending against each medical lien or letter of protection. On average NHF pays around 30% of the face value of the relevant invoice;
- the law firm progresses the case within normal parameters. On average NHF's cases are completed in less than 3 years; and
- an appropriate amount for the medical lien is paid from each case settlement. On average NHF collects around 1.4 to 1.6 times the investment value of a medical lien when the applicable case concludes.

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

During the year, there have been three key developments that may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years. These developments relate to i) raising of capital, ii) progress of the Trident Joint Venture and iii) current status of our asset backed lending facility with Partners for Growth (PFG).

As announced to the market on 5 May 2022, LAW completed the Capital Raising achieving gross proceeds of A$6.4 million, which strengthened its balance sheet and provided funding to invest in new originations and operations. This Capital Raising was undertaken under very challenging market conditions and global economic uncertainty including the emergence of inflationary impacts and the war in the Ukraine. Despite the positive support for the Capital Raising the shortfall from the Entitlement Offer as announced on 5 May 2022, equated to approximately A$3.3 million from the maximum funding sought.

Following the Capital Raising, the Group has considered a number of financing proposals to provide further funding required to meet our Phase 2 growth plans. The Group is currently in progressed negotiations with an Asian based investment group and the CCN holders to finalise a Committed CCN Funding Offer in April 2023. The directors anticipate to be in a position to update the market on this offer shortly.

During 2022, LAW set up a new joint venture (Trident Health Group) with two partners to acquire medical receivables from emergency departments in hospitals. In the US, federal law states that Medicaid and Medicare should not reimburse medical expenses if there is a reasonable expectation that a third-party liability insurer will cover these costs. Trident Health Group has been established to assist hospitals in meeting these requirements by buying medical receivables with third-party insurance that the hospital would otherwise pass on to Medicaid and Medicare.

A Supplier Service Agreement between Trident HG and the US's largest hospital management company was fully executed in March 2023. This agreement is a critical step for Trident HG. The process of signing up the first hospital in the Phoenix area in Arizona, under a User Agreement.

The Group believes that the market for Trident HG is large and that it could become a large part of the company going forward.

By agreement in November 2022, the undrawn portion of our asset backed lending facility with Partners for Growth (PFG) was cancelled and all collections from the PFG Book since that agreement are being applied to reduce the PFG loan (facility is in amortisation) (refer to note 18). PFG continue to work flexibly and collaboratively with the Group to support the Group's efforts to refinance the PFG facility or reach agreement with PFG which will allow the Group to run-off the PFG Book and repay the PFG Loan in full over time.

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

On 3 January 2023, the Company announced that it has 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 31 March 2023.

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

On 31 March 2023, the Company reached agreement with Lucerne LCF Pty Ltd (who is a related party) (the 'Funder') to provide an initial US$250,000 ('Initial Funding'), and subject to a number of conditions a further US$3.05 million ('Remaining Funding') of funding to certain of the Company's US subsidiaries ('Funding Transaction'). The Company understands that the Funder has entered into a highly conditional back-to-back funding arrangement with Kenanga Investment Berhad ('Kenanga') and the Funder is fully reliant on it receiving the investment funds from Kenanga to have sufficient funds to satisfy its obligation to provide the Remaining Funding. The Company understands that the agreement between the Funder and Kenanga with respect to the Remaining Funding is highly conditional and the Funder may not have any ability to require Kenanga to provide the Remaining Funding to the Funder.

No other matter or circumstance has arisen since 31 December 2022 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:	Tim Storey
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:	Chairman of Stride Property Group (NZX: SPG) and Director of Investore Property Limited (NZX: IPL).
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:	245,405 ordinary shares
Interests in options:	148,386 options over ordinary shares; Nil warrants over ordinary shares
Interests in rights:	Nil performance rights over ordinary shares

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:	907,231 ordinary shares
Interests in options:	155,456 options over ordinary shares; Nil warrants over ordinary shares
Interests in rights:	Nil performance rights over ordinary shares

Name:	Daniel Kleijn
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:	581,996 ordinary shares
Interests in options:	1,181,665 options over ordinary shares; Nil warrants over ordinary shares
Interests in rights:	Nil performance rights over ordinary shares

Name:	David Wattel
Title:	Former Non-Executive Director (resigned on 28 February 2023)
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

Name:	Jane Lamming (appointed on 1 September 2021 and resigned on 1 March 2022)
Title:	Former Non-Executive Director
Experience and expertise:	Jane Lamming is General Counsel and Chief Compliance Officer of Ausbil Investment Management Limited. Ms Lamming brought a deep understanding of legal, compliance, AML and risk and governance issues, developed from over 20 years' experience of holding senior roles in financial services organisations covering global markets, investment banking and asset management. Ms Lamming has a Bachelor of Laws/Bachelor of Arts (Hons) from the University of Sydney.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Former 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

'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.

The previous Company Secretary were Lucy Rowe and Michael Austin from 12 August 2022 to 14 October 2022. They resigned from the position on 14 October 2022. Prior to that, Andrew Palfreyman was the Company Secretary and he resigned from the position on 12 August 2022.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 December 2022, and the number of meetings attended by each director was:

	Full Board	
	Held	Attended
Tim Storey	16	14
Anthony Murphy	16	14
Daniel Kleijn	16	16
David Wattel*	16	13
Jane Lamming**	5	5

* Resigned on 28 February 2023; ** Resigned on 1 March 2022.

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.

The Audit and Risk Committee and Remuneration Committee meetings were combined with Board meetings as detailed above.

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
Non-Executive Directors	
Tim Storey	Non-Executive Chairman, Non-Executive Director
Anthony Murphy	Non-Executive Director
Daniel Kleijn	Non-Executive Director from 28 February 2023 (Former Chief Executive Officer, Managing Director)
David Wattel	Former Non-Executive Director (resigned on 28 February 2023)
Jane Lamming	Former Non-Executive Director (appointed on 1 September 2021 and resigned on 1 March 2022)
Senior Executives	
Phil Smith	Chief Financial Officer, Company Secretary and Chief Executive Officer (from 28 February 2023)
Richard Cruz	President and General Counsel - NHF and CEO - NHF (from 28 February 2023)
Marialena Ziska	Chief Revenue Officer - NHF (resigned on 10 June 2022)

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 2022. Therefore, during the financial year ended 31 December 2022, 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 2022, 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 2022. 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 2022, 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

Role	US$
Chairman	34,859
Non-executive director	20,231

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 2022 AGM held on 30 May 2022, 99.92% of the votes received supported the adoption of the remuneration report for the financial year ended 31 December 2021.

Details of remuneration

Amounts of remuneration
Remuneration for the year 1 January 2022 to 31 December 2022.

	Short-term benefits		Post-employment benefits		Long-term benefits	Share-based payments		
31 Dec 2022	Salary and fees US$	Bonus US$	Super-annuation US$	Termination benefits US$	Long service leave US$	Shares US$	Options US$	Total US$
Executive Directors:								
Daniel Kleijn [1,6]	380,880	190,440	17,313	-	-	-	135,862	724,495
Non-Executive Directors:								
Tim Storey [2]	55,401	-	-	-	-	-	634	56,035
Anthony Murphy	31,406	-	3,219	-	-	-	634	35,259
David Wattel [3]	-	-	-	-	-	-	1,268	1,268
Jane Lamming [4]	5,331	-	533	-	-	-	-	5,864
Other KMP:								
Phil Smith [6]	188,305	103,876	19,447	-	-	-	59,701	371,329
Richard Cruz	241,638	110,000	-	-	-	-	59,701	411,339
Marialena Ziska [5]	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.
(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.

Remuneration for the year 1 January 2021 to 31 December 2021.

	Short-term benefits		Post-employment benefits		Long-term benefits	Share-based payments		
31 Dec 2021	Salary and fees US$	Non-monetary US$	Super-annuation US$	Termination benefits US$	Long service leave US$	Shares US$	Options US$	Total US$
Executive Directors:								
Daniel Kleijn	410,843	-	18,675	-	-	24,277	62,552	516,347
Non-Executive Directors:								
Tim Storey [(1)]	34,859	-	-	-	-	-	-	34,859
Anthony Murphy [(2)]	3,370	-	4,411	-	-	-	-	7,781
David Wattel [(6)]	-	-	-	-	-	-	-	-
Jane Lamming [(4)]	11,318	-	1,132	-	-	-	-	12,450
Other KMP:								
Phil Smith	204,142	-	19,954	-	-	-	37,565	261,661
Richard Cruz [(3)]	233,364	6,739	11,668	-	-	-	37,565	289,336
Marialena Ziska [(3)]	142,063	117	7,103	-	-	-	22,539	171,822
Anthony Hersch [(5)]	255,649	-	19,894	79,936	-	-	-	355,479
Craig Beatton [(5)]	126,014	-	9,930	26,238	-	-	-	162,182
	1,421,622	6,856	92,767	106,174	-	24,277	160,221	1,811,917

(1) Prolex Limited, an entity associated with Tim Storey, was paid US$72,209 (A$96,666) for directors' fees (2020: A$105,000). As a result of the restructure, US$37,350 (A$50,000) of remuneration owing from 2020 was foregone in the year ended 31 December 2021 and offset against the FY2021 remuneration.

(2) Anthony was paid US$49,799 (A$66,667) during the year ended 31 December 2021. As a result of the restructure, US$42,018 (A$56,250) of remuneration owing from 2020 was foregone in the year ended 31 December 2021 and offset against the FY2021 remuneration.

(3) Non-monetary benefits include medical benefits.

(4) Represents remuneration from 1 September 2021 to 31 December 2021.

(5) Represents remuneration from 1 January 2021 to date of resignation.

(6) David forgave receipt of his salary for the year ended 31 December 2021.

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

Name	Fixed remuneration 31 Dec 2022	Fixed remuneration 31 Dec 2021	Performance related - STIP 31 Dec 2022	Performance related - STIP 31 Dec 2021	Performance related - LTIP 31 Dec 2022	Performance related - LTIP 31 Dec 2021
Executive Directors:						
Daniel Kleijn	55%	84%	26%	-	19%	16%
Non-executive Directors:						
Tim Storey	100%	100%	-	-	-	-
Anthony Murphy	100%	100%	-	-	-	-
David Wattel	-	-	-	-	-	-
Jane Lamming	100%	100%	-	-	-	-
Other KMP:						
Phil Smith	56%	86%	28%	-	16%	14%
Richard Cruz	59%	87%	27%	-	14%	13%
Marialena Ziska	84%	87%	36%	-	(20%)	13%
Anthony Hersch	-	100%	-	-	-	-
Craig Beatton	-	100%	-	-	-	-

Service agreements

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

Name:	Tim Storey
Title:	Non-Executive Chairman, Non-Executive Director
Agreement commenced:	1 April 2015
Term of agreement:	Ongoing
Details:	Tim is paid a gross salary of US$54,503 (A$80,000) per annum. As from 1 March 2023, Tim has agreed not to take director fees in order to preserve the Company's cash reserves.

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

Name:	Daniel Kleijn
Title:	Chief Executive Officer, Managing Director
Agreement commenced:	Non-Executive Director from 28 February 2023 (Former Chief Executive Officer, Managing Director)
Term of agreement:	Ongoing
Details:	Daniel is paid a gross salary of US$391,743 (A$575,000) per annum inclusive of superannuation. As from 1 March 2023, Daniel has 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:	Not applicable
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:	Jane Lamming (appointed on 1 September 2021 and resigned on 1 March 2022)
Title:	Former Non-Executive Director
Agreement commenced:	1 September 2021
Term of agreement:	Not applicable
Details:	Jane was paid a gross salary of US$34,065 (A$50,000) per annum inclusive of superannuation.

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:	Ongoing
Details:	Phil is paid a gross salary of US$204,388 (A$300,000) per annum inclusive of superannuation. The required notice period is 3 months by the Company or 6 months by the employee.

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.

Name:	Marialena Ziska (resigned on 10 June 2022)
Title:	Chief Revenue Officer - NHF
Agreement commenced:	3 June 2019
Term of agreement:	
Details:	Marialena was paid an annual salary of US$160,000 per annum and as from May 2022, an annual salary of US$164,800. There was no notice period required by either party.

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 2022.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price*	Fair value per option at grant date
Daniel Kleijn	916,667	28/05/2021	08/12/2023	08/12/2024	US$1.8670	US$0.400
Phil Smith	500,000	18/06/2021	08/12/2023	08/12/2024	US$1.8670	US$0.322
Richard Cruz	500,000	18/06/2021	08/12/2023	08/12/2024	US$1.8670	US$0.322
David Wattel	200,000	01/06/2022	08/12/2023	08/12/2024	US$1.8670	US$0.007
Anthony Murphy	100,000	01/06/2022	08/12/2023	08/12/2024	US$1.8670	US$0.007
Tim Storey	100,000	01/06/2022	08/12/2023	08/12/2024	US$1.8670	US$0.007
Marialena Ziska	300,000	18/06/2021	08/12/2023	08/12/2024	US$1.8670	US$0.007

* Exercise price A$2.50.

Options granted carry no dividend or voting rights.

General performance and link to remuneration policy

The earnings of the Group for the five years to 31 December 2022 are summarised below:

	31 Dec 2022 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2019 US$'000	31 Dec 2018 US$'000
Total revenue and other income	(16,430)	357	(7,519)	(656)	4,554
EBIT (excluding discontinued operations)	(22,435)	(10,495)	(35,054)	(9,910)	(8,619)
Loss after income tax	(31,077)	(21,229)	(78,136)	(23,256)	(11,548)

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

	31 Dec 2022	31 Dec 2021*	31 Dec 2020	31 Dec 2019	31 Dec 2018
Share price at financial year end (A$)	0.06	0.76	0.03	0.06	0.07
Basic loss per share (cents per share)	(55.56)	(73.31)	(867.89)	(4.70)	(4.60)
Diluted loss per share (cents per share)	(55.56)	(73.31)	(867.89)	(4.70)	(4.60)

* post share consolidation.

Short-Term Incentive Plan

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.

Financial year ended 31 December 2021 - STIP

There were no bonuses paid to KMPs during the financial year ended 31 December 2021.

Long-Term Incentive Plan

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.

Financial year ended 31 December 2021 - LTIP

Daniel Kleijn received 916,667 options with a strike price of A$2.50 each vesting 2.5 years from the date of issue and expiring 3.5 years from the date of issue. Daniel was also issued 25,000 shares for $nil consideration.

Phil Smith and Richard Cruz received 500,000 options each and Marialena Ziska received 300,000 options with a strike price of A$2.50 each vesting 2.5 years from the date of issue and expiring 3.5 years from the date of issue.

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	148,634	96,771	-	245,405
Anthony Murphy	796,322	110,909	-	907,231
Daniel Kleijn	52,000	529,996	-	581,996
David Wattel	1,075,488	-	-	1,075,488
Phil Smith	-	289,095	-	289,095
Richard Cruz	-	363,913	-	363,913
Marialena Ziska (resigned 10 June 2022)	-	102,560	(102,560)	-
	2,072,444	1,493,244	(102,560)	3,463,128

During the financial year ended 31 December 2022, 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	Other (i)	Granted as remuneration	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Tim Storey	-	48,386	100,000	-	148,386
Anthony Murphy	-	55,456	100,000	-	155,456
Daniel Kleijn	916,667	264,998	-	-	1,181,665
David Wattel	237,500	-	200,000	(112,500)	325,000
Phil Smith	500,000	144,548	-	-	644,548
Richard Cruz	500,000	181,957	-	-	681,957
Marialena Ziska (resigned 10 June 2022)	300,000	51,280	-	(351,280)	-
	2,454,167	746,625	400,000	(463,780)	3,137,012

(i) Represents options granted as part of a rights issue entitlement offer in May 2022.

The details of the options granted during the financial year are set out below:

Grant date	Expiry date	Exercise price	Number
01/06/2022	08/12/2024	US$1.867	400,000

The options were granted as part of an effort to align the interests of directors and KMP more closely to shareholders.

During the financial year ended 31 December 2022, there were no options over ordinary shares in the Company held by directors and KMP's other than those disclosed in the table above.

Warrants
The number of warrants 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	Expired/ lapsed	Balance at the end of the year
Anthony Murphy	142,800	-	(142,800)	-
David Wattel	614,319	-	(614,319)	-
	757,119	-	(757,119)	-

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 28 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 28 for further details.

This concludes the remuneration report, which has been audited.

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

Grant date	Expiry date	Exercise price*	Number under option
13/03/2020	28/09/2023	US$44.8190	250,000
28/05/2021	08/12/2024	US$1.8670	916,667
18/06/2021	08/12/2024	US$1.8670	1,000,000
06/05/2022	30/04/2024	US$0.3905	8,350,574
05/05/2022	30/04/2024	US$0.3900	50,000
01/06/2022	30/04/2024	US$0.3945	6,054,554
01/06/2022	08/12/2024	US$1.8670	400,000
			17,021,795

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

No person entitled to exercise the options had or has any right by virtue of the options to participate in any share issue of the Company or of any other body corporate.

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 2022 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 2022 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.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

Tim Storey
Chairman

Sydney, 31 March 2023

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West Perth WA 6872
Australia

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West Perth WA 6005
Australia

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www.stantons.com.au

31 March 2023

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 2022, 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)

Samir Tirodkar
Director

LawFinance Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
Revenue from continuing operations			
Net (loss) from medical lien funding	5	(17,017)	(3,079)
Interest income - letter of credit		444	-
Other revenue	6	143	1,392
Total revenue		(16,430)	(1,687)
Non-supplier related cost of sales		(8)	(57)
Gross (loss)		(16,438)	(1,744)
Interest income		8	4
Expenses			
Employee benefits expense	7	(3,909)	(4,196)
Depreciation and amortisation expense	7	(144)	(349)
Impairment of assets	7	-	(75)
Administration and other expenses	7	(1,952)	(4,135)
Finance costs	7	(8,642)	(11,474)
(Loss) before income tax benefit from continuing operations		(31,077)	(21,969)
Income tax benefit	8	-	1,528
(Loss) after income tax benefit from continuing operations		(31,077)	(20,441)
(Loss) after income tax expense from discontinued operations	9	-	(788)
(Loss) after income tax benefit for the year		(31,077)	(21,229)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		1,204	1,977
Restructuring gain on debt to equity conversion	21	-	18,910
Other comprehensive income for the year, net of tax		1,204	20,887
Total comprehensive (loss) for the year		(29,873)	(342)
(Loss) for the year is attributable to:			
Non-controlling interest		200	27
Owners of LawFinance Limited		(31,277)	(21,256)
		(31,077)	(21,229)
Total comprehensive (loss) for the year is attributable to:			
Continuing operations		200	27
Discontinued operations		-	-
Non-controlling interest		200	27
Continuing operations		(30,073)	419
Discontinued operations	9	-	(788)
Owners of LawFinance Limited		(30,073)	(369)
		(29,873)	(342)

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

	Note	31 Dec 2022 Cents	31 Dec 2021 Cents
Earnings per share for loss from continuing operations attributable to the owners of LawFinance Limited			
Basic loss per share	10	(55.56)	(70.59)
Diluted loss per share	10	(55.56)	(70.59)
Earnings per share for loss from discontinued operations attributable to the owners of LawFinance Limited			
Basic loss per share	10	-	(2.72)
Diluted loss per share	10	-	(2.72)
Earnings per share for loss attributable to the owners of LawFinance Limited			
Basic loss per share	10	(55.56)	(73.31)
Diluted loss per share	10	(55.56)	(73.31)

LawFinance Limited
Consolidated statement of financial position
As at 31 December 2022

	Note	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
Assets			
Current assets			
Cash and cash equivalents	11	1,460	5,101
Financial assets at amortised cost - USA	12	8,794	12,372
Other receivables	13	133	979
Prepayments		217	293
Total current assets		10,604	18,745
Non-current assets			
Financial assets at amortised cost - USA	12	9,072	29,070
Other receivables	13	9	15
Property, plant and equipment	14	64	106
Right-of-use assets	15	138	235
Total non-current assets		9,283	29,426
Total assets		19,887	48,171
Liabilities			
Current liabilities			
Trade and other payables	17	1,484	2,068
Borrowings	18	53,249	38,323
Lease liabilities		41	100
Employee benefits		102	177
Total current liabilities		54,876	40,668
Non-current liabilities			
Borrowings	18	141	17,818
Lease liabilities		124	164
Total non-current liabilities		265	17,982
Total liabilities		55,141	58,650
Net liabilities		(35,254)	(10,479)
Equity			
Issued capital	19	102,671	97,626
Capitalising converting notes	20	14,460	14,832
Reserves	21	28,025	26,344
Accumulated losses		(180,093)	(148,816)
Deficiency attributable to the owners of LawFinance Limited		(34,937)	(10,014)
Non-controlling interest		(317)	(465)
Total deficiency		(35,254)	(10,479)

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 2022

Consolidated	Issued capital US$'000	Capitalising converting notes US$'000	Reserves US$'000	Accumulated losses US$'000	Non-controlling interest US$'000	Total deficiency US$'000
Balance at 1 January 2021	61,310	13,933	5,220	(127,560)	(462)	(47,559)
Profit/(loss) after income tax benefit for the year	-	-	-	(21,256)	27	(21,229)
Other comprehensive income for the year, net of tax	-	-	20,887	-	-	20,887
Total comprehensive (loss)/income for the year	-	-	20,887	(21,256)	27	(342)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 19)	36,316	-	-	-	-	36,316
Share-based payments (note 32)	-	-	237	-	-	237
Distribution to non-controlling interest	-	-	-	-	(30)	(30)
Capitalising converting notes (note 20)	-	899	-	-	-	899
Balance at 31 December 2021	97,626	14,832	26,344	(148,816)	(465)	(10,479)

Consolidated	Issued capital US$'000	Capitalising converting notes US$'000	Reserves US$'000	Accumulated losses US$'000	Non-controlling interest US$'000	Total deficiency US$'000
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)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 19)	5,045	-	-	-	-	5,045
Share-based payments (note 32)	-	-	477	-	-	477
Distribution to non-controlling interest	-	-	-	-	(52)	(52)
Capitalising converting notes (note 20)	-	(372)	-	-	-	(372)
Balance at 31 December 2022	102,671	14,460	28,025	(180,093)	(317)	(35,254)

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

	Note	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
Cash flows from operating activities			
Cash collections from customers (inclusive of GST)		16,521	15,156
Payments for disbursement reports and medical liens		(9,583)	(3,577)
Payments to suppliers and employees		(6,164)	(10,662)
Net repayment of working capital facilities - disbursement funding division		-	(1,547)
Net repayment of working capital facilities - medical lien funding division		(3,224)	(4,605)
Transfer of redraw account balance to PFG controlled account - medical lien funding		-	(2,206)
Interest and fees related to working capital facilities		(5,152)	(4,623)
Interest received		227	3
Interest paid		-	(5)
Net cash (outflow) from operating activities	31	(7,375)	(12,066)
Cash flows from investing activities			
Payments for property, plant and equipment		(5)	(154)
Payments for litigation case funding (net of co-funders contributions)		-	(200)
Net proceeds from term deposits		693	145
Cash balance transfer associated with the sale of disbursement funding and litigation case funding business		-	(194)
Other - insurance commission		82	-
Net cash inflow/(outflow) from investing activities		770	(403)
Cash flows from financing activities			
Proceeds from issue of shares		4,502	13,321
Share issue transaction costs		(523)	(584)
Proceeds from borrowings - corporate		71	2,914
Repayment of borrowings - other		(1,002)	(1,290)
Repayment of lease liabilities		(36)	(263)
Interest and fees related to loans and borrowings		(17)	(1,217)
Net cash inflow from financing activities		2,995	12,881
Net (decrease)/increase in cash and cash equivalents		(3,610)	412
Cash and cash equivalents at the beginning of the financial year		5,101	5,197
Effects of exchange rate changes on cash and cash equivalents		(31)	(508)
Cash and cash equivalents at the end of the financial year	11	1,460	5,101

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 and principal place of business 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 31 March 2023.

Note 2. Significant accounting policies

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').

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.

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.

The Group made a loss after tax of $31,077,000 for the 2022 year (2021: $21,229,000) and net cash outflows from operations for the 2022 year was $7,375,000 (2021: $12,066,000). The after-tax loss includes $17,077,000 net loss from medical lien funding which included the impacts of the financial assets being recorded at amortised cost (NHF’s PFG and EFI Books of receivables). The amortisation of these assets was calculated based on the prior six months collection history, and management’s assessment of the potential outcomes of legal and recovery actions being pursued directly against medical service providers who originated the medical lien claims which NHF acquired or funded.

Note 2. Significant accounting policies (continued)

As at 31 December 2022, the Group had a net asset deficiency of $35,254,000 (31 December 2021: net asset deficiency of $10,479,000). The Group had formally agreed with Efficient Frontier Investing (EFI) for a Covenant Testing Holiday with the next test date on 31 March 2023. In the absence of further covenant support or waiver (conditional or otherwise) from EFI, it is likely that the borrower, SPV III will breach the terms of the Loan to Value Ratio (LVR) covenant when next tested on 31 March 2023. This has already been indicated to EFI. In April 2023, discussions will commence with EFI regarding the LVR financial covenant breach, however the outcome of these discussions and any further support from EFI is unknown. Please refer to note 18 for further details regarding the EFI facility and the limited risks that the facility poses to the Group.

The Group's one remaining and only corporate debt facility as at 31 December 2022 is the Syndicated Acquisition Facility ('SAF) which had outstanding principal of US$18,308,000 (A$26,903,000). As at 31 December 2022, the Group was in breach of the Asset Coverage financial covenant. The Group has formally reported a financial covenant breach on 27 March 2023, which is now subject to a 10-business day period with the SAF Lenders to negotiate in good faith discussions to have the breach waived or remedied. A failure to have this breach waived or remedied within this period will result in an event of default under the SAF Syndicated Facility Agreement. The Company now intends to formally request a standstill agreement from the SAF Lenders with the aim of the SAF Lenders agreeing not to take enforcement action while restructuring discussions are undertaken. Refer to note 18.

Partners For Growth ('PFG') executed a formal facility amendment in November 2022 ('Facility Modification') confirming that all collections from the PFG Book would be applied to repay debt and undrawn facility limits were cancelled. As part of the Facility Modifications PFG agreed to change financial covenants, designed to provide the Group with a stable platform to the end of February 2023 (subsequently, extended to 31 March 2023) in order to provide the Group time, to focus on the Group's strategic priorities including refinancing the PFG loan. The drawn loan amount at 31 December 2022 was $10,847,000 (2021: $15,962,000). Refer to note 18.

As at 31 December 2022, the Group held $1,460,000 (31 December 2021: $5,101,000) in cash. Of this amount $1,056,000 (31 December 2021: $4,319,000) was unrestricted and available to fund operations and investment in the business. Under the terms of the Facility Modification with PFG, the Group must maintain at least $250,000 cash in the NHF operating bank account to avoid a default under the terms of the Facility Modification. If any breach of this requirement or the other modified Financial Covenants is not cured or waived within 5 business days of the breach then it constitutes a default which would allow PFG to exercise its rights and remedies under the facility.

In order to achieve the required minimum cash level to the end of March 2023, the Company's largest shareholder provided US$350,000 funding to PFG which was on-lent to NHF in early March 2023, under the terms of the PFG facility, in order to fund operating expenses. The requirement of the Funding Transaction for the Funder to provide the Initial Funding of US $250,000 through a participation in the PFG facility has been confirmed by the Funder as being wired to PFG as at 31 March 2023 and will be on-lent to NHF in early April 2023. This Initial Funding will be the first instalment of Tranche 1 of the Funding Transaction. The Company now seeks to satisfy the remaining conditions required for further instalments under the Funding Transaction.

Ongoing support of the financial creditors is required to satisfy the conditions of the Funding Transaction, necessary to procure funding for operations beyond the end of April 2023. The provision of this required support by financial creditors is likely to be impacted significantly by the progress made by the Group on executing its first and second Strategic Priorities referred to in the Directors Report above and as follows:

1. continue to reduce costs and conserve cash resources; and
2. advance Trident HG joint venture as the as main source of origination growth.

The Directors consider that, if the conditions to Tranche 1 and Tranche 2 of the Funding Transaction discussed in the Directors Report above (including those relating to the LAW Restructure) are satisfied and the funding is provided, the balance sheet will return to a net asset surplus thereby improving the ability to raise new capital to support Trident Health Group.

Directors consider that the strengthening of the Group balance sheet through satisfaction of the conditions noted above, and completion of the Funding Transaction will enable the Group to raise sufficient capital to fund growth and capital deployment profitably through the Trident Health Group joint venture and create value for shareholders.

Note 2. Significant accounting policies (continued)

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 financial year ended on 31 December 2022. 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 2022 and the results of all subsidiaries for the period then ended.

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.

Note 2. Significant accounting policies (continued)

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:

Australian disbursement funding business (discontinued operation)

In the Australian disbursement funding business, the Group entered into contracts with law firms to pay, on the law firms' behalf, legal disbursements to progress their clients' claims. These disbursements ('Australian disbursement receivables') included those for the preparation of independent expert reports and medico-legal reports relating to the client's injuries.

As the contracts with law firms do not involve the provision of any good or service to the law firm, the Group concluded that the arrangement was not a contract with a customer under AASB 15 'Revenue from Contracts with Customers'. Rather, as the contract was the provision of loan financing to the law firm, it created a financial asset that was within the scope of AASB 9 'Financial Instruments' and classified as at fair value through profit or loss.

No active market existed for these loans. Any difference at transaction date between the calculated fair value and the transaction price (also known as a day 1 margin) was deferred and the Group recognised the deferred difference as a gain or loss only to the extent that it arose from a change in a factor (including time) that market participants would take into account when pricing the asset.

Any subsequent changes in the fair value of Australian disbursement receivables was recognised in the profit or loss statement and presented as net gains or losses on loan receivables at fair value. The net gains or losses were calculated using assumptions based on historical performance. These assumptions included information on changes to actual and expected write-offs, discounts and collections of loan receivables, as well as interest margin, taking into account the time value of money, credit risk, and the amortisation of any day 1 margins.

The deferred day 1 margin was recognised in the profit or loss on a systematic basis over the term of the arrangement using the same assumptions and methodologies. It is based on the profile of cash collections and the subsequent weighted average calculation of these collections applied to the recognition of the day 1 margin.

US medical lien funding business (continuing 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').

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.

Rent

Rent revenue is recognised on a straight-line basis over the lease term.

Note 2. Significant accounting policies (continued)

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.

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.

Discontinued operations
A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

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.

Note 2. Significant accounting policies (continued)

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 fair value through profit or loss – Australian disbursement funding business (discontinued operations)

Initial recognition and measurement

The Group’s financial assets at fair value through profit or loss related to the loan receivables that arose from its disbursement funding business. The Group’s loan receivables from this funding business were classified, at initial recognition, as financial assets at fair value through profit or loss. The determination was made at initial recognition based on the Australian disbursement funding business model for managing its financial instruments and the non-contractual cash flow characteristics of its instruments.

The Australian disbursement funding financial assets held at fair value through profit or loss were recognised initially at fair value. The best evidence of fair value of a financial instrument at initial recognition was normally the transaction price (i.e. the fair value of the consideration given or received). In the case of a legal disbursement funding arrangement, the fair value of the loan receivable at initial recognition may have differed from the transaction price.

The fair value of the financial asset represented the invoice amount (where the final amount to be received from the Australian disbursement funding was subject to change and conditional upon the outcome of decisions made by the relevant Court or the Insurer), adjusted for such factors as time value of money, discounts and write-offs, and credit risk. The transaction price of the financial asset was the amount of cash paid to fund the legal disbursement costs.

No active market existed for these loans. The difference between the fair value and the transaction price (also known as day 1 margin) was deferred and the Group recognised the deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset.

Subsequent measurement

Loan receivables for the Australian disbursement funding were carried in the statement of financial position at fair value, with changes in fair value presented in the statement of profit or loss as net gains or losses on loan receivables at fair value. The net gains or losses were calculated using assumptions based on historical performance. These assumptions included information on changes to actual and expected write-offs, discounts and collections of loan receivables, as well as interest margin, taking into account the time value of money, credit risk, and the amortisation of any day 1 margins.

The deferred day 1 margin was recognised in the profit or loss on a systematic basis over the term of the arrangement using the same assumptions and methodologies. It was based on the profile of cash collections and the subsequent weighted average calculation of these collections applied to the recognition of the day 1 margin.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) was 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 was an obligation to transfer the cash flows from those receivables and that transfer qualifies for derecognition. Additional impairment gains or losses arose if the amount or timing of cash flows differed from the expectation set at the previous period end.

Loan receivables at amortised cost – US medical lien receivables funding business (continuing business)

Note 2. Significant accounting policies (continued)

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
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.

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

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.

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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 2. Significant accounting policies (continued)

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.

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.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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. The Group entered into a joint venture with Madaket Co., LLC and Hummingbird Financial LLC on 30 March 2022 and named the company Trident Health Group LLC. There were minimal transactions to 31 December 2022.

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.

Note 2. Significant accounting policies (continued)

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.

The liability arising from the facility agreement entered into with Efficient Frontier Investing (see note 18) accrues interest at 12% per annum. Given that the Group breached the LVR covenant as at 31 March 2023, the loan is recorded at its carrying value.

The convertible bond was converted to equity as part of the restructure during 31 December 2021. Refer to note 18.

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.

Note 2. Significant accounting policies (continued)

Employee benefits

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

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.

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.

Note 2. Significant accounting policies (continued)

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 2022. 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 - Australian disbursement receivables (discontinued operations)
The key judgments applied in determining the accounting treatment for Australian disbursement receivables are:
- That the contract is a financing arrangement, not the provision of goods or services; and
- That cashflows arising from the contract are not solely principal and interest. This is on the ground that the quantum of payment does not vary with the passage of time.

Key judgments and estimates - medical lien receivables (note 12)
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.

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

Key judgements and estimates - EFI Facility Agreement liability (note 18)
Given the facility expires in 2023, the liability was carried at the contractual amount due on the facility as at 31 December 2022 and not at amortised costs as in the prior reporting period.

Carrying value measurement of loan receivables for Medical Lien Receivables (note 12)
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.

When undertaking this valuation exercise as at 31 December 2022, management first characterised the portfolio into three sub portfolios being i) the PFG Portfolio and a subset of the EFI portfolio that is not subject to litigation and enforcement actions ('Main Sub-Portfolio'); ii) PFG portfolio of Letters of Credit ('LOC Sub-Portfolio') and iii) the EFI claims that are currently subject to litigation or enforcement action ('EFI Litigation Sub-Portfolio'). Different methodologies were applied to estimate the future cash flows from these three sub portfolios. As at 31 December 2022, the Main Sub-Portfolio was assessed to have a carrying value of $16,308,000, the LOC Sub-Portfolio was assessed to have a carrying value of $1,389,000 and the EFI Litigation Sub-Portfolio had a carrying value of $169,000.

The future cash flows of the Main Sub-Portfolio were estimated based on several key factors including:

- the quality of the Medical Lien Receivables and the status of underlying insurance claims which is assessed, based on available information obtained from the medical service provider, publicly available sources or the plaintiff's attorney;
- the legal and regulatory environment in each state which influences settlement outcomes including the time to settle/ resolve underlying insurance claims;
- NHF's historical experience / recovery performance from settling Medical Lien Receivables with similar characteristics in the relevant jurisdiction, including loss rates; and
- the Group utilised collections data applicable to the 6 months to 31 December 2022, in order to estimate future cash flows.

Progress and expected outcomes from actions being undertaken to pursue contractual claims against medical service providers, who sold claims to NHF. These claims primarily relate to Michigan originations and stem from obligations under the funding contracts for medical service providers to provide refunds or replacement claims or breaches of the terms of the funding agreements. These claims are assessed based on their specific facts, merits of the case and information available to assess the medical providers ability to pay. Our estimates of likely outcomes from these claims includes the views of our legal advisors.

Future cash flows applicable to the EFI Litigation Sub-Portfolio were individually assessed at 31 December 2022 in order to derive the total carrying value of the sub-portfolio of $169,000. This portfolio is comprised of 5 separate claims/actions against private medical groups. Further comments regarding the carrying value of these claims, potential support from EFI, and management's expectations regarding the recoverability of these claims are set out in note 18.

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:

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

- 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.

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 2021 or 31 December 2022 due to the uncertainty of the recoverability of these assets.

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

Valuation of contingent proceeds
For the purposes of financial reporting, the Directors have made an internal management assessment that the value of the conditional component of the sales proceeds of the Litigation Funding business has a nil value. Refer to note 9.

Assetsecure loan
The Assetsecure loan was fully repaid during the reporting period in full and final satisfaction of the agreement.

Note 4. Operating segments

Identification of reportable operating segments
The Group was organised into four operating segments: (i) JustKapital Finance (comprising the Australian disbursement funding business) and Litigation funding – which are both discontinued operations, (ii) short-term funding ('STL'), (iii) National Health Finance, comprising the US medical lien funding business and (iv) 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.

Operating segment information

Consolidated - 31 Dec 2022	JustKapital Finance and Litigation funding* US$'000	STL* US$'000	National Health Finance US$'000	Other US$'000	Total US$'000
Revenue					
Net (loss) from disbursement funding/medical lien funding	-	-	(17,017)	-	(17,017)
Other revenue	-	-	508	79	587
	-	-	(16,509)	79	(16,430)
Other income	-	-	-	-	-
Total revenue	-	-	(16,509)	79	(16,430)
Segment result	-	-	(20,637)	(1,654)	(22,291)
Depreciation and amortisation	-	-	(144)	-	(144)
Finance costs	-	-	(6,043)	(2,599)	(8,642)
(Loss) before income tax expense	-	-	(26,824)	(4,253)	(31,077)
Income tax expense					-
(Loss) after income tax expense					(31,077)
Assets					
Segment assets	-	-	19,698	189	19,887
Total assets					19,887
Liabilities					
Segment liabilities	-	-	36,641	18,500	55,141
Total liabilities					55,141

* Discontinued operations

Note 4. Operating segments (continued)

Consolidated - 31 Dec 2021	JustKapital Finance and Litigation funding* US$'000	STL US$'000	National Health Finance US$'000	Other US$'000	Total US$'000
Revenue					
Net (loss)/income from disbursement funding/medical lien funding	2,033	-	(3,079)	-	(1,046)
Other revenue	7	10	1,360	22	1,399
	2,040	10	(1,719)	22	353
Other income	-	-	-	-	-
Total revenue	2,040	10	(1,719)	22	353
Segment result	1,435	(66)	(6,118)	(3,962)	(8,711)
Depreciation and amortisation	(52)	-	(242)	(107)	(401)
Finance costs	(2,171)	(6)	(7,293)	(4,175)	(13,645)
(Loss) before income tax benefit	(788)	(72)	(13,653)	(8,244)	(22,757)
Income tax benefit					1,528
(Loss) after income tax benefit					(21,229)
Assets					
Segment assets	-	-	44,228	3,943	48,171
Total assets					48,171
Liabilities					
Segment liabilities	-	-	39,623	19,027	58,650
Total liabilities					58,650

* Discontinued operations

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.

Geographical information

	Revenue from external customers		Geographical non-current assets	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Australia	-	2,033	-	-
United States	(17,017)	(3,079)	211	356
	(17,017)	(1,046)	211	356

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

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

	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
From continuing operations		
Medical lien funding - USA:		
Interest income at amortised cost	6,043	6,806
Net impairment losses on financial assets at amortised cost (refer to note 12)	(23,097)	(11,313)
Net settlement gains on financial assets at amortised cost	37	1,428
	(17,017)	(3,079)

Note 6. Other revenue

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
From continuing operations		
Interest received – short-term lending	-	10
Brokerage commission received – insurance	79	-
Rental income	64	66
Government grants and subsidies	-	1,246
Non-case related settlements - NHF	-	70
Other revenue	143	1,392

Government grants and subsidies

In the prior year, the Group received:

(a) payments from the Australian Government amounting $22,000 as part of its 'Boosting Cash Flow for Employers' scheme in response to the COVID-19 pandemic. These non-tax amounts were recognised as government grants and recognised as other revenue;

(b) a $10,000 grant from the City of Chandler;

(c) debt forgiveness of $1,113,000 inclusive of $9,000 accrued interest from the US Small Business Administration for its first and second Paycheck Protection Program Loan (‘PPP Loan’); and

(d) an Employee Retention Credit for $101,000 was also received from the US Department of the Treasury under the CARES Act to provide relief in relation to the COVID-19 pandemic.

Note 7. Expenses

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
(Loss) before income tax from continuing operations includes the following specific expenses:		
Employee benefits expense		
Defined contribution superannuation expense	36	148
Share-based payments expense	260	184
Employee benefits expense excluding superannuation	3,613	3,864
	3,909	4,196
Depreciation and amortisation expense		
Depreciation - property, plant and equipment	47	100
Depreciation - right-of-use assets	97	239
Amortisation - other intangibles	-	10
	144	349
Impairment of assets		
Impairment of short-term loans	-	75
Administration and other expenses		
ASIC, ASX and share registry fees	38	46
Insurance	218	220
Legal and professional fees*	1,504	3,082
Rent and office costs	108	(51)
Travel and accommodation	74	265
Low-value assets lease payments	-	54
Other	10	519
	1,952	4,135
Finance costs		
Interest expense and line fees	8,626	11,440
Interest - right-of-use assets	16	34
	8,642	11,474

* The 2021 amount includes legal and professional fees of $1,363,000 associated with addressing defaults under various facilities including the Syndicated acquisition facility and the restructuring and recapitalisation process undertaken in 2021.

Note 8. Income tax

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Income tax benefit is attributable to:		
(Loss) from continuing operations	-	(1,528)
(Loss) from discontinued operations	-	-
Aggregate income tax benefit	-	(1,528)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
(Loss) before income tax benefit from continuing operations	(31,077)	(21,969)
(Loss) before income tax expense from discontinued operations	-	(788)
	(31,077)	(22,757)
Tax at the statutory tax rate of 25%	(7,769)	(5,689)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenses not deductible	8,818	24,051
Income not assessable	(845)	(4,998)
Adjustment for withholding tax provision	-	(1,528)
	204	11,836
Difference in overseas tax rates	(35)	142
Exchange differences	(169)	(13,506)
Income tax benefit	-	(1,528)

The Group has $7,364,000 (A$10,821,000) (2021: $3,279,000 (A$4,524,000)) of income tax losses to utilise in Australia and $79,787,000 (2021: $89,402,000) of income tax losses to utilise in the USA. These have not been recognised as assets. These amounts are subject to reviews by the Australian Taxation Office and the Internal Revenue Service.

Note 9. Discontinued operations

Description

Disbursement funding
The disbursement funding division ('JustKapital Finance') was operated in Australia by LAW's wholly owned subsidiary JustKapital Financing Pty Ltd ('JKF'). As announced on 30 April 2021 'Update on Conditions and JustKapital Financing', LAW transferred control and collection responsibilities for the JKF book to an external collection agent appointed by its secured lenders Assetsecure Pty Ltd ('Assetsecure'). JKF's directors also appointed Martin Walsh as the Voluntary Administrator of JKF. Martin was subsequently appointed as Liquidator of JKF on 4 June 2021 and has completed winding up the affairs of the Company in collaboration with the Receivers.

The JKF business operations and balance sheet were deconsolidated from the Group's accounts as at 30 April 2021.

LAW and Assetsecure reached a consensual agreement whereby LAW will pay c.US$63,000 per month for 12 months to conclude on 30 May 2022 and US$780,000 by 1 July 2022 in full satisfaction of its potential corporate guarantee exposure relating to the Assetsecure receivables purchase agreement with JKF. This has been subsequently paid and settled in August 2022.

JustKapital Finance provided finance to law firms to fund the legal disbursements required to progress the claims of their clients and which the client generally cannot fund themselves. The deferred payment structure offered by JustKapital Finance addressed the immediate and growing demand where the client or firm cannot, or may not be willing to, fund disbursements directly.

Note 9. Discontinued operations (continued)

Litigation funding
During the 2018 financial year the Board resolved to exit the litigation funding division. The litigation funding division is capital intensive which has stretched the Group's working capital resources. Therefore, the Board determined that the best use of the Group's limited resources was to invest in its core businesses.

On 24 June 2021, the sale of JustKapital Litigation Pty Ltd (and its subsidiaries) ('JKL') to Legal Equity Partners Pty Limited ('LEP') completed. The transaction was considered fair and reasonable in an Independent Expert's Report prepared by Grant Thornton and was subsequently approved by shareholders at the Annual General Meeting on 25 May 2021. JKL was sold for A$1, plus conditional proceeds equal to:

- 50% of the net proceeds received from one of the funded cases; and
- 75% of any excess proceeds after repayment of the secured debt.

For the purposes of financial reporting, management has calculated the value of the conditional component of the sales proceeds to have nil value. LAW is receiving updates and information from LEP, in accordance with the sale terms in order to monitor the progress of outstanding litigation cases, which enables management to estimate the value of the conditional component of the sales proceeds as cases proceed.

The litigation funding operations and the balance sheets attributable to JKL and its subsidiaries were deconsolidated from the date the Group lost control of operations as at 24 June 2021 when the sale to LEP completed.

Financial performance information

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Net gain from disbursement funding	-	2,033
Other revenue	-	7
Total revenue	-	2,040
Employee benefits expense	-	(529)
Depreciation and amortisation	-	(52)
Administration and other expenses	-	(76)
Finance costs	-	(2,171)
Total expenses	-	(2,828)
(Loss) before income tax expense	-	(788)
Income tax expense	-	-
(Loss) after income tax expense from discontinued operations	-	(788)

Cash flow information

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Net cash inflow from operating activities	-	50
Net cash (outflow) from investing activities	-	(199)
Net cash inflow from financing activities	-	-
Net decrease in cash and cash equivalents from discontinued operations	-	(149)

Note 10. Earnings per share

	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
Earnings per share for loss from continuing operations		
(Loss) after income tax	(31,077)	(20,441)
Non-controlling interest	(200)	(27)
(Loss) after income tax attributable to the owners of LawFinance Limited	(31,277)	(20,468)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	56,294,576	28,995,748
Weighted average number of ordinary shares used in calculating diluted earnings per share	56,294,576	28,995,748

	Cents	Cents
Basic loss per share	(55.56)	(70.59)
Diluted loss per share	(55.56)	(70.59)

	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
Earnings per share for loss from discontinued operations		
(Loss) after income tax	-	(788)
Non-controlling interest	-	-
(Loss) after income tax attributable to the owners of LawFinance Limited	-	(788)

	Cents	Cents
Basic loss per share	-	(2.72)
Diluted loss per share	-	(2.72)

	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
Earnings per share for loss		
(Loss) after income tax	(31,077)	(21,229)
Non-controlling interest	(200)	(27)
(Loss) after income tax attributable to the owners of LawFinance Limited	(31,277)	(21,256)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	56,294,576	28,995,748
Weighted average number of ordinary shares used in calculating diluted earnings per share	56,294,576	28,995,748

	Cents	Cents
Basic loss per share	(55.56)	(73.31)
Diluted loss per share	(55.56)	(73.31)

Note 10. Earnings per share (continued)

As at 31 December 2022 and 2021, there were no options on issue, convertible bonds and warrants on ordinary shares excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive in nature.

Note 11. Cash and cash equivalents

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Current assets		
Cash at bank*	1,460	5,101

* Of the total cash at bank, $404,000 (2021: $782,000) is considered unavailable for operations as it is held pending distribution to asset-backed lenders. Refer note 18(i) Efficient Frontier Investing and note 18(iii) Partners for Growth ('PFG').

Note 12. Financial assets at amortised cost - USA

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Current assets		
Loan receivables - medical lien funding - USA (gross)	62,656	44,292
Allowance for expected credit losses	(54,518)	(31,920)
Loan receivables - letter of credit	656	-
	8,794	12,372
Non-current assets		
Loan receivables - medical lien funding - USA (gross)	64,194	104,072
Allowance for expected credit losses	(55,856)	(75,002)
Loan receivables - letter of credit	734	-
	9,072	29,070
	17,866	41,442

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.

Note 12. Financial assets at amortised cost - USA (continued)

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 13. Other receivables

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Current assets		
Other receivables*	133	979
Non-current assets		
Other receivables**	9	15
	142	994

* Other receivables (current) as at 31 December 2022 includes:
(i) term deposits of $nil (2021: $725,000). The term deposit is held as part of a standstill agreement with Assetsecure and is able to be called on 1 July 2022 (see note 18). This has been subsequently paid and settled in August 2022.
(ii) Mesh receivables of $126,000 (2021: $246,000). The associated Mesh liabilities were $nil as at 31 December 2022 and 2021.

** Other receivables (non-current) as at 31 December 2022 includes rental bond of $9,000 (2021: $15,000).

Note 14. Property, plant and equipment

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Non-current assets		
Plant and equipment - at cost	374	369
Less: Accumulated depreciation	(310)	(263)
	64	106

Note 14. Property, plant and equipment (continued)

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

Consolidated	Plant and equipment US$'000
Balance at 1 January 2021	91
Additions	117
Exchange differences	(2)
Depreciation expense	(100)
Balance at 31 December 2021	106
Additions	5
Depreciation expense	(47)
Balance at 31 December 2022	64

Note 15. Right-of-use assets

	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
Non-current assets		
Land and buildings - right-of-use	549	549
Less: Accumulated depreciation	(411)	(314)
	138	235

Additions to the right-of-use assets during the period were $nil.

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 23 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 16. Intangibles

	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
Non-current assets		
Website - at cost	-	25
Less: Accumulated amortisation	-	(25)
	-	-

Note 16. Intangibles (continued)

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

Consolidated	Website US$'000
Balance at 1 January 2021	10
Amortisation expense	(10)
Balance at 31 December 2021	-
Balance at 31 December 2022	-

Note 17. Trade and other payables

	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
Current liabilities		
Trade and other payables	407	692
Accruals and other liabilities	1,077	1,376
	1,484	2,068

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

Refer to note 23 for further information on financial instruments.

Note 18. Borrowings

	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
Current liabilities		
Efficient Frontier Investing (i)	24,072	23,327
Syndicated acquisition facility (ii)	18,308	-
Partners for Growth ('PFG') (iii)	10,796	13,935
Assetsecure Pty Limited loan (iv)	-	1,027
Convertible Promissory Note (v)	3	16
Economic Injury Disaster Relief loan (vi)	4	9
Insurance financing - Australia (vii)	62	-
Credit cards	4	9
	53,249	38,323
Non-current liabilities		
Syndicated acquisition facility (ii)	-	17,681
Economic Injury Disaster Relief loan (vi)	141	137
	141	17,818
	53,390	56,141

Note 18. Borrowings (continued)

Refer to note 23 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 principal outstanding (including capitalised interest) under this facility increased to $24,072,000 as at 31 December 2022 (31 December 2021: $24,317,000). The carrying value of the loan in accordance with AASB 9 Financial Instruments was $24,072,000 at 31 December 2022 (31 December 2021: $23,327,000).

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 2021: 12.50%).

Under the terms of the agreement, the facility is to be repaid by the borrower (SPV III) with proceeds received from the assets of SPV III (which acquired the rights to certain US medical lien receivables). As at 31 December 2022, for accounting purposes, the discounted future cash flow value of such receivables (book value) is $2,859,000 which is equivalent to c.12% of the outstanding loan (including capitalised interest). This valuation indicates that, on an accounting basis, there may be a shortfall of $21,213,000 (31 December 2021: shortfall of $1,438,000) which would be required to allow SPV III to repay the loan in full.

The majority of SPV III assets are now damages and contractual claims directly against private US medical providers, which have arisen in connection with the acquisition and funding of US medical lien receivables originated by US medical providers. These claims are subject to various legal processes, which are currently at various stages of pursuit and enforcement. The range of potential recoveries from these claims, is very broad and difficult to accurately estimate based on available and verifiable information. At the top end of this range, actual recoveries may be sufficient for the loan to be discharged in full, although the quantum and timing of actual recoveries remains uncertain at this time.

Despite this, management’s current assessment is that the discounted estimated future cash flows of the assets of SPV III, as at 31 December 2022 is $8,896,000. This assessment does not take account (the possible impacts of) additional support that EFI may provide to SPV III to assist it in maximising potential outcomes and realisations. However, given the challenges of accurately estimating the outcomes of these legal processes based on currently available information and the inherent uncertainty relating to legal enforcement of the claims, impairments to the estimated future cash flows were raised as at 31 December 2022. Following these additional impairments, the book value of SPV III’s assets, for accounting purposes has been reduced to $2,859,000 as at 31 December 2022.

The facility is subject to two financial covenants being a loan to value ratio ('LVR') and a collection hurdle. EFI agreed to provide a financial covenant testing holiday from and including 31 May 2022 to and including 30 March 2023 (‘Covenant Testing Holiday’) with the next test date for these financial covenants being 31 March 2023.

The LVR is the ratio of the principal outstanding of the loan to the valuation of certain secured receivables owned by SPV III (the ‘Claims’). Under the facility agreement the LVR must not on each monthly ‘test date’ exceed 77.5%. Maintaining compliance with this covenant is dependent on assumptions regarding future collections including the outcome of legal recovery (litigation) actions which are difficult to estimate in respect of both time and quantum.

At the end of the Covenant Testing Holiday, the LVR financial covenant will be tested on 31 March 2023 (unless otherwise extended by EFI). SPV III is in breach of the LVR covenant as at 31 March 2023. SPV III is therefore required to within 30 business days after the breach either prepay the principal outstanding under the loan to cure such breach or take such other action as agreed with EFI. If SPV III fails to cure the breach within the 30-business day period, then EFI will have the right to retrospectively test the LVR covenant for each prior test date dating back to and including 31 May 2022, and declare an event of default for any prior LVR covenant breach, and (amongst other things) charge default interest under the terms of the facility agreement from such time (which is an additional 4% per annum whilst such default is continuing). In the absence of further covenant support or a waiver (conditional or otherwise) being agreed within EFI within this 30-business day period, it is likely that SPV III will breach the terms of the LVR covenant on 31 March 2023 and trigger an event of default. Discussions have commenced with EFI regarding breaches of the LVR financial covenant, however the outcome of these discussions and any further support from EFI is unknown. At this time, EFI have not indicated whether a breach of the LVR covenant as at 31 March 2023, will result in the issuance of a default notice for prior LVR breaches or charge default interest, and it should be noted that whilst the loan balances referred to above have not been calculated with interest charged at the default rate of 4% per annum whilst the relevant default subsists, it is possible that such amounts are required to be increased accordingly.

Note 18. Borrowings (continued)

In January 2022, SPV III notified EFI that a Review Event occurred given it was unable to pay US$604,377 into the collections hurdle pre-payment account subject to EFI security, which resulted in a collection hurdle shortfall as at 31 December 2021 relating to the level of collections with respect to certain claims in the preceding 3 months. The obligation to pay the collection hurdle shortfall is an obligation of SPV III and management was of the view that it was not broadly in the interests of stakeholders to fund this payment from available cash resources of the Company, at the time (and subsequently), given that such payment would reduce cash available to fund operations of the Company.

Following a Review Event, EFI may notify SPV III requiring it to negotiate in good faith for a period of 30 days to agree on revised facility terms and if EFI and SPV III (acting reasonably) are unable to agree revised terms then EFI may provide notice requiring the repayment of the loan within 90 days from the date of such notice. To date EFI have not issued such notice to negotiate revised terms or advised what they may seek in any such negotiation. However, EFI and SPV III have worked and continue to work closely together to provide the platform to maximise recoveries from the Claims, which culminated in EFI agreeing to the Covenant Testing Holiday.

The loan is secured by a general security agreement over the assets of SPV III which holds the relevant claims receivables, which have a book value as at 31 December 2022 of $2,859,000 (31 December 2021: $22,879,000). The Company has also provided a limited guarantee in connection with the facility; however, this guarantee is only effective following the earlier of i) the date a liquidator is appointed to the Company and ii) 4 November 2023 (and is otherwise subject to the terms of a subordination deed dated 4 December 2020 between the Company, EFI and the SAF Lenders ('Subordination Agreement')). The Company’s liability to pay any amount under the guarantee is limited to the lower of:

(a) $28,687,500; and
(b) an amount equal to the principal amount outstanding in respect of the loan (including any capitalised interest) at the relevant date plus the amount of interest that would accrue on such principal amount outstanding until the final day of the next calendar month.

The receivables held within SPV III were assessed under the derecognition requirements in AASB 9 Financial Instruments, with the receivables continuing to be recognised at amortised cost by the Company in their entirety.

Under the terms of the Subordination Agreement with the SAF syndicated facility lenders ('SAF Lenders'), EFI is prohibited from demanding payment under the guarantee (or otherwise) against the Company until the earlier of (i) the date that the debt outstanding to the SAF Lenders is repaid in full and (ii) the date that is 10 business days after the date the Company notifies the SAF Lenders that the subordination arrangement under the Subordination Agreement has terminated (such notification cannot be given earlier than the date that is 10 business days prior to 4 November 2023).

As the EFI facility is an amortising loan, under AASB 9 Financial Instruments, it is required to be split between current and non-current based on forecast cash repayments of the facility. Given the Review Event that arose due to SPV III breaching the collection hurdle, the expiry of the Covenant Testing Holiday on 30 March 2023 and expiry of the loan term on 4 December 2023 it has been recorded as current as at 31 December 2021 and 31 December 2022.

(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.

Tranche 1 has an interest rate of 9.50% per annum and is due for repayment on 28 May 2026. Tranche 2 has an interest rate of 9.50% per annum and is due for repayment on 28 May 2025. The Group has the ability to capitalise interest payments on both tranches until 28 May 2024. During an election to capitalise interest, the amount is taken to be added to the principal outstanding under the relevant loan.

Note 18. Borrowings (continued)

Tranche 3 of $68,749 (A$100,000) was fully drawn in May 2022 on largely the same terms as Tranche 1 and Tranche 2. Tranche 3 has an interest rate of 9.50% per annum and is due for repayment on 28 May 2027. This repayment date may at the Company's discretion if there is no subsisting default, be extended by a period of up to two additional years, subject to the interest rate for Tranche 3 increasing to 10.5% per annum for the balance of the extended term. The Group may capitalise interest payments whilst interest is being capitalised on Tranche 1 and Tranche 2. The capitalised interest is added to the principal outstanding under the relevant loan.

The Group elected to capitalise the quarterly interest on all 3 SAF Tranches for 2022, of $1,599,000 (A$2,408,000). As at 31 December 2022, the total outstanding debt under the three SAF Tranches, inclusive of capitalised interest, totalled $18,308,000 (A$26,903,000) (31 December 2021: $17,681,000 (A$24,396,000)).

The loan is secured over certain assets of the Group excluding the assets of certain special purpose vehicles such as SPV III and SPV IV.

The first financial covenant testing date under the restructured SAF is 31 December 2022, and the covenants have been formally reported to the SAF Lenders on 27 March 2023, with the Company notifying the SAF Lenders of a breach of the Asset Coverage Financial Covenant. As noted at Note 2 above, the Company now has 10 business days to negotiate with the SAF Lenders in good faith to have this breach waived or remedied. A failure to have this breach waived or remedied within this period will result in an event of default under the SAF Syndicated Facility Agreement. The Company now intends to formally request a standstill agreement from the SAF Lenders with the aim of the SAF Lenders agreeing not to take enforcement action while options are fully considered and a consensual debt restructuring contemplated.

Given that the outcome of upcoming discussions with the SAF Lenders regarding a formal standstill agreement following the expected breach of covenants as at 31 December 2022 is unknown, the loan balance has been recorded as current as at 31 December 2022.

(iii) Partners for Growth ('PFG')
The loan facility of $30,000,000 (31 December 2021: $30,000,000) 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, 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).

Interest is payable under the drawn down facility at 11.25% per annum (31 December 2021: 11.25%) and the line fee payable on the relevant facility limit is 0.5% (31 December 2021: 0.5%).

The drawn loan amount of $10,847,000 as at 31 December 2022 (31 December 2021: $16,140,000) comprises of the principal amount of $10,826,000 (31 December 2021: $15,962,000) and accrued interest and legal fees of $21,000 (31 December 2021: $177,000).

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.

In January 2022, PFG agreed to waive covenant breaches which occurred as at 31 December 2021 subject to the satisfaction of certain conditions by the Company and NHF, which ultimately required the facility to be amended. Upon completion of the Capital Raise announced on 5 May 2022, PFG confirmed that all subsisting covenant breaches were waived. In August 2022, NHF executed a formal facility amendment with PFG, confirming the waiver of all Covenant breaches during the first half of the year and documented amended facility terms, including financial covenants. This agreement also provided specific clarity on the processes and procedures associated with the Letters of Credit funding, which was not envisaged at the time the facility was entered into.

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, 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.

Note 18. Borrowings (continued)

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.

As at 31 December 2022, NHF was compliant with the terms of the PFG Loan, taking into account the Facility Modification and waivers obtained for breaches of specific operational covenants. The outstanding loan equated to a blended advance rate of 80% of eligible claims and loans.

However, the progress of the refinance process is slower than anticipated and it is proving challenging. We continue to keep PFG updated on progress of the refinancing and are working collaboratively together. Given the challenges refinancing the PFG facility we are currently discussing an alternate approach with PFG which would include a partial repayment of the PFG debt from the proceeds of the Funding Transaction, if completed, and PFG's agreement to allow the Group to run-off the book over time and repay the PFG Loan. Formal agreement in this regard is required to satisfy certain conditions of the Funding Transaction.

PFG agreed to provide an extension the Facility Modifications and further financial covenant support until 30 April 2023, conditional upon NHF maintaining at least $250,000 of unrestricted cash in its operating bank account at all times.

In order to achieve this required minimum cash level to the end of April 2023 the Initial Funding has been procured by the Group as part of the Funding Transaction, which is expected to be received by NHF in the first week of April 2023.

Separately, the Company's largest shareholder previously provided US$350,000 of funding to PFG which was on-lent to NHF under the terms of the PFG facility at the commencement of March 2023, to fund operating expenses in March 2023.

A purpose of this funding is to allow more time for PFG refinance discussions to be progressed and or to reach agreement with PFG in respect of the applicable conditions required under the Funding Transaction (and/or procurement of funding from an alternate source on materially the same terms).

It is currently uncertain whether i) a refinance of PFG can be completed by the end of April 2023; ii) whether the second and third instalments under Tranche 1 of the Funding Transaction can be obtained if required; iii) whether PFG would agree to any further extensions of Facility Modifications beyond 30 April 2023; or iv) whether PFG will amend the terms of the facility agreement in satisfaction of certain conditions of the Funding Transaction.

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.

Given that the Facility Modification provides short term support to the Company, and the outcome of the current refinance process remains uncertain, the PFG loan amount has been recorded as current as at 31 December 2022.

(iv) Assetsecure Pty Limited ('Assetsecure')
This loan facility of $27,499,000 (A$40,000,000) was available to fund the Australian disbursement funding business operated by JustKapital Financing Pty Limited (JKF). Assetsecure appointed Receivers and Managers on 30 April 2021 to manage and realise the portfolio of receivables owned by JKF. Martin Walsh was appointed as Liquidator of JustKapital Financing Pty Ltd on 4 June 2021 and is currently winding up the affairs of the company in collaboration with the Receivers.

LAW and Assetsecure reached an agreement whereby LAW will pay c.US$63,000 (A$83,333) per month for 12 months to conclude on 30 May 2022 and $688,000 (A$1,000,000) by 1 July 2022 in full satisfaction of its potential corporate guarantee exposure relating to the Assetsecure receivables purchase agreement with JKF. A bank guarantee of A$1,000,000 was held as security and available to Assetsecure if it had not been repaid in full by 1 July 2022.

In August 2022, the cash backed bank guarantee of A$1,000,000 was released to Assetsecure in full and final settlement of the Company's obligations in respect of this facility.

Note 18. Borrowings (continued)

(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. Interest at 3.75% per annum (31 December 2021: 3.75%) is payable under this EIDL Loan. Repayments, including principal and interest, of $731 per month, commenced on 26 July 2021. The loan term is 30 years.

(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 2022, A$91,000 remains outstanding.

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

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Total facilities		
Efficient Frontier Investing (a)	24,072	25,550
Syndicated acquisition facility (b)	18,308	17,681
Partners for Growth (c)	10,796	30,000
	53,176	73,231
Used at the reporting date		
Efficient Frontier Investing (a)	24,072	23,327
Syndicated acquisition facility (b)	18,308	17,681
Partners for Growth (c)	10,796	15,963
	53,176	56,971
Unused at the reporting date		
Efficient Frontier Investing (a)	-	-
Syndicated acquisition facility (b)	-	-
Partners for Growth (c)	-	14,037
	-	14,037

(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 19. Issued capital

	Consolidated			
	31 Dec 2022 Shares	31 Dec 2021 Shares	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Ordinary shares - fully paid	63,867,656	40,770,740	102,671	97,626

Movements in ordinary share capital

Details	Date	Shares	US$'000
Balance	1 January 2021	1,170,230,045	61,310
Issue of shares - placement (i)	28 May 2021	1,273,258,048	12,835
Issue of shares - debt to equity restructure (ii)	28 May 2021	1,505,405,083	24,128
Issue of shares - share issue costs (iii)	28 May 2021	32,037,860	(322)
Issue of shares - remuneration shares (iv)	2 June 2021	2,500,000	-
Issue of shares - placement (v)	2 June 2021	2,700,000	51
Share consolidation (100:1) (vi)	9 June 2021	(3,946,269,507)	-
Issue of shares - share purchase plan (vii)	24 June 2021	909,211	629
Share issue costs		-	(1,005)
Balance	31 December 2021	40,770,740	97,626
Issue of shares - placement (viii)	11 April 2022	6,109,091	1,200
Issue of shares - entitlement offer (viii)	5 May 2022	7,213,579	1,418
Issue of shares - entitlement offer (viii)	6 May 2022	9,487,509	1,864
Issue of shares - entitlement offer (viii)	10 May 2022	100,000	20
Issue of shares - conversion of CCN (ix)	18 November 2022	186,737	1,232
Share issue costs			(689)
Balance	31 December 2022	63,867,656	102,671

(i) Issue price A$0.013 (US$0.0098) per share
(ii) Debt to equity conversion at A$0.021 (US$0.0158) per share (refer to note 21)
(iii) Capital raising fee paid in shares, issue price A$0.013 (US$0.0098) per share
(iv) Issue of shares to key management personnel for $nil consideration - Resolution 5 at Company's 2021 AGM
(v) Issue price of A$0.025 (US$0.0188) per share - Resolution 19 at Company's 2021 AGM
(vi) Consolidation of shares - 1 share for every 100 shares held at 9 June 2021 - Resolution 2 at Company's 2021 AGM
(vii) Issue price A$0.920 (US$0.6909) per share
(viii) Issue price A$0.275 (US$0.1965) per share
(ix) Conversion of capitalising converting notes ('CCN') at A$10 (US$6.7) per share (refer to note 20)

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.

There are 5,451,903 ordinary shares escrowed at 31 December 2022 (31 December 2021: 13,617,687).

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

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

Note 19. Issued capital (continued)

Warrants
Warrants issued on acquisition of NHF have expired.

Share buy-back
There is no current on-market share buy-back.

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 20. Capitalising converting notes

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Capitalising converting notes	14,460	14,832

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 2022, 186,737 were converted to ordinary shares (2021: nil). Refer to note 19.

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 month to 30 April 2023. 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 31 March 2023. 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. The capitalised interest is calculated quarterly and this interest will be classified as equity on a quarterly basis until the notes are converted into ordinary shares, or until 31 December 2022. From 31 December 2022 to 31 March 2023, no interest will be capitalised. During the year, $884,000 (A$1,273,000) of interest was transferred into equity (31 December 2021: $911,000 (A$1,217,000)).

Note 21. Reserves

	Consolidated	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Foreign currency reserve	2,283	1,079
Share-based payments reserve	6,832	6,355
Restructuring reserve	18,910	18,910
	28,025	26,344

Note 21. Reserves (continued)

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:

Consolidated	Foreign currency US$'000	Share-based payments US$'000	Restructuring US$'000	Total US$'000
Balance at 1 January 2021	(898)	6,118	-	5,220
Foreign currency translation	1,977	-	-	1,977
Restructuring gain on debt to equity conversion*	-	-	18,910	18,910
Share-based payments	-	237	-	237
Balance at 31 December 2021	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

* While the Group's debt holders converted A$55 million of debt-to-equity at an average price of A$0.037 per ordinary share (on a pre-share consolidation basis), management has assessed the fair value of the shares at the time of the restructure at A$0.021 per ordinary share. This was the market price of the shares at the date of announcement to the market, in line with 'AASB 13 – Fair Value Measurement' and it is a Level 1 input. The subsequent gain on this conversion was accounted for in other comprehensive income.

** As part of the Capital Raise, Peloton were issued broker options of 3,000,000 with a strike price $0.55 expiring on 30 April 2024 and valued at A$303,000 ($218,000) using the Black Scholes model with a 75% volatility.

Note 22. Dividends

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

Note 23. 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.

Note 23. Financial instruments (continued)

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 31 Dec 2022 US$'000	Assets 31 Dec 2021 US$'000	Liabilities 31 Dec 2022 US$'000	Liabilities 31 Dec 2021 US$'000
Australian dollars	71	3,835	(18,500)	(19,025)
United States dollars	19,398	43,688	(36,641)	(39,620)
	19,469	47,523	(55,141)	(58,645)

The Group had net liabilities denominated in foreign currencies of US$35,672 (US$19,469 less liabilities of US$55,141) as at 31 December 2022 (31 December 2021: net liabilities of US$11,122,000 (US$47,523,000 less liabilities of US$58,645,000)).

Based on this exposure, had the USD weakened/strengthened by 10% (2021: 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:

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

	USD strengthened			USD weakened		
Consolidated - 31 Dec 2021	% change	Effect on profit before tax US$'000	Effect on equity US$'000	% change	Effect on profit before tax US$'000	Effect on equity US$'000
Australian dollars	10%	1,519	1,519	10%	(1,519)	(1,519)

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.

Note 23. Financial instruments (continued)

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 2022 Weighted average interest rate %	31 Dec 2022 Balance US$'000	31 Dec 2021 Weighted average interest rate %	31 Dec 2021 Balance US$'000
Efficient Frontier Investing	12.50%	24,072	12.50%	23,327
Syndicated acquisition facility	9.50%	18,308	9.50%	17,681
Partners for Growth	11.25%	10,796	11.25%	13,935
Assetsecure Pty Limited loan	-	-	-	1,027
Convertible Promissory note	-	3	-	16
Economic Injury Disaster Relief loan	3.75%	145	3.75%	146
Insurance financing - Australia	6.49%	62	-	-
Credit cards	-	4	-	9
Cash and cash equivalents	-	(1,460)	-	(5,101)
Net exposure to cash flow interest rate risk		51,930		51,040

The weighted average interest rate for the period ended 31 December 2022 was 10.89% (2021: 10.07%).

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$541,000 (2021: US$582,000) impact on the Group's results and operating cash flows.

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.

Note 23. Financial instruments (continued)

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.

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
Non-interest bearing:						
Trade and other payables	-	1,157	-	-	-	1,157
Interest bearing:						
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
		64,455	14	154	274	64,897

* Refer to note 18 and the technical breaches of these facilities – the above remaining contractual maturities are as expected once the breaches have been rectified.

Consolidated - 31 Dec 2021	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
Non-interest bearing:						
Trade and other payables	-	1,442	-	-	-	1,442
Interest bearing:						
Efficient Frontier Investing*	12.50%	2,918	26,048	-	-	28,966
Syndicated acquisition facility	9.50%	1,679	1,679	21,452	-	24,810
Partners for Growth*	11.25%	1,568	1,568	14,381	-	17,517
Assetsecure Pty Limited loan	-	1,026	-	-	-	1,026
Convertible Promissory Note	-	16	-	-	-	16
Economic Injury Disaster Relief loan	3.75%	5	5	16	280	306
Credit cards	-	8	-	-	-	8
Lease liabilities	7.50%	107	12	196	-	315
		8,769	29,312	36,045	280	74,406

* Refer to note 18 and the technical breaches of these facilities – the above remaining contractual maturities are as expected once the breaches have been rectified.

Note 24. 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	
	31 Dec 2022 US$	31 Dec 2021 US$
Short-term employee benefits	1,417,910	1,428,478
Post-employment benefits	40,512	92,767
Termination benefits	11,673	106,174
Share-based payments	236,905	184,498
	1,707,000	1,811,917

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

Note 25. 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	
	31 Dec 2022 US$	31 Dec 2021 US$
Audit services - Stantons		
Audit or review of the financial statements	104,804	106,581
Other services - Stantons		
Other corporate services	-	11,672
	104,804	118,253

Note 26. 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 2022.

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 is involved in litigation that was commenced in Michigan in 2020. The proceedings related to a RICO action, which has become a common tactic alleging numerous widespread allegations or misrepresentation in an effort to eliminate provider claims. The proceeding is being defended as having no basis in fact or proof, as NHF is not a medical provider of care. As such, NHF believes there will be no amounts payable to the plaintiff.

NHF has received a summons post balance date, however the Company believes the summons is frivolous and has not been filed in accordance with the applicable laws. The Company is currently seeking legal advice, however it is too early to consider any contingencies at this stage.

Note 26. Contingent liabilities (continued)

As detailed in note 18 regarding the Efficient Frontier Investing debt facility the Covenant Testing Holiday the LVR financial covenant will be tested on 31 March 2023. In the absence of further covenant support (which is unknown) SPV III is likely to be in breach of the LVR covenant as at 31 March 2023 (tested in April 2023). At that time, EFI will have the right to retrospectively test the LVR covenant for each prior test date dating back to and including 31 May 2022, and declare an event of default for any prior LVR covenant breach, and (amongst other things) charge default interest under the terms of the facility agreement from such time (which is an additional 4% per annum whilst such default is continuing). At this time, EFI have not indicated whether if the LVR covenant is not satisfied on 31 March 2023, they would issue a default notice for prior LVR breaches or charge default interest. The EFI loan balances, in this report loan have not been calculated with interest charged at the default rate of 4% per annum whilst the relevant default subsists. It is possible that such amounts are required to be increased accordingly, however we are not in a position to estimate any applicable default interest as at 31 December 2022 as any contingent liability requires EFI to impose default interest and undertake a retrospective assessment of when the LVR covenant was first breached.

Note 27. Commitments

The Group had no capital commitments for property, plant and equipment as at 31 December 2022 and 31 December 2021.

Note 28. Related party transactions

Parent entity
LawFinance Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 30.

Key management personnel
Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

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

	Consolidated	
	31 Dec 2022 US$	31 Dec 2021 US$
Other related parties - expenses:		
Lucerne Group - interest on borrowings*	-	35,043
Other related parties - income:		
Multus Medical LLC - office rental	63,880	65,573

* Previous year interest was not paid and converted to equity as part of the restructure.

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.

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. David is also a founding member of Wattel & York – Attorneys at Law, a personal injury and property damage law firm.

Note 28. 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:

	Consolidated	
	31 Dec 2022 US$	31 Dec 2021 US$
Current payables to other related parties:		
Desiree Wattel - Convertible Promissory Note	3,249	16,149

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 18.

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

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
(Loss) after income tax	(2,081)	(20,777)
Total comprehensive (loss)	(2,081)	(20,777)

Statement of financial position

	Parent	
	31 Dec 2022 US$'000	31 Dec 2021 US$'000
Total current assets	190	3,945
Total assets	190	3,945
Total current liabilities	191	1,347
Total liabilities	18,577	19,028
Net liabilities	(18,387)	(15,083)
Equity		
Issued capital	102,693	97,647
Capitalising converting notes	14,460	14,832
Foreign currency reserve	(4,532)	2,338
Share-based payments reserve	6,832	6,355
Restructuring reserve	18,910	18,414
Accumulated losses	(156,750)	(154,669)
Total deficiency	(18,387)	(15,083)

Note 29. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
Except as described in note 18 and note 26, the parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2022 and 31 December 2021.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2022 and 31 December 2021 other than those disclosed in note 26.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2022 and 31 December 2021.

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

Note 30. 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:

		Ownership interest	
Name	Principal place of business / Country of incorporation	31 Dec 2022 %	31 Dec 2021 %
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%
Subsidiaries of National Health Finance HoldCo, LLC			
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%

Note 30. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest 31 Dec 2022 %	31 Dec 2021 %
Georgia Injury Treatment Network, LLC	USA	71.50%	71.50%
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%	70.00%
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%

Note 30. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest 31 Dec 2022 %	Ownership interest 31 Dec 2021 %
Southwest Injury Solutions, LLC	USA	73.00%	73.00%
Southwest Medical Financing, LLC	USA	75.00%	75.00%
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 31. Cash flow information

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

	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
(Loss) after income tax benefit for the year	(31,077)	(21,229)
Adjustments for:		
Depreciation and amortisation	144	401
Share-based payments	260	184
Employee leave provision	(19)	(78)
Interest income	542	222
Commissions payable	19	(32)
Interest expense	3,124	5,053
Impairment expense - short-term loans	-	75
Net foreign exchange differences	60	2,975
Change in operating assets and liabilities:		
Decrease in other receivables	23,576	27,934
Decrease/(increase) in prepayments	76	(175)
Decrease in trade and other payables	(584)	(4,721)
Decrease in tax provision	-	(1,559)
Decrease in provisions or employee benefits	(75)	(110)
Decrease in borrowings	(3,421)	(21,006)
Net cash (outflow) from operating activities	(7,375)	(12,066)

Non-cash investing and financing activities

	Consolidated 31 Dec 2022 US$'000	Consolidated 31 Dec 2021 US$'000
Additions to the right-of-use assets	-	262
Shares issued	-	41,591
	-	41,853

Note 31. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Converti - ble bonds payable US$'000	Lucerne Group combined loan US$'000	Principis Master Fund facility - US medical lien funding business US$'000	Other NHF subordin- ated debt US$'000	Other NHF subordin- ated debt US$'000	Other NHF subordin- ated debt US$'000	Insurance financing - Australia US$'000	Total US$'000
Balance at 1 January 2021	1,233	3,684	415	1,410	1,000	4,750	27	12,519
Additions	-	-	-	154	-	-	-	154
Loans repaid	-	-	-	-	-	-	(25)	(25)
Capitalised interest	51	255	19	74	-	-	-	399
Debt to equity restructure	(1,215)	(3,732)	(434)	(1,638)	(1,000)	(4,750)	-	(12,769)
Exchange differences	(69)	(207)	-	-	-	-	(2)	(278)
Balance at 31 December 2021	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	132	132
Loans repaid	-	-	-	-	-	-	(70)	(70)
Balance at 31 December 2022	-	-	-	-	-	-	62	62

Note 31. Cash flow information (continued)

Consolidated	SAF US$'000	SAF Side Loan 1 US$'000	SAF Side Loan 2 US$'000	Atalaya US$'000	PPP loan US$'000	Insurance financing - USA US$'000	Credit cards US$'000	Total US$'000
Balance at 1 January 2021	36,716	2,130	2,496	17,012	605	-	19	58,978
Additions	-	-	-	-	508	-	-	508
Loans received	2,746	-	-	110	-	106	301	3,263
Interest repayment	(571)	-	-	-	-	-	-	(571)
Loans repaid	-	-	-	(1,837)	-	(106)	(311)	(2,254)
Refinanced by PFG	-	-	-	(15,285)	-	-	-	(15,285)
Capitalised interest	2,175	234	-	-	-	-	-	2,409
Debt to equity restructure	(21,322)	(2,099)	(2,356)	-	-	-	-	(25,777)
Exchange differences	(2,063)	(120)	(140)	-	-	-	-	(2,323)
Other changes	-	(145)	-	-	(1,113)	-	-	(1,258)
Balance at 31 December 2021	17,681	-	-	-	-	-	9	17,690
Loans received	68	-	-	-	-	-	179	247
Loans repaid	-	-	-	-	-	-	(184)	(184)
Capitalised interest	1,599	-	-	-	-	-	-	1,599
Exchange differences	(1,040)	-	-	-	-	-	-	(1,040)
Balance at 31 December 2022	18,308	-	-	-	-	-	4	18,312

Note 31. Cash flow information (continued)

Consolidated	Asset - secure US$'000	EIDL loan US$'000	EFI US$'000	PFG US$'000	Convertible promissory note US$'000	Lease liabilities US$'000	Total US$'000
Balance at 1 January 2021	17,017	150	25,266	-	-	1,245	43,678
Additions	-	-	-	-	16	262	278
Loans received	2,045	-	-	679	-	-	2,724
Loans repaid	(2,483)	(4)	(2,416)	(2,028)	-	-	(6,931)
Refinanced Atalaya	-	-	-	15,284	-	-	15,284
Capitalised interest	-	-	477	-	-	-	477
Repayment of leases	-	-	-	-	-	(305)	(305)
Exchange differences	(956)	-	-	-	-	(16)	(972)
Other changes	(14,596)	-	-	-	-	(922)	(15,518)
Balance at 31 December 2021	1,027	146	23,327	13,935	16	264	38,715
Loans received	-	-	-	2,387	-	-	2,387
Interest repayment	-	(5)	-	-	-	-	(5)
Loans repaid	(964)	(3)	(3,106)	(5,547)	-	-	(9,620)
Interest	-	-	3,851	21	-	-	3,872
Repayment of leases	-	-	-	-	-	(99)	(99)
Exchange differences	(63)	-	-	-	-	-	(63)
Other changes	-	7	-	-	(13)	-	(6)
Balance at 31 December 2022	-	145	24,072	10,796	3	165	35,181

Note 32. 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.

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

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	916,667	-	-	916,667
18/06/2021	08/12/2024	US$1.8670	1,300,000	-	(300,000)	1,000,000
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
			2,691,667	6,454,554	(525,000)	8,621,221
Weighted average exercise price			US$8.1980	US$0.4858	US$13.8800	US$2.0780

Note 32. Share-based payments (continued)

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

31 Dec 2021

Grant date	Expiry date	Exercise price*	Balance at the start of the year	Share con- -solidation 100:1	Granted	Lapsed/ expired	Balance at the end of the year
13/03/2020	28/09/2021	US$18.6750	24,000,000	(23,760,000)	-	(240,000)	-
13/03/2020	28/09/2022	US$29.8790	22,500,000	(22,275,000)	-	-	225,000
13/03/2020	28/09/2023	US$44.8190	25,000,000	(24,750,000)	-	-	250,000
28/05/2021	08/12/2024	US$1.8670	-	-	916,667	-	916,667
18/06/2021	08/12/2024	US$1.8670	-	-	1,300,000	-	1,300,000
			71,500,000	(70,785,000)	2,216,667	(240,000)	2,691,667
Weighted average exercise price			US$0.3220	US$0.3260	US$1.8670	US$0.1920	US$8.1980

* Exercise price - A$25, A$40, A$60, A$2.50 and A$2.50 respectively after consolidation; and
Exercise price - A$0.25, A$0.40, A$0.60, A$NA and A$NA respectively before consolidation.

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

Grant date	Expiry date	31 Dec 2022 Number	31 Dec 2021 Number
13/03/2020	28/09/2022	-	225,000
13/03/2020	28/09/2023	250,000	250,000
01/06/2022	08/12/2024	400,000	-
		650,000	475,000

The weighted average share price during the financial period was US$0.19 (2021: US$0.83).

The weighted average remaining contractual life of options outstanding at 31 December 2022 was 1.4 years (2021: 2.8 years).

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

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
			4,527,440	-	(4,527,438)	2

* Exercise price - A$4.400

31 Dec 2021

Grant date	Expiry date	Exercise price*	Balance at the start of the year	Granted	Share con- -solidation 100:1	Expired/ forfeited/ other	Balance at the end of the year
28/09/2018	08/11/2022	US$10.0840	452,743,636	-	(448,216,198)	-	4,527,438
28/05/2021	28/05/2028	US$3.2870*	-	2	-	-	2
			452,743,636	2	(448,216,198)	-	4,527,440

Note 32. Share-based payments (continued)

* Exercise price is A$13.50 and A$4.400 respectively

The weighted average remaining contractual life of warrants outstanding at 31 December 2022 was 5.4 years (2021: 0.85 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/06/2022	30/04/2024	US$0.186	US$0.395	75%	-	0.10%	US$0.0066
01/06/2022	08/12/2024	US$0.186	US$1.867	75%	-	0.10%	US$0.0066

Note 33. Events after the reporting period

On 3 January 2023, the Company announced that it has 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 31 March 2023.

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

On 31 March 2023, the Company reached agreement with Lucerne LCF Pty Ltd (who is a related party) (the 'Funder') to provide an initial US$250,000 ('Initial Funding'), and subject to a number of conditions a further US$3.05 million ('Remaining Funding') of funding to certain of the Company's US subsidiaries ('Funding Transaction'). The Company understands that the Funder has entered into a highly conditional back-to-back funding arrangement with Kenanga Investment Berhad ('Kenanga') and the Funder is fully reliant on it receiving the investment funds from Kenanga to have sufficient funds to satisfy its obligation to provide the Remaining Funding. The Company understands that the agreement between the Funder and Kenanga with respect to the Remaining Funding is highly conditional and the Funder may not have any ability to require Kenanga to provide the Remaining Funding to the Funder.

No other matter or circumstance has arisen since 31 December 2022 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.

LawFinance Limited
Directors' declaration
31 December 2022

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 2022 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

Tim Storey
Chairman

Sydney, 31 March 2023

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
LAWFINANCE LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited 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 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (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.

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

Material Uncertainty regarding Going Concern

As described in note 2 to the financial report, the financial statements have been prepared on a going concern basis. At 31 December 2022 the consolidated entity had working capital deficiency of US$44,272,000 (31 December 2021 deficiency of US$21,923,000), cash and cash equivalents of US$1,460,000 (31 December 2021 US$5,101,000) and had incurred a loss before tax for the year amounting to US$31,077,000 (31 December 2021 US$21,969,000). The consolidated entity had an operating cash outflow of $7,375,000 for the period ending 31 December 2022 (31 December 2021 $12,066,000).As at 31 December 2022 the main financing facilities of the entity as described in note 18 of the financial statements are in default and classified as current.

As described in note 33 of the financial statements subsequent to year end the company raised $ 250,000 as part of its "Committed CCN funding offer" which also includes a term sheet to raise an further $3m which is conditional. The consolidated entity intends to use this funding to complete it strategic priorities as outlined in the directors' report and note 2 of the financial statements.

The ability of the consolidated entity to continue as a going concern is subject to collecting its outstanding medical lien receivables books in accordance with its budgeted cashflows, rectify the various breaches of loan covenants, completing the restructuring of its balance sheet including the raising of entire $3m from its Committed CCN funding offer. The company also needs to complete is strategic priorities as outlined in note 2 of the financial statements.

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

Emphasis of Matter - Carrying value of Financial assets

In particular we draw your attention to note 12 (Financial assets at amortised cost) of US17,866,000 the financial report which discloses the carrying value of the financial assets at amortised cost of (2021: US$41,442,000). We also draw your attention to note 3 of the financials and estimates used by management in the preparation of the financial report. These financial assets may be significantly impaired if the recapitalisation plans of the group as outlined in note 2 are not completed.

Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section, and Emphasis of Matter -Carrying value of financial assets we have determined no other matters to be Key Audit Matter to be communicated in our report.

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

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 2022, 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.

Stantons

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Stantons

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 22 of the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Lawfinance Limited for the year ended 31 December 2022 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)

Stantons International Audit and Consulting Pty Ltd

Samir Tirodkar
Director
West Perth, Western Australia
31 March 2023

LawFinance Limited
Shareholder information
31 December 2022

The shareholder information set out below was applicable as at 20 March 2023.

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	325	0.15	25	0.05
1,001 to 5,000	112	0.44	25	0.30
5,001 to 10,000	44	0.52	17	0.72
10,001 to 100,000	164	10.17	59	15.99
100,001 and over	98	88.72	38	82.94
	743	100.00	164	100.00
Holding less than a marketable parcel *(based on last trading price of $0.008 on 20 March 2023)*	611	6.70	-	-

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	
	Number held	% of total shares issued
J P Morgan Nominees Australia	7,353,278	11.51
Aquasia Pty Limited (Aquasia Private Invest A/C)	4,577,460	7.17
Principis Master Fund SPC	3,346,583	5.24
Citicorp Nominees Pty Limited	2,976,197	4.66
Brispot Nominees Pty Ltd (House Head Nominee A/C)	2,480,007	3.88
J P Morgan Nominees Australia Pty Limited	2,301,822	3.60
National Nominees Limited	1,500,001	2.35
Australian Philanthropic Services Foundation Pty Limited (APS Foundation A/C)	1,409,668	2.21
Merrill Lynch (Australia) Nominees Pty Limited	1,275,882	2.00
Anne Gregerson	1,151,545	1.80
Buttonwood Nominees Pty Ltd	1,101,495	1.72
Mr David Wattel	1,075,488	1.68
Mr Mark Siegel	1,075,488	1.68
Neweconomy Com Au Nominees Pty Limited (900 Account)	1,058,666	1.66
UBS Nominees Pty Ltd	889,331	1.39
Factotum Group Pty Limited (Factotum Partners A/c)	850,000	1.33
Menza Capital Pty Ltd (Menza A/C)	773,121	1.21
Principis Master Fund SPC (Lucerne Composite Master A/C)	761,317	1.19
BFB Holdings Pty Ltd (BFB Investment A/C)	710,754	1.11
Holicarl Pty Limited (Hunter Grain S/F A/C)	654,545	1.02
	37,322,648	58.41

Unquoted equity securities (options)

	Number on issue	Number of holders
Options – exercisable at A$60.00 cent before 28 September 2023	250,000	2
Options – exercisable at A$2.50 before 8 December 2024	916,667	1
Options – exercisable at A$2.50 before 8 December 2024	1,400,000	5
Options – exercisable at A$0.55 before 30 April 2024	14,455,128	158

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia	7,353,278	11.51
Aquasia Pty Limited (Aquasia Private Invest A/C)	4,577,460	7.17
Principis Master Fund SPC	3,346,583	5.24

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	Number of warrants
Partners for Growth	2

LawFinance