

17 September 2024

Litigation Capital Management Limited
("LCM" or the "Company")

Full year audited results for the year ended 30 June 2024

Highlights

- Net realised gains of A 32.2m (FY23: A 51.5m), with concluded case investments generating a 2.4x multiple of cash invested (MOIC)
- Total income of A 44.7m (FY23: A 67.7m)
- Profit after tax for the period of A 12.7m (FY23: A 31.5m)
- Dividend of 1.25p (FY23: 2.25p)
- Net assets of A 188.9m (FY23: A 183.5m) with cases conservatively valued at 1.9x cash invested
- Book value per share of 94.4 pence (FY23: 90.3 pence)
- Total new commitments of A 279m added in the period (FY23: A 176m)
- Fund I which comprises US 150m of external capital is fully committed and Fund II which comprises US 291m of external capital is 58% committed
- Share buyback program is 70% complete and remains ongoing

Strategic Update

- The Company is continuing its transition to asset management. Fund III marketing to commence towards the end of 2024 calendar year
- Preparing a disciplined and staged entry into the US market.
- Acquired the intellectual property of a cutting edge legal finance Big Data/AI platform. Application of this technology to form part of US market entry and drive enhanced origination and investment diligence more broadly across the Company

Commenting on the results, Patrick Moloney, CEO of Litigation Capital Management, said:*"We are pleased to have extended our industry-leading track record with successful case outcomes over the past 12 months driving our 13-year investment performance to an impressive 2.9x multiple of invested capital. Our transition from balance sheet funder to high return asset manager is progressing well, and we are looking forward to engaging with our LP investor base as we commence marketing for Fund III.*

"With our London operations firmly established, having generated realisations of over £100m at a MOIC exceeding 3x, we are now strategically preparing for a disciplined and staged entry into the US market. As part of this strategic initiative, we've recently acquired the IP of a leading legal finance Big Data/AI platform. We see substantial opportunities to leverage this technology across our business in an asset class that is ideally suited for such innovation."

Analyst and investor presentation

There will be a analyst call today at 10:00 am BST. Analysts wishing to attend should contact lcm@tavistock.co.uk to register.

The Company will also be hosting a live presentation for all existing and potential shareholders via the Investor Meet Company at 11:00 am today. If you would like to attend this presentation, please register using the following link:

<https://www.investormeetcompany.com/litigation-capital-management-limited/register-investor>

The presentation is open to all existing and potential shareholders. Investors who already follow LCM on the Investor Meet Company platform will automatically be invited. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9:00 am today or at any time during the event.

Enquiries

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NOTES TO EDITORS

Litigation Capital Management (LCM) is an alternative asset manager specialising in disputes financing solutions internationally, which operates two business models. The first is direct investments made from LCM's permanent balance sheet capital and the second is third party fund management. Under those two business models, LCM currently pursues three investment strategies: Single-case funding, Portfolio funding and Acquisitions of claims. LCM generates its income from both its direct investments and also performance fees through asset management.

LCM has an unparalleled track record driven by disciplined project selection and robust risk management. Currently headquartered in Sydney, with offices in London, Singapore, Brisbane and Melbourne, LCM listed on AIM in December 2018, trading under the ticker LIT.

www.lcmfinance.com

Chairman's Statement

Dear Shareholders,

As I reflect on another year of strategic progress, I am pleased to report that Litigation Capital Management (LCM) has continued to execute its long-term vision with resilience and agility, despite the challenges presented by the broader macroeconomic environment. Our ability to navigate these challenges while continuing to deliver solid results underscores the strength of our diversified approach and the commitment of our team.

One of our core objectives over the past few years has been our transition towards an asset management model. I am pleased to report that we continue to make significant strides in this direction. To date, we have raised over US 440m of third party capital from a number of high quality limited partners across two funds. As we approach the end of this calendar year, we will begin marketing for Fund III and with all investors from Fund I participating in Fund II, we hope to secure a high level of investor continuity once again. We are partnering with some of the highest quality limited partners and those investors view our relationship as being for the long-term potentially across multiple funds. If we are able to continue delivering strong performance and they continue to support us in future fund raises then I believe the long-term benefits for shareholders could be substantial.

In line with our growth strategy, we are now preparing to expand into the United States, by far the largest legal finance market in the world. This represents a major step for LCM and presents a significant growth opportunity. The US legal finance market, which is still in a relatively early phase of development, offers us the potential to tap into a market estimated to be worth billions of dollars.

Our expansion into the US will be conducted with the same disciplined approach that has served us so well in our existing markets. Indeed, with our London office now well established and on a firm footing, we feel that the time is now right to enter the US. As we have done in our existing territories, we will seek to establish strategic partnerships with leading law firms and attorneys and we will continue to focus on high-quality cases that align with our risk management and return expectations.

As we look to the future, we are also making investments in cutting-edge technologies as we believe that legal finance is perfectly suited for the application of Big Data and artificial intelligence (AI) strategies. We have recently acquired the intellectual property of one of the pioneering platforms in this space in legal finance and we are working with the founder who built the business over a 5 year period. We aim to be an early mover in this space and see a number of opportunities including enhancing our origination capabilities, better assessing risk, improving case selection, and bolstering the efficiency of our operations. These investments are not just a step toward modernization-they represent a strategic edge in a competitive asset class.

This year also saw an important transition in our leadership team. Mary Gangemi has stepped down from her role as Chief Financial Officer and from the Board of Directors. On behalf of the Board, I would like to thank Mary for her contributions to LCM during her tenure and we wish her every success in her future endeavours.

In line with our commitment to ensuring continuity in leadership and strengthening our executive team, we announced the appointment of David Collins as our new Chief Financial Officer. David brings a wealth of experience in both finance and capital markets, and we are confident that his experience will be invaluable as we continue to execute our strategic plans. David's appointment marks an important step in ensuring LCM is well-prepared for the next phase of its development, including our expansion into new markets and our ongoing technological advancements.

As we head into the next financial year, I am confident that LCM is well-positioned to continue its growth trajectory. Our focus on becoming a leading asset manager in the litigation finance space, our expansion into the US market, and our investments in advanced technology will drive sustainable growth and enhance shareholder value.

The Board is pleased to declare a final dividend to shareholders for the financial year ending 30 June 2024 of 1.25p per share. The dividend will be paid on 4 December 2024 to shareholders on the register on 1 November 2024, being the record date. The ordinary shares will be marked ex-dividend on 31 October 2024.

I would like to take this opportunity to thank our dedicated team, whose expertise and commitment continue to drive our success. I would also like to extend my gratitude to our shareholders for their continued support and trust in our vision.

We look forward to updating you on our progress throughout the coming year.

Jonathan Moulds
Non-Executive Chairman

CEO Statement

Over the past year, we have made significant strides in our strategic transformation from a capital-intensive balance sheet litigation funder to a capital-light asset manager. Our disciplined investment approach continues to deliver strong results, with cases concluding during the period generating a 2.4x multiple of invested capital (MOIC), closely aligned with our long-term average of 2.9x. Additionally, we have delivered record levels of new commitments in the period, and our two flagship investment funds have delivered robust performance to date for our fund investors.

Looking ahead, the long-term potential of our strategy to create meaningful shareholder value is clear. Investment management businesses that generate high returns on investment and earn significant performance fees rank among some of the most profitable businesses globally. We are attracting the same sophisticated limited partners (LPs) who have fuelled the huge successes of private equity, venture capital, and other alternative asset classes.

Our performance thus far for LPs has been outstanding, with Fund I investors realising a net IRR of 60% to date after all costs and performance fees paid to LCM (US 29m to date, including those relating to the recent case conclusion post period end). This level of performance aligns with our long-term track record and firmly positions us in the top tier of alternative investment managers, where a net IRR exceeding 20% is typically considered exceptional. I am confident that if we continue to scale effectively and consistently meet or surpass the expectations of our LPs, the potential value creation for our shareholders could be significant.

Our management team is fully aligned with this vision with substantial personal shareholdings in the company. I hold a 9% stake, our Chairman, Jonathan Moulds, who joined in 2019, has independently acquired a 4.5% stake, and collectively, our small team of 25 owns approximately 17% of the company. This level of ownership underscores our confidence in LCM's future and aligns our interests closely with those of our shareholders.

As we move forward, I am focused on three strategic priorities:

1. Successfully completing our transition to asset management;
2. Entering the US market in a disciplined manner;
3. Implementing Big Data / AI strategies to enhance our origination and underwriting capabilities.

Transition to Asset Management

Since March 2020, we have raised over US 440 million of external capital across two funds: US 150 million in the LCM Global Alternative Returns Fund (Fund I); and US 290 million in the LCM Global Alternative Returns Fund II (Fund II).

For Fund I, we have successfully committed US 150 million across 26 cases, co-investing alongside our balance sheet on a 75:25 basis. As at the end of June 2024, six of these cases have concluded, all with positive outcomes, generating a 2.5x net MOIC for our investors and a net IRR of 60% after costs and fees. This strong performance enabled us to return around 70% of investors' capital as at 30 June 2024 while approximately three quarters of their investments remain active.

Fund II was launched in the second half of 2022 with all Fund I investors participating alongside new investors. To date, Fund II has committed capital to 33 matters, continuing our 75:25 co-investment model. As at the end of June 2024, the fund was 58% committed and 7% deployed with no cases concluded to date.

We plan to commence marketing for Fund III towards the end of this calendar year and are aiming to secure a high level of investor continuity from our prior funds as we build long-term, enduring relationships with our high quality LP investor base.

As our business has scaled, operating expenses as a percentage of committed capital have declined from 7.8% five years ago to 2.6% in the current period, a trajectory we expect to continue, ultimately falling to around 2%. This transition demonstrates our shift to a sustainable asset management model.

Entering the US Market

Since moving to London three years ago, my focus has been on establishing our presence in the UK market in a disciplined manner. Drawing on our extensive experience in Australia - the world's oldest litigation funding market - we have successfully demonstrated that our model can be effectively applied in other common law jurisdictions.

The performance of our London office has been particularly encouraging, with over £100 million (caUD200 million) in proceeds realised for LCM at a MOIC of over 3x inclusive of losses. Additionally, we have made good progress in Singapore with one of our larger wins in the period being originated in that office. While there is still much work to be done, both our UK and Singapore operations are now firmly established in their respective markets.

Our expansion beyond Australia has enabled us to scale, positioning the business to capitalize on the long-term potential offered by our transition to an asset management model. With this growth trajectory in mind, I believe the time is right to enter the US market - by far the largest disputes market in the world, exceeding the size of the next largest market (the UK) by more than tenfold. We have already made a few opportunistic investments in the US from our London office and we have similarly explored and made investments in the Canadian market.

The US market is highly attractive for several reasons. Firstly, its sheer scale. US law firms generate over US 700 billion in revenues, with 20 to 30 per cent of those revenues estimated to come from disputes (litigation and arbitration). Secondly, US lawyers are accustomed to managing risk, with contingency fees - where lawyers forego part of their fees in exchange for a share of the proceeds from successful outcomes - being a widespread practice. This creates significant opportunities for litigation funders to establish long-term financing relationships with US law firms, enabling meaningful capital deployment on attractive terms. Lastly, the US is a data-rich environment, providing fertile ground for the application of Big Data and artificial intelligence strategies in a legal market ripe for such innovation.

There is a small number of legal finance businesses that have been successful in the US and we believe that a market of this magnitude has room for several more successful players. As one of the oldest and most respected litigation funders globally, LCM is well-positioned to establish itself as a leading name in this dynamic market.

Implementing Big Data and AI strategies

In line with our strategic objectives, we have recently completed the acquisition of the intellectual property of a leading technology platform specializing in legal analytics. This acquisition, secured for a modest investment, provides us with a powerful tool to leverage Big Data and artificial intelligence strategies to significantly enhance both our origination and underwriting processes.

By integrating this technology into our operations, we aim to sharpen our ability to assess legal disputes more accurately and efficiently, thereby improving our decision-making and risk assessment capabilities. This technology will allow us to

better identify promising investment opportunities and streamline the underwriting process, ensuring that we can scale our business in a more data-driven and systematic manner.

This acquisition also aligns perfectly with our broader strategy to differentiate ourselves in the US market—a highly data-rich environment. By deploying cutting-edge AI and data analytics, we aim to position LCM in a differentiated way, setting ourselves apart from traditional peers. Our ability to harness these technological advancements will not only enhance our core operations but also establish us as a forward-thinking player in the evolving landscape of legal finance.

Looking ahead, we plan to integrate this technology across our global operations, ensuring that our expansion is supported by the most sophisticated tools available. By doing so, we are positioning ourselves at the intersection of legal finance and technology, which we believe will be key to our long-term growth and success.

Well-Financed for Long Term Growth

We are close to finalizing a new debt facility that will be of increased size and lower cost compared to our existing facility. We will provide a full update to the market when this refinancing has completed.

As communicated with our interim results, we had been exploring the retail eligible bond market in London as a potential source of debt financing. We believe that the retail bond market will be attractive to LCM in the longer term but the prevailing market conditions earlier in our financial year would have required LCM to lock in long-term debt at high interest rates. Having already seen a number of central banks begin to cut interest rates we think the decision to pursue an alternative refinancing was the right thing to do.

Market Developments

Litigation finance gained mainstream attention over the past year, particularly in light of the scandal involving the sub-postmasters of the Royal Mail in the UK. This case highlighted the critical role that litigation finance plays in providing access to justice for plaintiffs who might otherwise lack the resources to pursue their claims.

Although we did not fund the Royal Mail case, we have numerous examples, both historical and current, where we have stood up for individuals and smaller entities in their pursuit of justice.

The main trend that we have seen in the UK over the last twelve months is the rising number of collective actions being filed in the Competition Appeal Tribunal (CAT). We have invested in a small number of these cases which carry large budgets and seek extensive damages. The market for group claims in the UK is still in its infancy but we expect our experience from the well-developed Australian market positions us well to understand how procedures in the CAT may play out over time.

In Australia, the market for class actions remains healthy and competitive. LCM's close relationships with key law firms as well as its own ability to originate claims means that the strong pipeline of claims for funding is likely to continue.

As well as class actions, in Australia LCM is financing insolvency claims and commercial claims. The insolvency claims we have funded continue to be smaller but generate healthy returns and we expect that with tightened economic conditions we will see some larger insolvency claims in the coming years.

We are also seeing increasing interest for the funding of insolvency claims both in Singapore and Hong Kong and have positioned our team in Singapore to take advantage of this opportunity.

LCM funds a broad range of commercial claims across the APAC region and there are no restrictions on the types of claim we are able to fund. A particular trend we have noticed in recent times is claims on trade credit insurance made by trade credit providers whose finance facilities were defaulted on by commodities traders following the disruption to supply chains during and following the pandemic. LCM is currently funding four of these claims in the Australian courts and considering the financing of others in Singapore.

Dividend

The Board has declared a final dividend of 1.25p per share for the financial year ending 30 June 2024 (FY23: 2.25p). The Board will continue to balance the opportunities for reinvesting in growth alongside returning capital to shareholders.

Share Buyback Programme

On 5 October 2023, the Company announced a share buyback programme in respect of its ordinary shares up to a maximum consideration of A 10.0 million from the date of the announcement (the "Share Buyback Programme"). The purpose of the Share Buyback Programme was to reduce the share capital of the Company in order to return value to shareholders.

To date the Company has purchased 3,681,369 ordinary shares, representing approximately 3.18 per cent. of the total share capital.

The directors intend to continue with the share buy back programme until the maximum consideration, as set out in the 5 October 2023 announced, has been utilised. Accordingly LCM intends to enter into a further irrevocable non-discretionary instruction with Canaccord Genuity Limited ("Canaccord") on 17 September 2024 in relation to the purchase by Canaccord, acting as principal during the period commencing on 17 September 2024 and ending upon the publication of the interim unaudited results of the Company for the six months ended December 2024, of Ordinary Shares for an aggregate consideration (excluding expenses) of no greater than A 10.0 million (including those Ordinary Shares purchased between 5 October 2023 and 17 September 2024) and the simultaneous on-sale of such Ordinary Shares by Canaccord to LCM, where they will be held in treasury. Canaccord will make its trading decisions concerning the timing of the purchases of Ordinary Shares independently of, and uninfluenced by, the Company.

The Share Buyback Programme will be conducted within certain pre-set parameters, and in accordance with Chapter 12 of the UK Listing Rules and the provisions of the Market Abuse Regulation 596/2014/EU as amended by the Market Abuse (Amendment) (EU Exit) Regulations 2019 ("UK MAR") and the Commission Delegated Regulation 2016/1052/EU as amended by Technical Standards (Market Abuse Regulation) (EU Exit) Instrument 2019 which both form part of the law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018. Notwithstanding the average daily volume restrictions set out in Article 3(3) (b) of the Commission Delegated Regulation (EU) 2016/1052, the Company may make purchases in excess of these volume restrictions, subject to prevailing market conditions and liquidity.

Outlook

Looking ahead, we see a significant long-term growth opportunity in the vast and still underpenetrated global legal finance market. As we continue to expand our presence, we remain focused on three key strategic priorities:

1. **Transitioning to an Asset Management Model:** This shift will enable us to scale our operations and enhance revenue streams, providing a stable foundation for future growth.

2. Entering the US Market: The US legal disputes market, being the largest globally, offers tremendous potential. We are confident that our unique positioning and established expertise will allow us to capitalize on this opportunity.
3. Leveraging Data and AI to Enhance Origination and Underwriting: By integrating cutting-edge technology into our processes, we aim to sharpen our competitive edge, enabling more efficient identification and evaluation of investment opportunities.

With these priorities in place, we are confident in our ability to drive sustainable long-term value creation for our shareholders, ensuring that we remain at the forefront of the legal finance industry.

Patrick Moloney
Chief Executive Officer

Financial Review

Profit and Loss - LCM only (A m)

	FY 2024	FY 2023
Concluded investments - Proceeds on LCM capital	43.3m	59.6m
Concluded investments - Performance fees on 3P capital	12.7m	24.6m
Concluded investments - LCM capital invested ("Cost")	(23.8m)	(32.7m)
Net realised gains from concluded investments	32.2m	51.5m
<i>Fair value movement:</i>		
Fair value write-off on concluded investments	(30.9m)	(37.4m)
Net fair value uplift to ongoing investments	43.4m	53.6m
Net fair value movement	12.5m	16.2m
Total income	44.7m	67.7m
Operating expenses	(19.0m)	(15.7m)
FX gains/losses	0.5m	(1.2m)
Operating profit	26.3m	50.8m
Finance costs	(10.2m)	(8.1m)
Profit before tax	16.1m	42.7m
Tax	(3.3m)	(11.3m)
Net income	12.7m	31.4m
Basic EPS (cents)	12.01	29.53
Diluted EPS (cents)	11.33	28.33

2024 Financial Performance

LCM extended its track record of successfully investing in uncorrelated litigation finance assets during the 2024 financial year. Our investments concluding in the period generated a 2.4x multiple of invested capital (MOIC) to LCM, consistent with our long-term track record of 2.7x.

These concluded investments generated net realised gains to LCM of A 32.2 million. These gains are composed of A 19.5 million of profits on investing our own capital (FY23: A 26.9 million) and A 12.7 million from performance fees (FY23: A 24.6 million) earned on third party capital.

Our strategic shift towards an asset management model is beginning to yield significant benefits, as evidenced by the strong performance fees generated in both the current and prior year. We expect this trend to continue, with the majority of our current portfolio (45 out of a total of 58) now comprising cases funded through the asset management model. We have raised two funds to date with total external funds under management of US 441 million. Both funds feature performance fees of 25% of profits on third-party capital above an 8% hurdle rate, increasing to 35% of profits exceeding a 20% return.

The net realised gains from concluded investments of A 32.2 million was primarily driven by four successful investments, offset by one loss at trial. The four successful investments generated a combined gross profit of A 42.7 million, reflecting an aggregate MOIC of 4.7x. The loss at trial resulted in a realised loss of A 8.4 million.

Of the four successful investments, two were funded via our asset management model, contributing A 12.7 million in performance fees. The net internal rate of return (IRR) after performance fees to fund investors on these concluded cases was 46%.

The case that lost at trial was fully funded by our balance sheet. Following a thorough review of our investment decision in relation to this case, we are confident that the original decision was sound. However, as with any investment business, not all investments will succeed. Our long-term track record underscores the robustness of our investment decision-making process, and we remain optimistic about our future successes.

The relatively small number of concluded cases driving our 2024 financial result is consistent with prior years. For instance, in both 2023 and 2022, three case conclusions in each period accounted for the vast majority of gross profit. As we continue to grow and fully transition to the asset management model, we expect the variability in our gross profitability to gradually diminish over time. Until then, year-on-year comparisons may be less meaningful, as outcomes will largely depend on the timing and size of case conclusions. Our primary focus remains on extending our long-term track record of successful investments.

While our business operates on a cashflow basis, our financial statements are presented on a fair value basis, providing investors with insight into the potential value of our ongoing investments, which would otherwise be reported at the value of the cash invested. Given the unique nature of our investments and lack of a well-developed secondary market, they cannot be marked to market. We therefore fair value these assets using a bottom-up case-by-case approach that builds value based on observable milestones achieved, consistent with the approach taken by our sector peers.

When a case investment concludes the realised gain in the P&L is calculated as the gross proceeds due from that investment (including performance fees) minus the cash that LCM invested. At the same time, the fair value asset related to that investment is removed from our balance sheet.

For cases concluded in the 2024 financial year, the achieved MOIC of 2.4x capital invested closely matched the fair value of 2.3x held for those same assets prior to their conclusion. As a result, the fair value write-off of the concluded cases of A 30.9 million was similar to the total realised gain of A 32.2 million. In the prior period, a MOIC of 2.6x was achieved on concluded cases compared to a fair value of 2.1x, resulting in a realised gain that comfortably exceeded the fair value write-off.

The net fair value uplift to ongoing cases during the period was A 43.4 million (FY23: A 53.6 million), with ongoing cases on our balance sheet valued at 1.9x the cumulative cash invested as of the end of the period (FY23: 1.8x).

The combination of the fair value write-off on concluded investments and the fair value uplift to ongoing investments gives the net fair value impact on the P&L of A 12.5 million in FY24, which is comparable to the prior year (FY23: A 16.2 million).

Total income for the period was A 44.7 million, a decrease from the previous period (FY23: A 67.7 million), primarily due to the larger size of case conclusions in the 2023 financial year, which was LCM's most successful period to date.

Operating expenses increased to A 19.0 million, up from A 15.7 million in the prior year. The increase is mainly attributable to the expansion of our team as we seek to enhance our origination capabilities across key markets.

Operating profit for the period was A 26.3 million, down from A 50.8 million in the previous year, reflecting the lower gross profit on concluded case investments compared to the prior period, as outlined above.

Finance costs rose to A 10.2 million (FY23: A 8.1 million), due to the higher interest rate environment. We are well advanced in negotiations to refinance our debt facility and are aiming to lower the interest rate from the 13.0% rate on the existing facility.

Profit before tax for the period was A 16.1 million (FY23: A 42.7 million) with a tax charge of A 3.3 million (FY23: A 11.3 million). Going forward, we expect an effective tax rate of 27.5%, being the average of the UK (25%) and Australian (30%) corporation tax rates.

The Board has declared a final dividend of 1.25p per share for the financial year ending 30 June 2024 (FY23: 2.25p). The Board will continue to balance the opportunities for reinvesting in growth alongside returning capital to shareholders. The dividend will be paid on 4 December 2024 to shareholders on the register on 1 November 2024, being the record date. The ordinary shares will be marked ex-dividend on 31 October 2024.

Balance sheet - LCM only (A m)

	FY 2024	FY 2023
Cash	53.0m	83.0m
Debtors	15.0m	13.9m
Investments at fair value	202.9m	165.8m
Investments held at cost	42.1m	37.3m
Other assets	1.5m	1.7m
Total assets	314.4m	301.7m
Borrowings	(61.9m)	(69.0m)
Tax payable	(0.9m)	(7.8m)
Deferred tax liability	(43.6m)	(36.3m)
Other creditors	(19.1m)	(5.2m)
Total liabilities	(125.5m)	(118.2m)
Net assets	188.9m	183.5m
NAV per share (pence) - Basic	94.4	90.3
NAV per share (pence) - Diluted	89.0	86.6

As of 30 June 2024, LCM was actively invested in 58 ongoing cases (FY23: 53) with a total balance sheet value of A 245.0 million (FY23: A 203.1 million). This valuation includes A 42.1 million related to three investments (FY23: A 37.3 million for four investments) that are held at cost for historic accounting reasons, and A 202.9 million (FY23: A 165.8 million) attributed to 55 investments (FY23: 49) that are held at fair value.

As previously noted, at the period end our case investments are held at an aggregate value of 1.9x the cumulative LCM cash invested into those same cases, a modest increase from the 1.8x multiple at the end of the prior period. This represents a discount compared to our realised long-term track record of 2.7x, reflecting our conservative approach to fair value.

It's also worth noting that our long-term track record of 2.7x would translate to a MOIC over 4.0x for LCM under the asset management model. This reflects the model's lower capital intensity and high potential for performance fees, further underscoring the conservative nature of our fair value methodology.

Our cash balance at the period end stood at A 53.0 million (FY23: A 83.0 million), reflecting a robust liquidity position. When offset against borrowings of A 61.9 million (FY23: A 69.0 million) this results in a net debt position of A 8.9 million (FY23: net cash of A 14 million).

Debtors, which comprises amounts receivable from successful investments stood at A 15.0 million (FY23: A 13.9 million). Since the period end, A 11.6 million of this balance has been collected in cash.

Beyond our borrowings, deferred tax of A 43.6 million (FY23: A 36.3 million) is the largest liability on our balance sheet. A 29.6 million of this balance relates to deferred tax on the fair value of our investments and A 16.6 million relates to deductible funding on litigation assets. This tax is unrealised and will only become payable upon the successful conclusion of the related cases.

Other assets primarily comprises prepayments and security deposits for leases.

Net assets increased modestly over the 2024 financial year. The net income of A 14.7 million generated during the period was partially offset by the FY23 dividend payment of A 5.0 million and the cost of shares repurchased of A 5.4 million. The

was partially offset by the FY23 dividend payment of A 5.0 million and the cost of shares repurchased of A 5.4 million. The A 10million share buyback program announced with our 2023 financial year results remains ongoing and is expected to complete during the 2025 financial year.

Reflecting the reduced number of shares following the partial completion of the share buyback, net assets per share increased to 94.4p (FY23: 90.3p).

Cash Flow - LCM only (A m)

	FY 2024	FY 2023
Opening cash balance	83.0m	29.3m
Cash generated from concluded investments	56.7m	96.8m
Cash invested into ongoing cases (case funding)	(39.7m)	(36.3m)
Operating expenses	(17.0m)	(12.1m)
Net finance costs paid	(9.0m)	(6.0m)
Dividend and share buyback	(10.4m)	-
Debt repayment	(8.1m)	9.6m
Other	(2.5m)	1.7m
Closing cash balance	53.0m	83.0m

Net debt	8.9m	(14.0m)
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During the period, cash generated from concluded investments in the period amounted to A 56.7 million (FY23: A 96.8 million), inclusive of A 12.7 million in performance fees (FY23: A 24.6 million).

The cash invested in case funding in the period totalled A 39.7 million (FY23: A 36.3 million), spread across 65 investments, of which 58 remained ongoing at the period end.

Operating expenses increased to A 14.8 million (FY23: A 10.3 million) primarily due to the expansion of the origination team, as previously outlined.

Net finance costs paid rose to A 9.0 million (FY23: A 6.0 million) driven by the higher interest rate environment.

Tax paid was A 2.8 million (FY23: A 0.0 million) relating to UK tax paid on successful case conclusions in the prior financial year.

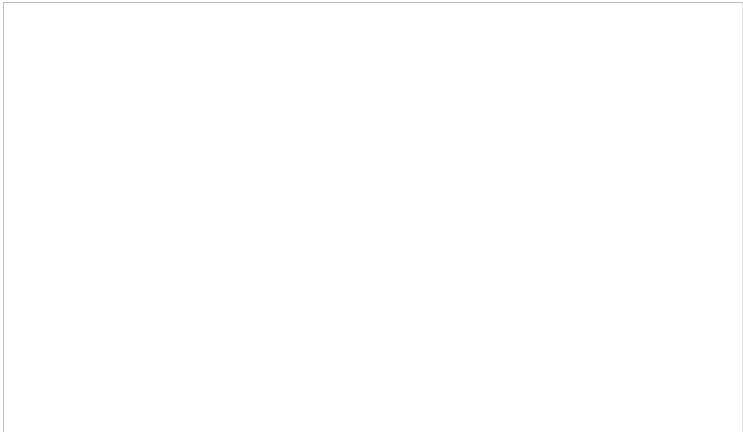
In our 2024 financial year, we returned A 10.4 million of capital to shareholders with A 5.0 million distributed as dividends and A 5.4 million through the share buyback program.

We repaid A 8.1 million of our borrowings during the year (FY23: A 9.6 million increase in borrowings) to reduce interest costs, reflecting our robust liquidity position.

At the end of the financial period, we held A 53.0 million in cash (FY23: A 83.0 million) and had a net debt position of A 8.9 million (FY23: A 14.0 million net cash).

New commitments

New commitments during the period rose significantly to A 279.0m (FY23: A 176.3m) reflecting our strategic focus on scaling the business. A substantial portion of this growth was driven by our London office, where we have invested in a select number of large group claims that are being pursued through the Competition Appeal Tribunal.

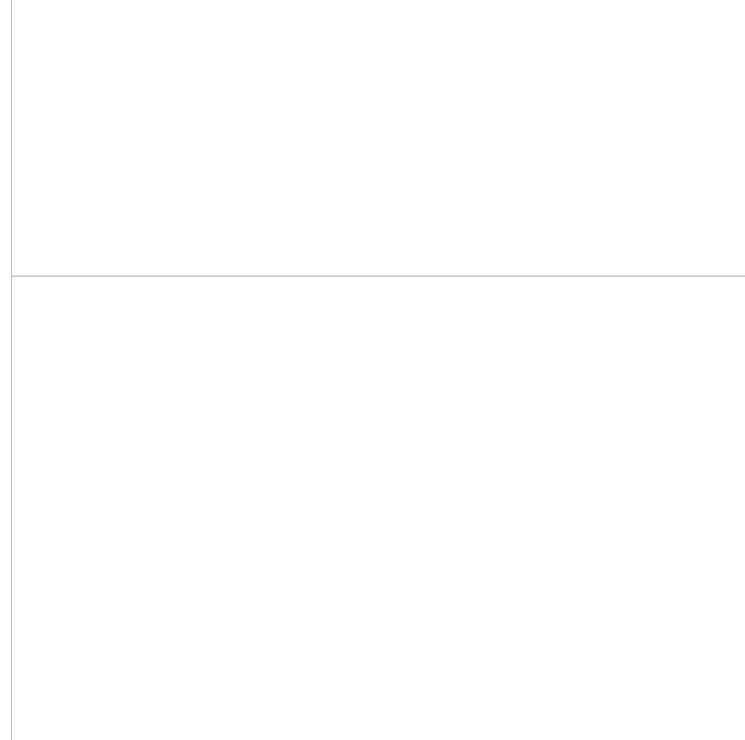


Committed and Invested Capital

As of the end of the period, LCM was actively invested in 58 ongoing case investments. Among these, 13 were cases fully funded by our balance sheet (of which three cases comprise the majority of the invested capital, while 45 were co-funded through our asset management model, where LCM typically funds 25% of the investment cost).

Committed capital, which represent LCM's share of total commitments across all active cases net of conclusions and terminations, increased to A 725.0 million at the period end (FY23: A 484.0 million). Of this amount, A 281.0 million has already been deployed.





Asset management

Since 2020, we have been transitioning our business model from solely funding investments through our own balance sheet to operating as an asset manager. In this capacity, we raise third party capital and invest in new cases with the funding typically split 25% from our own balance sheet and 75% from our limited partners (LPs) invested in our funds. This model not only reduces capital demands on LCM but also provides the potential to earn substantial performance fees, ranging from 25% to 35% of the gross profits generated for our LPs above a minimum hurdle level.

To date, we have successfully raised USD441 million in external funds across two funds: Fund I (USD150 million) and Fund II (USD291 million).

Fund I has invested in 26 case investments and was fully committed and 71% deployed as of 30 June 2024. Six of these 26 cases had concluded by that date, all with successful outcomes, generating gross proceeds of USD101.9 million on LP capital of USD29.7 million. After accounting for performance fees of USD24.9 million paid to LCM, LP investors have achieved a 2.5x MOIC and a net IRR of 60%.

Fund II has invested into 33 case investments to date, and as of 30 June 2024, it was 58% committed and 7% deployed. The investments in Fund II are performing in line with our expectations. None of these investments have yet concluded.

We anticipate commencing marketing efforts for Fund III towards the end of this calendar year.

Post period end

Shortly after the period end, we had a successful conclusion in relation to a bilateral investment treaty claim that was funded 25% by LCM and 75% by Fund I investors. A total of A 5.9 million was invested in the case generating revenue of A 29.6 million, equivalent to a 5.0x MOIC on a global basis. LCM's return was further amplified through performance fees of A 6.1 million, resulting in a total return of A 13.5 million from a A 1.5 million investment - a pleasing 9.5x MOIC for LCM shareholders.

We are well advanced on refinancing our debt facility with the objective of increasing the size and lowering the cost. We will provide an update to the market at the appropriate time.

Key Performance Indicators

We have changed our Key Performance Indicators this year to better reflect what management is focused on as we drive the business.

The updated KPIs are chosen to reflect our focus on growing committed capital (new commitments in the period and cumulative committed capital at the period end); growing invested capital (invested capital in the period and cumulative invested capital at the period end); and delivering strong investment performance via our cumulative long-term MOIC. Furthermore, given the importance of our transition to the asset management model, external funds under management remains a KPI.

Consolidated statement of profit or loss and other comprehensive income For the period ended 30 June 2024

	Note	Consolidated	
		2024 '000	2023 '000
Income			
Gain on financial assets at fair value through profit or loss	5	86,926	184,735
Movement in financial liabilities related to third-party interests in consolidated entities	5	(48,382)	(111,953)
Litigation service revenue	5	12,443	-
Total income		50,987	72,782

Litigation service expense		(3,236)	-
Gross profit		47,752	72,782
Expenses			
Employee benefits expense	6	(11,471)	(9,474)
Depreciation expense	6	(145)	(166)
Corporate expenses		(5,171)	(4,220)
Fund administration expense	6	(3,400)	(3,010)
Foreign currency gains/(losses)		(1,432)	(5,081)
Total operating expenses		(21,619)	(21,951)
Operating profit		26,133	50,831
Finance costs	6	(10,083)	(8,090)
Profit before income tax expense		16,050	42,741
Income tax expense	7	(3,335)	(11,256)
Profit after income tax expense		12,715	31,485

Other comprehensive income

Items that may be subsequently reclassified to profit and loss:

Movement in foreign currency translation reserve		2,013	2,187
Total comprehensive income for the period		14,728	33,672

Profit for the period is attributable to:

Owners of Litigation Capital Management Limited		12,715	31,485
		12,715	31,485

Total comprehensive income for the period is attributable to:

Owners of Litigation Capital Management Limited		14,728	33,672
		14,728	33,672

		Cents	Cents
Basic earnings per share	8	12.01	29.53
Diluted earnings per share	8	11.33	28.33

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

Consolidated statement of financial position For the period ended 30 June 2024

	Note	30-Jun-24 '000	30-Jun-23 '000
Assets			
Cash and cash equivalents	10	68,113	104,457
Trade receivables	11	10,986	2,063
Due from resolution of financial assets	12	3,980	11,873
Contract costs	13	42,072	37,277
Financial assets at fair value through profit or loss	14	465,213	391,410
Property, plant and equipment		157	211
Intangible assets		305	356
Other assets		977	1,256
Total assets		591,803	548,903
Liabilities			
Trade and other payables	15	30,376	7,535
Tax payable		883	7,769
Employee benefits		1,112	906
Borrowings	16	61,917	68,976
Financial liabilities related to third-party interests in consolidated entities	17	264,950	243,990
Deferred tax liability	7	43,624	36,259
Total liabilities		402,862	365,435
Net assets		188,941	183,468
Equity			
Issued capital	18	69,674	69,674
Treasury shares	18	(5,396)	-
Reserves		4,171	1,042
Retained earnings		120,492	112,753
Parent interest		188,941	183,468
Total equity		188,941	183,468

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

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

**Consolidated statement of changes in equity
For the period ended 30 June 2024**

	Issued capital '000	Treasury shares '000	Retained earnings '000	Share based payments reserve '000	Foreign currency translation '000	Total equity '000
Consolidated						
Balance at 1 July 2022 (restated)	69,674	-	81,268	1,573	(3,585)	148,930
Profit after income tax expense for the period	-	-	31,485	-	-	31,485
Other comprehensive income for the period	-	-	-	-	2,187	2,187
Total comprehensive income for the period	-	-	31,485	-	2,187	33,672
Equity Transactions:						
Share-based payments (note 29)	-	-	-	867	-	867
			-	867	-	867
Balance at 30 June 2023	69,674	-	112,753	2,440	(1,398)	183,468

	Issued capital '000	Treasury shares '000	Retained earnings '000	Share based payments reserve '000	Foreign currency translation '000	Total equity '000
Consolidated						
Balance at 1 July 2023	69,674	-	112,753	2,440	(1,398)	183,469
Profit after income tax expense for the period	-	-	12,715	-	-	12,715
Other comprehensive income for the period	-	-	-	-	2,013	2,013
Total comprehensive income for the period	-	-	12,715	-	2,013	14,728
Equity Transactions:						
Share-based payments (note 29)	-	-	-	1,116	-	1,116
Dividends paid (note 20)	-	-	(4,976)	-	-	(4,976)
Treasury shares acquired (note 18)	-	(5,396)	-	-	-	(5,396)
	-	(5,396)	(4,976)	1,116	-	(9,256)
Balance at 30 June 2024	69,674	(5,396)	120,492	3,556	615	188,941

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

**Consolidated statement of cash flows
For the period ended 30 June 2024**

	Note	Consolidated	
		2024 '000	2023 '000
Cash flows from operating activities			
Proceeds from litigation contracts		116,636	192,563
Payments for litigation contracts		(78,265)	(94,543)
Payments to suppliers and employees		(16,337)	(13,434)
Income tax paid		(2,830)	-
Net cash from operating activities	9	19,203	84,587
Cash flows from investing activities			
Payments for property, plant and equipment		(31)	(90)
Payments for intangibles		(9)	(57)
Refund/(payment) of security deposits		8	(51)
Net cash used in investing activities		(31)	(198)
Cash flows from financing activities			
Payments for treasury shares	18	(5,396)	-
Dividends paid	20	(4,976)	-
Proceeds from borrowings	16	-	9,636
Repayments of borrowings	16	(8,139)	(14,848)
Payments of finance costs		(8,960)	(6,171)

Payments of placement fees related to third-party interests		(2,206)	(1,832)
Contributions from third-party interests in consolidated entities	17	30,505	74,980
Distributions to third-party interests in consolidated entities	17	(56,407)	(94,373)
Net cash (used in) financing activities		(55,578)	(32,608)
Net increase/(decrease) in cash and cash equivalents		(36,405)	51,781
Cash and cash equivalents at the beginning of the period		104,457	49,964
Effects of exchange rate changes on cash and cash equivalents		61	2,712
Cash and cash equivalents at the end of the period	10	68,113	104,457

¹ The Group changed its cash flow presentation from indirect method to direct method to be in line with market practice and in accordance with how management from the Group reviews the cashflows of operations. The comparative information for the year ended 30 June 2023 has been restated to reflect the change in the cash flow presentation.

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

Notes to the financial statements 30 June 2024

Note 1. General information

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

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 17 September 2024. The Directors have the power to amend and reissue the financial statements.

Basis of preparation

The Financial Report:

- has been prepared in accordance with the Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth);
- is presented in Australian dollars, which is the Group's functional and presentation currency, with all values rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with ASIC Corporations Instrument 2016/191 unless otherwise indicated;
- includes foreign currency transactions that are translated into the functional currency, using the exchange rates prevailing at the date of the Financial Report;
- has been prepared on a going concern basis using a historical cost basis, except for certain assets and liabilities measured at fair value;
- presents assets and liabilities on the face of the Balance Sheets in decreasing order of liquidity;
- where required, presents restated comparative information for consistency with the current year's presentation in the Financial Report; and
- contains accounting policies that have been consistently applied to all periods presented, unless otherwise stated.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Litigation Capital Management Limited ('Company' or 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended. Litigation Capital Management Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

The Group includes fund investment vehicles over which the Group has the right to direct the relevant activities of the fund under contractual arrangements and has exposure to variable returns from the fund investment vehicles. See note 4.

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

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

Note 2. Material accounting policies

New and amended accounting standards and interpretations adopted during the year

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2023.

The Group has applied the Amendments to IAS 1, IFRS Practice Statement 2 - Disclosure of Accounting Policies for the first time for its annual reporting period commencing 1 July 2023. The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New and amended accounting standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below.

- Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments.
- IFRS 18 Presentation and Disclosure in Financial Statements.
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.
- IFRS S1, 'General requirements for disclosure of sustainability-related financial information.

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The Group has not listed other standards and interpretations which are issued but not yet effective, as they are not expected to impact the Group.

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Fair value measurement

The Group measures its financial instruments such as litigation funding agreements and financial liabilities related to third-party interests at fair value at each balance sheet date.

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 that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group's Executive Leadership Committee determines the policies and procedures for fair value measurement, including the litigation funding agreements. The Committee is comprised of the Chief Executive Officer, Chief Financial Officer and Head of Investments or equivalent.

The level of involvement of external valuers or specialist valuation experts is determined annually by the Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Committee also compares the change in the fair value of each asset and liability with any relevant external sources to determine whether the change is reasonable.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Note 22
- Quantitative disclosures of fair value measurement hierarchy Note 22
- Financial instruments Note 21

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

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

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

Litigation service revenue

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

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

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

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

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Litigation Capital Management Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an

income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

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

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not have a specifically defined time frame for settlement, additionally, when the receivable is due from part of the portfolio of litigation projects, the settlement of the receivable is generally made upon an additional resolution of another litigation project within the portfolio which also may not be within a specifically defined time frame.

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

Due from resolution of financial assets

Amounts due from the settlement of financial assets relate to the realisation of litigation funding assets that have been successfully concluded and where there is no longer any litigation risk remaining and represent the expected cash flow to be received by the Group. The settlement terms and timing of realisations vary by litigation funding asset. The majority of settlement balances are received shortly after the period end in which the litigation funding asset has concluded, and all settlement balances are generally expected to be received within 12 months after completion.

Contract costs

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

Financial assets at fair value through profit or loss

Financial assets are recognised at fair value through profit or loss and are fair valued using an income approach. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes the Group's litigation funding assets. The litigation funding assets are primarily derecognised when the underlying litigation resolves and transfers to Due from resolution of financial assets.

Financial assets are derecognised when the contractual rights to the cash flows expire or when the asset, along with the associated risks and rewards of ownership, are substantially transferred to another entity.

Financial liabilities related to third-party interests in consolidated entities

Non-controlling interests where the Group does not own 100% of a consolidated entity are recorded as financial liabilities related to third-party interests in consolidated entities. Financial liabilities related to third-party interests in consolidated entities are initially recognised at the fair value. Gains or losses on liabilities held at fair value through profit or loss are recognised in the statement of profit or loss as 'Movement in financial liabilities related to third-party interests in consolidated entities'. They are subsequently measured at fair value using an income approach. Amounts included in the consolidated statement of financial position represent the net asset value of the third-parties' interests. These amounts have been elected to be measured at fair value to reduce the accounting mismatch between the related financial asset measured at fair value through profit or loss.

Financial liabilities are derecognised when the obligation to settle through cash flows has expired or been transferred.

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. Subsequent to initial recognition, borrowings are stated at amortised cost.

Net finance costs

Net finance costs comprise interest income from the investment of excess funds in short-term, highly liquid investments, and interest expense and borrowing costs related to the borrowing of funds.

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

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

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

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

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

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.

Treasury shares

Where Group purchase shares in the listed Company, the consideration paid is deducted from issued capital and the shares are treated as treasury shares until they are subsequently sold, reissued or cancelled. Where such shares are sold or reissued, any consideration received is included in shareholders' equity.

Dividends

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Note 3. Critical accounting judgements, estimates and assumptions

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

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 judgements

Consolidation of entities in which the Group holds less than 100% of interests

The Group has assessed the entities in which it has an interest to determine whether or not control exists and the entity is, therefore, consolidated into the Group (refer note 4). Where the Group does not own 100% of interests, the Group makes judgements to determine whether to consolidate the entity in question by applying the factors set forth in AASB 10, including but not limited to the Group's equity and economic ownership interest, the economic structures in use in the entity, the level of control the Group has over the entity through the entity's structure or any relevant contractual agreements, and the rights of other investors.

Significant estimates and assumptions

Net gains/(losses) on financial assets & liabilities at fair value through profit or loss

The Group carries its financial assets and liabilities at fair value, with changes in fair value being recognised in the statement of profit or loss. A valuation methodology based on an income approach

The fair values of these financial assets and liabilities cannot be measured based on quoted prices in active markets, and as a result a fair value methodology is utilised. The measurement valuation technique includes a discounted cash flow (DCF) model based on the Group's estimated, risk adjusted future cash flows. The adopted discount rate reflects the funding cost of deploying capital, and is intended to capture the time value of money and market factors such as interest rates and foreign exchange rates.

The fair value framework incorporates assumptions, including the discount rate, the timing and amount of expected cash inflows and additional funding, and a risk-adjustment factor reflecting the inherent uncertainty in the cash flows due to litigation risk, which is dependent on observable case progression and milestones.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as case progress, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

The key assumptions used to determine the fair value of the litigation funding agreements, financial liabilities related to third-party interests in consolidated entities and sensitivity analyses are provided in note 22.

Note 4. Segment information

For management purposes, the Group is organised into two operating segments comprising the operations of Litigation Capital Management Limited and its wholly owned subsidiaries ("LCM") and the Group's fund structures ("Fund").

LCM

The LCM column includes the 25% co-investment in the Funds, Balance Sheet investments (ie, 100% investment by LCM) and corporate operations.

Fund I & II

This comprises LCM Global Alternative Returns Fund and LCM Global Alternative Returns Fund II and their entities as disclosed in note 25. AASB 10 Consolidated Financial Statements requires the Group to consolidate fund investment vehicles over which it has exposure to variable returns from the fund investment vehicles. As a result, third party interests in relation to the Funds have been consolidated in the financial statements. The Fund column includes the 75% co-investment in the litigation funding assets and costs of administering the funds.

Intersegment revenue

The third-party interests in the Funds carry an entitlement to receive an 8% soft return hurdle. Upon satisfaction of the third-party interests soft return hurdle, LCM is entitled to performance fees as fund manager on the basis of a deal by deal waterfall. The net residual cash flows are to be distributed 25% to LCM and 75% to the third-party interests until a IRR of 20% is achieved by the third-party interests, thereafter the net residual cash flows are distributed 35% to LCM and 65% to the third-party interests.

The following tables reflect the impact of consolidating the results of the Funds with the results for LCM to arrive at the totals reported in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of cash flows.

Effective from 1 July 2023, the Group has revised its internal segment reporting structure, resulting in a change from one reportable segment to two reportable segments. This change aims to provide more relevant and transparent information to stakeholders. This change aligns with the way the Group's chief operating decision maker reviews financial performance. The comparative information for the year ended 30 June 2023 has been restated to reflect the new segment reporting structure however was also presented in note 26 of the FY23 Annual Report.

Consolidated Statement of Comprehensive Income

	2024			2023		
	Consolidated	Fund	LCM	Consolidated	Fund	LCM
	'000	'000	'000	'000	'000	'000
Income						
Gain on financial assets at fair value through profit or loss	86,926	51,416	35,511	184,735	117,051	67,684
Movement in financial liabilities related to third-party interests in consolidated entities	(48,382)	(48,382)	-	(111,953)	(111,953)	-
Litigation service revenue	12,443	-	12,443	-	-	-
Total income from litigation assets	50,987	3,033	47,954	72,782	5,098	67,684

Litigation service expense	(3,236)	-	(3,236)	-	-	-
Gross profit	47,752	3,033	44,718	72,782	5,098	67,684
Expenses						
Employee benefits expense	(11,471)	-	(11,471)	(9,474)	-	(9,474)
Depreciation expense	(145)	-	(145)	(166)	-	(166)
Corporate expenses	(5,171)	-	(5,171)	(4,220)	-	(4,220)
Fund administration expense	(3,400)	(1,220)	(2,180)	(3,010)	(1,178)	(1,832)
Foreign currency gains/(losses)	(1,432)	(1,968)	537	(5,081)	(3,905)	(1,176)
Total operating expenses	(21,619)	(3,189)	(18,430)	(21,951)	(5,083)	(16,868)
Operating profit	26,133	(155)	26,288	50,831	15	50,816
Finance costs	(10,083)	155	(10,238)	(8,090)	(15)	(8,075)
Profit before income tax expense	16,050	-	16,050	42,741	-	42,741
Income tax expense	(3,335)	-	(3,335)	(11,256)	-	(11,256)
Profit after income tax expense	12,715	-	12,715	31,485	-	31,485
Other comprehensive income for the period, net of tax	2,013	-	2,013	2,187	-	2,187
Total comprehensive income for the period	14,728	-	14,728	33,672	-	33,672

Consolidated statement of financial position

	2024			2023		
	Consolidated '000	Fund '000	LCM '000	Consolidated '000	Fund '000	LCM '000
Assets						
Cash and cash equivalents	68,113	15,089	53,024	104,457	21,484	82,973
Trade & other receivables	10,986	-	10,986	2,063	-	2,063
Due from resolution of financial assets	3,980	-	3,980	11,873	-	11,873
Contract costs	42,072	-	42,072	37,277	-	37,277
Financial assets at fair value through profit or loss	465,213	262,300	202,913	391,410	225,642	165,768
Property, plant and equipment	157	-	157	211	-	211
Intangible assets	305	-	305	356	-	356
Other assets	977	(22)	999	1,256	78	1,178
Total assets	591,803	277,367	314,436	548,903	247,204	301,699
Liabilities						
Trade and other payables	30,376	12,417	17,959	7,535	3,214	4,321
Tax payable	883	-	883	7,769	-	7,769
Employee Benefits	1,112	-	1,112	906	-	906
Borrowings	61,917	-	61,917	68,976	-	68,976
Third-party interests in consolidated entities	264,950	264,950	-	243,990	243,990	-
Deferred tax liability	43,624	-	43,624	36,259	-	36,259
Total liabilities	402,862	277,367	125,494	365,435	247,204	118,231
Net assets	188,941	-	188,941	183,468	-	183,468

A financial liability at fair value through the income statement is recognised in the parent entity in relation to the transactions entered into with certain Fund structures to support the financing of LFAs. These arrangements fail the derecognition principles in IFRS 9 and represents the net share of the overall LFA at fair value apportioned to the Funds.

Consolidated Statement of Cash Flows

	2024			2023		
	Consolidated '000	Fund '000	LCM '000	Consolidated '000	Fund '000	LCM '000
Proceeds from litigation contracts	116,636	59,864	56,771	192,563	95,807	96,756
Payments for litigation contracts	(78,265)	(38,572)	(39,693)	(94,543)	(58,293)	(36,251)
Payments to suppliers and employees	(16,337)	(1,572)	(14,765)	(13,434)	(3,049)	(10,385)
Income tax paid	(2,830)	-	(2,830)	-	-	-
Net cash from/(used in) operating activities	19,203	19,720	(517)	84,587	34,465	50,121
Cash flows from investing activities	-	-	-	-	-	-
Payments for property, plant and	-	-	-	-	-	-

Payments for property, plant and equipment	(31)	-	(31)	(90)	-	(90)
Payments for intangibles	(9)	-	(9)	(57)	-	(57)
Refund/(payment) of security deposits	8	-	8	(51)	-	(51)
Net cash used in investing activities	(31)	-	(31)	(198)	-	(198)
Cash flows from financing activities						
Payments for treasury shares	(5,396)	-	(5,396)	-	-	-
Dividends paid	(4,976)	-	(4,976)	-	-	-
Proceeds from borrowings	-	-	-	9,636	-	9,636
Repayments of borrowings	(8,139)	-	(8,139)	(14,848)	(14,848)	-
Payments of finance costs	(8,960)	-	(8,960)	(6,171)	(132)	(6,039)
Payments of placement fees related to third-party interests	(2,206)	-	(2,206)	(1,832)	-	(1,832)
Contributions from third-party interests in consolidated entities	30,505	30,505	-	74,980	74,980	-
Distributions to third-party interests in consolidated entities	(56,407)	(56,407)	-	(94,373)	(94,373)	-
Net cash (used in)/from financing activities	(55,578)	(25,901)	(29,677)	(32,608)	(34,372)	1,766
Net increase/(decrease) in cash and cash equivalents	(36,405)	(6,181)	(30,224)	51,781	92	51,689
Cash and cash equivalents at the beginning of the period	104,457	21,484	82,973	49,964	20,711	29,253
Effects of exchange rate changes on cash and cash equivalents	61	(214)	275	2,712	681	2,031
Cash and cash equivalents at the end of the period	68,113	15,089	53,024	104,457	21,484	82,973

Note 5. Income

	Consolidated	
	2024	2023
	'000	'000
Fair value through profit and loss		
Realised gains on litigation assets	10,299	26,879
Realised performance fees	12,735	24,598
Fair value adjustment during the period, net of previously recognised unrealised gains transferred to realised gains	11,600	11,134
Foreign exchange gains	877	5,073
Total income from litigation assets attributable to LCM	35,511	67,684
Gain on financial assets related to third-party interests in consolidated entities	51,416	117,051
	86,928	184,735
Loss on financial liabilities related to third-party interests in consolidated entities	(48,382)	(111,953)
Total income from litigation assets	38,544	72,782

Total income from litigation assets attributable to LCM represents realised and unrealised gains that relate to LCM's funded proportion of litigation contracts. The gain and loss related to third party interests in consolidated entities represents realised and unrealised gains and losses that relate to third party funded proportions from LCM controlled entities. Realised gains relate to amounts where litigation risk has concluded and amounts are expected to be received by LCM. Unrealised gains or losses relate to the fair value movement of assets and liabilities associated with litigation contracts.

Litigation service revenue

	Consolidated	
	2024	2023
	'000	'000
Litigation service revenue		
<i>Major service lines</i>		
Revenue attributable to LCM	12,443	-
Attributable to third party interests	-	-
	12,443	-
<i>Geographical regions</i>		
Australia	12,443	-
	12,443	-

Litigation service revenue relates to an individual litigation asset which resolved during the period and had a contract duration of more than 4 years.

Note 6. Profit before tax

	Consolidated	
	2024	2023
	'000	'000

Profit before income tax expense includes the following specific expenses:

<i>Employee benefits expense</i>		
Salaries & wages	8,513	7,337
Non-Executive directors' fees	457	393
Superannuation and pension	311	287
Share based payments expense	1,116	867
Other employee benefits & costs	1,074	590
	<u>11,471</u>	<u>9,474</u>
<i>Depreciation</i>		
Plant and equipment	84	63
Intangible assets	60	103
	<u>145</u>	<u>166</u>
<i>Net finance costs</i>		
Net interest on borrowings	9,017	7,511
Net finance costs of third-party interests	(155)	144
Other finance costs	1,221	435
	<u>10,083</u>	<u>8,090</u>
<i>Fund administration expense</i>		
General administration expenses	1,220	970
Set-up expenses	-	209
Placement fees	2,180	1,831
	<u>3,400</u>	<u>3,010</u>
<i>Leases</i>		
Short-term lease payments	906	777

Note 7. Income tax expense

	Consolidated	
	2024	2023
	'000	'000
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	16,050	42,741
At the Group's statutory income tax rate of 30% (2023: 25%)	4,815	10,685
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Foreign tax rate adjustments	(2,385)	(1,718)
Share-based payments	335	217
Other assessable income	139	143
Other non-deductible expenses	215	-
Unrealised foreign exchange	-	-
Change in tax rate	-	1,929
Adjustment in respect of income and deferred tax of previous years	217	-
Income tax expense / (benefit)	<u>3,335</u>	<u>11,256</u>

	Consolidated	
	2024	2023
	'000	'000
Current tax	(4,030)	7,701
Deferred tax	7,365	3,555
Income tax expense / (benefit)	<u>3,335</u>	<u>11,256</u>

	Consolidated	
	2024	2023
	'000	'000
Deferred tax asset/(liability)		
Deferred tax asset/(liability) comprises temporary differences attributable to:		
Tax losses	-	14,197
Employee benefits	302	273
Accrued expenses	172	929
Expenditure deductible for income tax over time	1,706	-
Share based payments	464	-
Deductible funding on contract costs and financial assets	(16,634)	(23,374)
Fair value adjustments to financial assets	(29,634)	(28,284)
Deferred tax asset/(liability)	<u>(43,624)</u>	<u>(36,259)</u>
Movements:		
Opening balance	(36,259)	(32,704)
Charged to profit or loss	(7,365)	(3,555)

Closing balance	(43,624)	(36,259)
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Note 8. Earnings per share

	2024 '000	2023 '000
Profit after income tax	12,715	31,485
Profit after income tax attributable to the owners of Litigation Capital Management Limited	12,715	31,485
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share ¹	105,849,093	106,613,927
Adjustments for calculation of diluted earnings per share:		
Amounts uncalled on partly paid shares	1,301,770	1,252,018
Options over ordinary shares	5,103,344	3,257,392
Weighted average number of ordinary shares used in calculating diluted earnings per share	112,254,207	111,123,337

¹ Weighted average number of ordinary shares on issue during the year, excludes treasury shares held

	Cents	Cents
Basic earnings per share	12.01	29.53
Diluted earnings per share	11.33	28.33

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

Note 9. Reconciliation of cash flows

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

	2024 '000	2023 '000
Profit after income tax expense for the period	12,715	31,485
Adjustments for:		
Fair value adjustments to financial liabilities related to third party interests	48,382	111,953
Finance costs reclassified to financing activities	10,083	8,090
Fund costs reclassified to financing activities	2,180	1,851
Depreciation and amortisation of intangibles	145	166
Share-based payments	1,116	867
Other, including foreign exchange rate movements	407	11,527
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(8,923)	89
Decrease/(increase) in due from resolution of financial assets	7,893	12,468
Decrease/(increase) in financial assets	(73,803)	(94,430)
Decrease/(increase) in contract costs	(4,795)	(5,495)
(Increase) in other assets	279	84
(Decrease)/Increase in trade and other payables	22,841	(5,307)
(Decrease)/Increase in employee benefits	206	(21)
Increase in deferred tax assets and liabilities	7,365	3,555
Increase in income tax payable	(6,886)	7,704
Net cash from operating activities	19,203	84,587

Disclosure of borrowings

Refer to note 16.

Changes in liabilities related to third party interests in consolidated entities

Refer to note 17.

Note 10. Cash and cash equivalents

	Consolidated 2024 '000	2023 '000
Cash at Bank	22,963	82,973
Investment securities held for liquidity purposes	30,061	-
Cash of third-party interests in consolidated entities	15,089	21,484
	68,113	104,457

Cash of third-party interests in consolidated entities is restricted as it is held within the fund investment vehicles on behalf of the third-party investors in these vehicles. The cash is restricted to use cashflows in the litigation funding assets made on their behalf and costs of administering the fund.

Note 11. Trade receivables

Consolidated
2024 2023

	2024 '000	2023 '000
Due from litigation service	10,986	2,063
	10,986	2,063

The significant increase in trade receivables in the period was mainly due to the resolution of one litigation asset which was received immediately after the period on 1 July 2024.

As at 30 June 2024, trade receivables are expected to be settled within 12 months after the Balance Sheet date.

Allowance for expected credit losses

The Group has recognised a loss of nil (2023: nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2024.

Note 12. Due from resolution of financial assets

	2024 '000	2023 '000
At start of period (as restated as at 1 July 2022)	11,873	24,340
Transfer from realisation of litigation funding assets (including Foreign Exchange gain)	104,400	180,155
Proceeds from litigation funding assets	(112,990)	(192,623)
Other income	697	-
Balance as at end of period	3,980	11,873

From 1 July 2023, management has changed their analysis of the transfer from the realisation of litigation funding assets to account for realisation including foreign currency gains. This change has been reflected in the 30 June 2024 disclosure, and the 30 June 2023 comparative has been updated for consistency. This change is a disclosure change only and has not changed the total balance at the end of the period.

As at 30 June 2024, amounts due from resolution of financial assets are expected to be settled within 12 months after the Balance Sheet date.

Note 13. Contract costs - litigation contracts

	2024 '000	2023 '000
Contract costs - litigation contracts	42,072	37,277

There are a small number of legacy investments which are still being recorded under AASB 15 Revenue from Contracts with Customers due to the timing the contracts were entered into. These are expected to resolve in the short to medium term.

Reconciliation of litigation contract costs

Reconciliation of the contract costs at the beginning and end of the current period and previous financial year are set out below:

	2024 '000	2023 '000
Balance at 1 July	37,277	31,783
Additions during the period	8,030	5,495
Realisations of contract assets	(3,236)	-
Balance as at end of period	42,072	37,277

The Group has recognised impairment losses of nil (2023: nil) in profit or loss on contract costs for the period ended 30 June 2024.

Note 14. Litigation funding assets at fair value through profit or loss

	2024 '000	2023 '000
At start of period (as restated as at 1 July 2022)	391,410	296,980
Deployments	45,301	30,756
Deployments - third-party interests	45,975	59,094
Realisations of litigation funding assets (including foreign exchange (losses)/gains)	(104,400)	(180,155)
Income for the period	86,926	184,735
Balance as at end of period	465,213	391,410
Litigation funding assets at fair value through income statement	202,913	165,768
Litigation funding assets at fair value through income statement - third-party interests	262,300	225,642
Total litigation funding assets	465,213	391,410

Effective from 1 July 2023, management has adopted a new approach to the realisation of litigation funding assets and the recognition of foreign exchange gains. Consequently, the comparative note disclosure for the period ended 30 June 2023 has been restated to rectify the allocated amounts to certain line items. This restatement has affected the disclosure of certain line items from the prior year's note, including income for the period. It is important to note that the overall balance at the end of the prior period remains unchanged.

Litigation funding assets are financial instruments that relate to the provision of capital in connection with legal finance. The Group fund through both direct investments as well as using third party capital via a fund management model. The table above sets forth the changes in litigation funding assets at the beginning and end of the relevant reporting periods.

Note 15. Trade and other payables

	2024 '000	2023 '000
Trade payables	29,789	7,001
Other payables	587	534
	30,376	7,535

Refer to note 21 for further information on financial instruments.

Note 16. Borrowings

	2024 '000	2023 '000
Borrowings	61,917	68,976
	61,917	68,976

Reconciliation of borrowings of third-party interests in consolidated entities:

	2024 '000	2023 '000
Balance 1 July	-	14,494
Proceeds from borrowings	-	-
Repayment of borrowings	-	(14,848)
Net accrued interest	-	(17)
Amortisation of borrowing costs	-	34
Other non-cash items	-	336
Balance as at end of period	-	-

Reconciliation of borrowings of LCM:

	2024 '000	2023 '000
Balance 1 July	68,976	54,915
Proceeds from borrowings	-	9,636
Repayment of borrowings	(8,139)	-
Payments for borrowing costs	(819)	(256)
Net accrued interest	648	1,943
Amortisation	1,221	399
Other non-cash items	29	2,339
Balance as at end of period	61,917	68,976

On 22 February 2021, LCM entered into a credit facility with Northleaf Capital Partners for an aggregate amount of US 50,000,000, AUD equivalent of 74,704,916¹ (the "Facility"). The Facility carries interest together with a profit participation, capped at 13% per annum. The Facility has an overall term of four years and is secured against LCM's assets. As at 30 June 2024, LCM has nil outstanding utilisation. Borrowings have a maturity date of February 2025.

LCM agreed to various debt covenants including a minimum effective net tangible worth, borrowings as a percentage of effective net tangible worth, minimum liquidity, a minimum consolidated EBIT and a minimum multiple of invested capital on concluded contract assets over a specified period. There have been no defaults or breaches related to the Facility during the year ended 30 June 2024. Should LCM not satisfy any of these covenants, the outstanding balance of the Facility may become due and payable.

LCM incurred costs in relation to arranging the Facility of 1,649,000 which were reflected transactions costs and will be amortised over the 4 year term of the borrowings. As at 30 June 2024, 422,000 of these loan arrangement fees remained outstanding.

¹ Converted at the functional currency spot rates of exchange at the reporting date

Note 17. Financial liabilities related to third-party interests in consolidated entities

	2024 '000	2023 '000
Balance 1 July	243,990	142,180
Proceeds - capital contributions from Limited Partners	30,505	74,980
Payments - distributions to Limited Partners	(56,407)	(94,373)
Movement on financial liabilities related to third-party interests in consolidated entities (note 5)	48,382	111,953
Other non-cash items, including foreign exchange gain/loss	(1,521)	9,250
Balance as at end of period	264,950	243,990

Note 18. Equity - issued capital

	2024 Shares	2023 Shares	2024 '000	2023 '000
Ordinary shares - fully paid	104,118,534	106,613,927	69,674	69,674
Ordinary shares - loan share plan and Employee Benefit Trust	12,331,148	12,586,405	-	-
	<u>116,449,682</u>	<u>119,200,332</u>	<u>69,674</u>	<u>69,674</u>

Movements in ordinary share capital

	Date	Shares	'000
Balance	30 June 2022	106,613,927	69,674
Balance	30 June 2023	106,613,927	69,674
Options exercised	31 October 2023	87,993	-
Options exercised	23 November 2023	167,264	-
Shares bought back during the period (treasury shares)	Various	(2,750,650)	-
	30 June 2024	<u>104,118,534</u>	<u>69,674</u>

As announced on 5 October 2023, the Group commenced a share buyback programme in respect of its ordinary shares up to a maximum consideration of A 10.0 million from the date of this announcement.

Movements in ordinary shares issued under loan share plan ('LSP') and held by Employee Benefit Trust:

	Date	Shares	'000
Balance	30 June 2022	12,586,405	-
Balance	30 June 2023	12,586,405	-
Options exercised	31 October 2023	(87,993)	-
Options exercised	23 November 2023	(167,264)	-
LSP expired	30 June 2024	(388,800)	-
LSP shares allocated to LCM	30 June 2024	388,800	-
	30 June 2024	<u>12,331,148</u>	<u>-</u>

Reconciliation of ordinary shares issued under LSP:

	2024	2023
Total shares allocated under existing LSP arrangements with underlying LSP shares (note 29)	7,501,608	7,890,408
Less shares allocated under existing LSP arrangements without underlying LSP shares (note 29)	(221,467)	(221,467)
Shares held by LCM Employee Benefit Trust for future allocation under employee share and option plans	4,917,464	4,917,464
Exercise of options during the period held by the LCM Employee Benefit Trust	(255,257)	-
Shares held by LCM for future allocation under employee share and option plans	<u>388,800</u>	<u>-</u>
	12,331,148	12,586,405

Ordinary shares

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

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

Ordinary shares - under loan share plan ('LSP')

The Company has an equity scheme pursuant to which certain employees may access a LSP. The acquisition of shares under this LSP is fully funded by the Company through the granting of a limited recourse loan. The shares under LSP are restricted until the loan is repaid. The underlying options within the LSP have been accounted for as a share-based payment. Refer to note 29 for further details. When the loans are settled the shares are reclassified as fully paid ordinary shares and the equity will increase by the amount of the loan repaid.

Ordinary shares - held by Employee Benefit Trust

The Employee Benefit Trust ('EBT') holds performance related shareholdings awarded to former executive which did not vest. That benefit comprised 4,917,464 shares of which 4,662,207 remain unallocated as at 30 June 2024 (2023: 4,917,464).

Ordinary shares - partly paid

As at 30 June 2024, there are currently 1,433,022 partly paid shares issued at an issue price of 0.17 per share. No amount has been paid up and the shares will become fully paid upon payment to the Company of 0.17 per share. As per the terms of issue, the partly paid shares have no maturity date and the amount is payable at the option of the holder.

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

Treasury shares

As at 30 June 2024, there were 2,750,650 treasury shares (2023: nil) which has resulted in 5,396,000 being deducted from equity (2023: nil). Treasury shares comprises shares bought back from shareholders which are held by Canaccord on behalf of LCM and classified as treasury shares.

Capital risk management

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

provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

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

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

The capital risk management policy remains unchanged from the 30 June 2023 Annual Report.

Note 19. Equity - reserves

Movements in reserves

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

Consolidated	Share based payments reserve '000	Foreign currency translation '000	Total reserves '000
Balance at 1 July 2022	1,573	(3,585)	(2,012)
Movements in reserves during the period	867	2,187	3,054
Balance at 30 June 2023	2,440	(1,398)	1,042
Movements in reserves during the period	1,116	2,013	3,129
Balance at 30 June 2024	3,556	615	4,171

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.

Foreign currency translation reserve

This reserve is used to record differences on the translation of the assets and liabilities of foreign operations.

Note 20. Equity - dividends

	2024 '000	2023 '000
Final unfranked ordinary dividend paid (2024: 2.25 cents, 2023: nil)	4,976	-

The Directors declare a dividend for the year ended 30 June 2024 of 1.25 pence per ordinary share, to be paid on 4 December 2024 to eligible shareholders on the register as at 1 November 2024. The ordinary shares will be marked ex-dividend on 31 October 2024. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2024 financial statements and will be recognised in subsequent financial reports.

Franking credits

The franking credits available to the Group as at 30 June 2024 are 338,000 (2023: 338,000).

Note 21. Financial instruments

Financial risk management objectives

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

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

Financial instruments of the Group is comprised of litigation funding assets classified as financial assets at FVTPL and financial liabilities at FVTPL related to third party interests with the remaining financial instruments held at amortised cost.

Market risk

Foreign currency risk

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

Consolidated	Assets 2024 '000	Liabilities 2024 '000	Assets 2023 '000	Liabilities 2023 '000
US dollars	178,625	(314,768)	203,912	(314,923)
Pound Sterling	267,971	(16,500)	173,064	(2,542)
Singapore Dollars	2,346	(16)	-	-
United Arab Emirates Dirham	2	(4)	5,614	(744)
Hong Kong dollars	-	-	28,087	-
Other	4	-	490	(1)
	448,947	(331,288)	411,167	(318,210)

The Group had net assets denominated in foreign currencies of 117,659,000 (assets of 448,947,000 less liabilities of 331,288,000) as at 30 June 2024 (2023: net assets 92,956,000). Based on this exposure, had the Australian dollars

weakened or strengthened by 10% against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have increased and decreased respectively by 11,766,000 (2023: 9,296,000). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months. The actual realised foreign exchange loss for the year ended 30 June 2024 was 2,934,000 (2023: loss of 2,892,000). The movement in the foreign currency translation reserve for the year ended 30 June 2024 was a gain of 2,013,000 (2023: gain 2,187,000).

Foreign exchange risk arises mainly from litigation funding assets and borrowings which are denominated in a currency that is not the functional currency in which they are measured. The risk is monitored using sensitivity analysis and cash flow forecasting. The Group's contract cost assets are not hedged as those currency positions are considered to be long term in nature.

Interest rate risk

Aside from the litigation funding agreements at fair value, the Group's main interest rate risk arises from interest on cash at bank.

An official increase/decrease in interest rates of 50 (2023: 50) basis points would have a favourable/adverse effect on profit before tax of 341,000 (2023: 522,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

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

The maximum credit risk exposure represented by cash, cash equivalents, trade and other receivables, due from resolution of financial assets and financial assets at fair value through profit or loss is specified in the consolidated statements of financial position. The exposure for financial assets held at amortised cost is the carrying amount, net of any provisions for impairment of those assets, which includes cash, cash equivalents and trade and other receivables. The Group does not hold any collateral.

To mitigate credit risk on cash and cash equivalents, the Group holds cash with Australian and American financial institutions with at least an AA- credit rating.

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

For trade receivables and due from resolution of financial assets, at every reporting date, the Group evaluates whether the trade receivables and due from resolution of financial assets is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses indicators of changes in credit quality of their counterparties. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due or if sufficient indicators exist that the debtor is unlikely to pay. Refer to note 11 and 12 for the respective notes on these items. 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.

In addition, the fair value of Litigation Funding Assets (LFA's) is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments, including credit risk, refer to note 22.

Liquidity risk

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

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

Remaining contractual maturities

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

	Less than 1 year	Between 1 and 5 years	Over 5 years	No contractual maturity date	Total
Consolidated - 2024	'000	'000	'000	'000	'000
Financial liabilities					
Trade payables	29,752	-	-	-	29,752
Other payables	624	-	-	-	624
Borrowings	68,200	-	-	-	68,200
Third-party interest in consolidated entities	-	-	-	264,950	264,950
Total non-derivatives	98,576	-	-	264,950	363,526

	Less than 1 year	Between 1 and 5 years	Over 5 years	contractual maturity date	Total
Consolidated - 2023	'000	'000	'000	'000	'000
Financial liabilities					
Trade payables	7,001	-	-	-	7,001
Other payables	241	-	-	-	241
Borrowings	9,320	75,988	-	-	85,309
Third-party interest in consolidated entities	-	-	-	243,990	243,990
Total non-derivatives	16,562	75,988	-	243,990	336,541

Note 22. Fair value measurements

The fair value measurements used for all assets and liabilities held by the Group listed below are level 3:

Assets	2024 '000	2023 '000
Litigation funding assets		
APAC	111,662	158,836
EMEA	353,551	232,574
Total Level 3 assets	465,213	391,410
Liabilities		
Financial liabilities related to third-party interests in consolidated entities	264,950	243,990
Total Level 3 liabilities	264,950	243,990

Refer note 14 for movements in level 3 assets and note 17 for movements in level 3 liabilities. There were no transfers into or out of level 3 during the period ended 30 June 2024.

As at 30 June 2024, the financial liability due to third-party interests is 264,950,000 (2023: 243,990,000), recorded at fair value as represented in note 17. Amounts included in the consolidated statement of financial position represent the fair value of the third-party interests in the related financial assets and the amounts included in the consolidated statement of profit or loss and other comprehensive income represent the third-party share of any gain or loss during the period, see note 4.

Sensitivity of Level 3 Valuations

The Group's fair value policy provides for ranges of percentages to be applied against the risk adjustment factor to more than 159 discrete objective litigation events. The tables below set forth each of the key unobservable inputs used to value the Group's LFA assets and the applicable ranges and weighted average by relative fair value for such inputs.

The Group implemented a new valuation methodology for LFA assets during the year ended 30 June 2023. LFA assets are fair valued using an income approach which is the technique adopted for LFA Assets. Under the income approach, future cash flows associated with; cash out flows, including investments and deployments, and cash inflows such as settlements or resolutions, are converted to a single current (discounted) amount, reflecting current market expectations about those future amounts. That is, the amount that could reasonably be expected to be paid to acquire the asset at that point in time. In developing our framework we also looked to Industry peers for alignment in methodology, the benefit being that adopting a similar methodology provides a level of comparability. Similar to industry peers, the framework developed applied probabilities based on observable milestones for each investment within the portfolio as well as making informed assumptions around inputs such as discount rates, timing and risk factors, all of which are considered Level 3 inputs. In cases where cash flows are denominated in a foreign currency, forecasts are developed in the applicable foreign currency and translated to AUD dollars.

A Discounted Cash Flow approach is then applied to each underlying investment on an individual basis to arrive at a net present value of the future expected cash flows.

The cash flow forecast is updated each reporting period, based on the best available information on progress of the underlying matter at the time. These objective events could include, among others:

- Stage of the investment
- ongoing developments
- progress
- recovery or sovereign risk
- legal team expertise
- other factors impacting the expected outcome

Each reporting period, the updated risk-adjusted cash flow forecast is then discounted at the then current discount rate to measure fair value. The discount rate includes an applicable risk-free rate and credit spread to incorporate both market and idiosyncratic asset-class risk.

The Group's fair value policy provides for ranges of percentages to be applied against the risk adjustment factor to more than 159 discrete objective litigation events. The tables below set forth each of the key unobservable inputs used to value the Group's LFA assets and the applicable ranges and weighted average by relative fair value for such inputs.

30 June 2024					
Item	Valuation technique	Unobservable Input	Min	Max	Weighted Ave
Litigation funding asset	Discounted cash flow	Discount rate	12.80%	12.80%	12.80%
		Duration	0.75	7.08	4.57

Duration	0%	85%	17%
Adjusted risk premium	0%	85%	17%

	Min ¹	Max ¹	Weighted Ave	% of portfolio ²
Adjusted risk premium - case milestone:				
Pre-commencement & commenced	0%	20%	29%	48%
Pleadings	5%	35%	20%	12%
Discovery & evidence	20%	40%	25%	9%
Significant ruling or other objective event prior to trial court judgment	25%	80%	47%	7%
Settlement	70%	85%	80%	1%
Trial court judgment or tribunal award	0%	85%	63%	9%
Appeal judgment	0%	85%	3%	12%
Enforcement	75%	85%	83%	3%

30 June 2023

Item	Valuation technique	Unobservable Input	Min	Max	Weighted Ave	% of portfolio ²
Litigation funding asset	Discounted cash flow	Discount rate	12.80%	12.80%	12.80%	
		Duration	0.67	5.83	4.10	
		Adjusted risk premium	0%	85%	18%	
		Adjusted risk premium - case milestone:	Min¹	Max¹	Weighted Ave	% of portfolio²
		Pre-commencement & commenced	0%	20%	0%	46%
		Pleadings	5%	35%	10%	3%
		Discovery & evidence	20%	40%	21%	15%
		Significant ruling or other objective event prior to trial court judgment	25%	80%	48%	21%
		Settlement	70%	85%	70%	3%
		Trial court judgment or tribunal award	0%	85%	80%	1%
		Appeal judgment	0%	85%	7%	9%
		Enforcement	75%	85%	76%	1%

¹ Minimum and maximum within each cohort represent the actual adjusted risk premiums applied in the period

² Percentage of portfolio represents the percentage of the book within the cohort

At each reporting period, the Group reviews the fair value of each litigation funding asset in connection with the preparation of the consolidated financial statements. A fair value of 10% higher or lower, while all other variables remain constant, in financial assets at fair value through profit or loss would have increased or decreased the Group's income and net assets by 46,521,000 as at 30 June 2024 (30 June 2023: 39,141,000). Similarly, a fair value of 10% higher or lower, while all other variables remain constant, in financial liabilities at fair value through profit or loss would have increased or decreased the Group's income and net assets by 26,495,000 as at 30 June 2024 (30 June 2023: 24,399,000).

At 30 June 2024, should discount rates been 50 bps or 100 bps higher or lower than the actual discount rate used in the fair value estimation, while all other variables remained constant, consolidated income and net assets would have increased and decreased by the following amounts:

Hypothetical Change	2024 '000	2023 '000
100bps lower interest rates	5,441	2,182
50bps lower interest rates	2,743	1,084
100bps higher interest rates	(5,440)	(2,126)
50bps higher interest rates	(2,736)	(1,070)

Reasonably possible alternative assumptions

The determination of fair value for litigation funding assets involves significant judgements and estimates. While the potential range of outcomes for the assets is wide, the Group's fair value estimation is its best assessment of the current fair value of each asset, as applicable. Such estimate is inherently subjective, being based largely on an assessment of how individual events have changed the possible outcomes of the asset, as applicable, and their relative probabilities and hence the extent to which the fair value has altered. The aggregate of the fair values selected falls within a wide range of reasonably possible estimates. In the Group's opinion, there is no useful alternative valuation that would better quantify the market risk inherent in the portfolio and there are no inputs or variables to which the values of the assets are correlated other than interest rates which impact the discount rates applied.

Note 23. Key management personnel disclosures

Compensation

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

	Consolidated 2024	2023
Short-term employee benefits	2,844,106	2,188,144
Post-employment benefits	67,584	59,611

Long-term benefits	28,975	13,145
Share-based payments	408,583	375,014
	3,349,249	2,635,914

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

	Cash salaries and fees	Bonus	Benefits	Accrued leave	Superannuation/Pension	Long service leave	Share-based payments	Total
2024								
Non-executive Directors								
Dr David King	111,458	-	-	-	12,302	-	-	123,760
Jonathan Moulds	214,255	-	-	-	-	-	-	214,255
Gerhard Seebacher	127,377	-	-	-	-	-	-	127,377
	453,091	-	-	-	12,302	-	-	465,393
Executive directors & other executives								
Patrick Moloney	1,316,062	183,783	114,754	36,864	-	28,975	199,145	1,879,583
David Collins ¹	22,921	-	-	-	-	-	-	22,921
Mary Gangemi ²	552,818	163,814	-	-	55,282	-	209,438	981,352
	1,891,800	347,597	114,754	36,864	55,282	28,975	408,583	2,883,856
	2,344,891	347,597	114,754	36,864	67,584	28,975	408,583	3,349,249

¹ David Collins appointed as Chief Financial Officer on 18 June 2024 on a base salary of £350,000 (AUD equivalent 672,000). Refer note 26 for details on amounts paid to Greatham Advisors Limited, a related entity of David Collins, for Investor Relation services prior to David becoming an employee. David Collins has not been appointed as a Director as at 30 June 2024.

² Stepped down as Chief Financial Officer 18 June 2024 and resigned as Director 5 September 2024

	Cash salaries and fees	Bonus	Benefits	Accrued leave	Superannuation	Long service leave	Share-based payments	Total
2023								
Non-executive Directors								
Dr David King	100,000	-	-	-	10,500	-	-	110,500
Jonathan Moulds	178,586	-	-	-	-	-	-	178,586
Gerhard Seebacher	111,356	-	-	-	-	-	-	111,356
	389,943	-	-	-	10,500	-	-	400,443
Executive Directors								
Patrick Moloney	1,071,517	118,249	5,709	(29,023)	-	13,145	252,293	1,431,891
Mary Gangemi	491,112	140,637	-	-	49,111	-	122,721	803,581
	1,562,629	258,886	5,709	(29,023)	49,111	13,145	375,014	2,235,472
	1,952,572	258,886	5,709	(29,023)	59,611	13,145	375,014	2,635,914

Directors' share options

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

Name of the Director	Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
Patrick Moloney ²	19/11/2018	25/11/2028	0.47	1,595,058	-	-	-	1,595,058
Patrick Moloney ²	04/12/2017	04/12/2027	0.60	1,000,000	-	-	-	1,000,000
Patrick Moloney ²	04/12/2017	04/12/2027	0.60	1,000,000	-	-	-	1,000,000

Moloney~ Patrick Moloney ²	01/11/2019	01/11/2029	£0.7394	1,166,400	-	-	(388,800)	777,600
Patrick Moloney ²	13/10/2020	13/10/2030	£0.6655	291,597	-	-	-	291,597
Patrick Moloney ²	27/10/2021	27/10/2031	£1.06	279,232	-	-	-	279,232
Patrick Moloney ^{1,2}	27/10/2021	27/10/2031	£1.06	900,000	-	-	-	900,000
Mary Gangemi ²	27/10/2021	27/10/2031	£1.06	93,585	-	-	-	93,585
Mary Gangemi ²	27/10/2021	27/10/2031	£1.14	26,315	-	-	-	26,315
Patrick Moloney ²	07/10/2022	07/10/2032	£0.00	169,276	-	-	-	169,276
Patrick Moloney ²	07/10/2022	07/10/2032	£0.00	3,303,796	-	-	-	3,303,796
Mary Gangemi ²	07/10/2022	07/10/2032	£0.00	201,325	-	(67,108)	-	134,217
Mary Gangemi ²	07/10/2022	07/10/2032	£0.00	1,266,455	-	-	-	1,266,455
Patrick Moloney ²	04/10/2023	04/10/2033	£0.00	-	167,043	-	-	167,043
Mary Gangemi ²	04/10/2023	04/10/2033	£0.00	-	148,893	-	-	148,893
				<u>11,293,039</u>	<u>315,936</u>	<u>(67,108)</u>	<u>(388,800)</u>	<u>11,153,067</u>

¹ On 27 October 2021, Patrick Moloney exercised 900,000 unlisted options at an exercise price of A 1.00 which were granted under the Employee share option scheme. Upon exercise, the Group issued 900,000 new ordinary shares in the capital of the Group to Patrick Moloney which have been granted under the Loan Share Plan with the sole purpose to fund the exercise price of the 900,000 unlisted options

² Outstanding share options as disclosed in note 29.

Directors' interests

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

Name of the Director	Description of shares	30 June 2024	30 June 2023
		Number	Number
Jonathan Moulds	Fully paid ordinary shares	5,250,000	5,250,000
Dr David King	Fully paid ordinary shares	1,951,484	1,951,484
Patrick Moloney	Fully paid ordinary shares	4,204,813	4,204,813
Patrick Moloney	Unlisted partly paid shares	1,433,022	1,433,022
Gerhard Seebacher	N/A	-	-
Mary Gangemi	Fully paid ordinary shares	64,348	27,500

¹ Unlisted partly paid shares in the Company were issued at a price of 0.17 per share, wholly unpaid and will convert to a share upon payment to the Company of 0.17 per share. Further details provided in note 18 to the financial statements.

No changes took place in the interest of the directors between 30 June 2024 and 17 September 2024.

Note 24. Remuneration of auditors

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

	2024	Consolidated 2023
Audit Services - BDO Audit Pty Ltd		
Audit or review of financial report	253,727	149,700
	<u>253,727</u>	<u>149,700</u>
Audit Services - Firms related to BDO Audit Pty Ltd		
Audit of statutory report of controlled entities	186,721	124,113
	<u>186,721</u>	<u>124,113</u>
Audit Services - Unrelated Firms		
Audit of statutory report of controlled entities	64,625	27,904
	<u>64,625</u>	<u>27,904</u>

Note 25. Contingent liabilities

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

Note 26. Related party transactions

The following transactions occurred with related parties:

	Consolidated	
	2024	2023
Consulting fees paid to Greatham Advisors Limited - a related entity of David Collins	47,957	-
	47,957	-

David Collins is a shareholder and director of Greatham Advisors Limited, which carries out Investor Relations services. The services provided by Greatham Advisors Limited ceased once David Collins became an employee of the Group on 18 June 2024. As at 30 June 2024 there were no amounts owing to Greatham Advisors Limited (2023: nil).

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity, Litigation Capital Management Limited.

	Consolidated	
	2024	2023
<i>Statement of profit or loss and other comprehensive income</i>	'000	'000
Profit/(loss) after income tax	50,491	943
Total comprehensive income	50,491	943
<i>Statement of financial position</i>		
Total assets	103,055	70,274
Total liabilities	(20,390)	-
Equity		
Issued capital	64,278	69,674
Share based payments reserve	3,556	2,440
Retained earnings	14,831	(1,840)
Total equity	82,665	70,274

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

Litigation Capital Management Limited (as holding entity), LCM Operations Pty Ltd, LCM Litigation Fund Pty Ltd, LCM Corporate Services Pty Ltd, LCM Recoveries Pty Ltd, LCM Funding Pty Ltd, LCM Singapore Pty Ltd, LCM Funding SG Pty Ltd and LCM Group Holdings Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. The specified subsidiaries represent a 'closed group' for the purposes of the guarantee, and as there are no other parties to the Deed that are controlled by the Group, they also represent the 'extended closed group'.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material 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 28. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership Interest	
		2024	2023
	Country of incorporation	%	%
LCM Litigation Fund Pty Ltd	Australia	100%	100%
LCM Operations Pty Ltd	Australia	100%	100%
LCM Corporate Services Pty Ltd	Australia	100%	100%
LCM Singapore Pty Ltd	Australia	100%	100%
LCM Recoveries Pty Ltd	Australia	100%	100%
LCM Advisory Limited	Australia	100%	100%
LCM Funding Pty Ltd	Australia	100%	100%
LCM Funding SG Pty Ltd	Singapore	100%	100%

LCM Funding SG Pty Ltd	Australia	100%	100%
LCM Corporate Services Pte. Ltd.	Singapore	100%	100%
LCM Operations UK Limited	United Kingdom	100%	100%
LCM Corporate Services UK Limited	United Kingdom	100%	100%
LCM Recoveries UK Limited	United Kingdom	100%	100%
LCM Funding UK Limited	United Kingdom	100%	100%
LCM Group Holdings Pty Ltd	Australia	100%	100%

LCM Global Alternative Returns Fund

LCM Global Alternative Returns Fund GP Limited	Jersey	100%	100%
LCM Global Alternative Returns Fund (Special Partner) LP	Jersey	100%	100%

LCM Global Alternative Returns Fund II

LCM Global Alternative Returns Fund II GP Limited	Jersey	100%	100%
LCM Global Alternative Returns Fund II (Special Partner) LP	Jersey	100%	100%

Note 29. Share-based payments

The share-based payment expense for the period was 1,116,000 (2023: 867,000).

Loan Funded Share Plans ('LSP')

As detailed in note 18, the Group has an equity scheme pursuant to which certain employees may access a LSP. The shares under LSP are issued at the exercise price by granting a limited recourse loan. The LSP shares are restricted until the loan is repaid. Options under this scheme can be granted without an underlying LSP share until they have been exercised and on this basis, do not form part of the Group's issued share capital. The underlying options have been accounted for as a share-based payments. The options are issued over a 1-3 year vesting period. Vesting conditions include satisfaction of customary continuous employment with the Group and may include a share price hurdle.

During the period the Group granted nil (2023: nil) shares under the LSP.

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

2024

Grant date	Expiry date	Exercise Price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
04/12/2017	04/12/2027	0.60	2,000,000				2,000,000
31/08/2018	31/08/2028	0.77	411,972				411,972
19/11/2018	25/11/2028	0.47	1,595,058				1,595,058
03/12/2018	03/12/2028	0.89	100,000				100,000
01/11/2019	01/11/2029	£0.7394	1,432,753			(388,800)	1,043,953
13/10/2020	13/10/2030	£0.6655	616,520				616,520
27/10/2021	27/10/2031	£1.06	1,512,638				1,512,638
27/10/2021	27/10/2031	£1.06	99,037				99,037 ¹
27/10/2021	27/10/2031	£1.14	122,430				122,430 ¹
			<u>7,890,408</u>	<u>-</u>	<u>-</u>	<u>(388,800)</u>	<u>7,501,608</u>

¹Options granted without an underlying LSP share until exercised ie, do not form part of the Group's issued share capital

Weighted average exercise price	1.049	0.000	0.000	1.420	1.089
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2023

Grant date	Expiry date	Exercise Price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
04/12/2017	04/12/2027	0.60	2,000,000				2,000,000
31/08/2018	31/08/2028	0.77	411,972				411,972
19/11/2018	25/11/2028	0.47	1,595,058				1,595,058
03/12/2018	03/12/2028	0.89	100,000				100,000
01/11/2019	01/11/2029	£0.7394	1,432,753				1,432,753
01/11/2019	01/11/2029	£0.7730	66,137			(66,137)	-

13/10/2020	13/10/2030	£0.6655	616,520		616,520
27/10/2021	27/10/2031	£1.06	1,512,638		1,512,638
27/10/2021	27/10/2031	£1.06	269,044	(170,007)	99,037 ¹
27/10/2021	27/10/2031	£1.14	130,807	(8,377)	122,430 ¹
			8,134,929	-	-
				(244,521)	7,890,408

Weighted average exercise price 1.059 0.000 0.000 1.386 1.049

¹Options granted without an underlying LSP share until exercised ie, do not form part of the Group's issued share capital

There were 7,201,260 options vested and exercisable as at 30 June 2024 (2023: 6,869,211).

The weighted average remaining contractual life of options under LSP outstanding at the end of the financial year was 0.892 years (2023: 1.01 years).

Deferred Bonus Share Plan ('DBSP')

The Company has in place a DBSP. Options granted under the DBSP reflect past performance and are in the form of nil cost options and will vest in three equal tranches from the date of issue and are subject to continued employment over the three year period.

In addition, the Options granted under the DBSP are subject to malus and clawback provisions. In the event of a change of control of the Company, unvested awards will vest to the extent determined by the Board, taking into account the proportion of the period of time between grant and the normal vesting date that has elapsed at the date of the relevant event.

During the period the Group granted 771,911 (2023: 1,132,692) options under the DBSP.

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

2024

Grant date	Expiry date	Exercise Price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
07/10/2022	07/10/2032	0.00	1,132,692	-	(255,257)	-	877,435
04/10/2023	04/10/2033	0.00	-	771,911			771,911
			1,132,692	771,911	(255,257)	-	1,649,346

Weighted average exercise price 0.000 0.000 0.000 0.000 0.000

2023

Grant date	Expiry date	Exercise Price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
07/10/2022	07/10/2032	1.1816	-	1,132,692	-	-	1,132,692
			-	1,132,692	-	-	1,132,692

Weighted average exercise price 0.000 0.000 0.000 0.000 0.000

There were 377,564 options vested and of these 255,257 exercised as at 30 June 2024 (2023: nil).

The weighted average remaining contractual life of options under DBSP outstanding at the end of the financial year was 0.814 years (2023: 1.265 years).

Executive Long Term Incentive Plan ('LTIP')

The Company has in place an Executive LTIP. Options over ordinary shares in the capital of the Company ("Ordinary Shares") are issued to recipients under the LTIP plan. The options set out above have been granted under the LTIP in the form of nil cost options and are subject to performance conditions which require the growth of Funds under Management ('FuM') over a five year performance period. The performance conditions associated with the options are set out below:

- (1) 50% vesting on reaching a minimum of FuM of US 750m; and
- (2) 100% vesting on reaching FuM of US 1bn.

The vesting date of options granted is the later of:

- (1) the third anniversary of the Grant Date;
- (2) the satisfaction of the Performance Condition; or
- (3) the date of any adjustment under the Plan rules of the Plan at the Boards discretion.

Any awards made to the participants are subject to a five year holding period from the grant date. In the event of a change of control of the Company, unvested awards will vest to the extent determined by the Board, taking into account the proportion of the period of time between grant and the normal vesting date that has elapsed at the date of the relevant event and the extent to which any performance condition has been satisfied at the date of the relevant event.

During the period the Group granted nil (2023: 5,671,516) options under the LTIP.

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

2024

Grant date	Expiry date	Exercise Price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
07/10/2022	07/10/2032	0.0000	5,671,516	-	-	-	5,671,516
			5,671,516	-	-	-	5,671,516

Weighted average exercise price 0.000 0.000 0.000 0.000 0.000

2023

Grant date	Expiry date	Exercise Price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
07/10/2022	07/10/2032	0.0000	-	5,671,516	-	-	5,671,516
			-	5,671,516	-	-	5,671,516

Weighted average exercise price 0.000 0.000 0.000 0.000 0.000

There were nil LTIP's vested and exercisable as at 30 June 2024 (2023: nil).

The weighted average remaining contractual life of options under DBSP outstanding at the end of the financial year was 1.263 years (2023: 2.266 years).

For the options under LSP granted during the current period, the valuation model inputs used in the Black-Scholes pricing model 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 ¹
04/10/2023	04/10/2033	£0.98	£0.00	35.00%	1.10%	3.79%	1.820

¹ AUD amount. GBP equivalent £0.952

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

Note 30. Events after the reporting period

On 17 July 2024, LCM announced the resolution of a single case investment which forms part of LCM's managed Global Alternative Returns Fund ('Fund I') and was funded directly from LCM's balance sheet (25%) and Fund I Investors (75%). As announced, the investment generated realisations for LCM of at least AUD 12.5 million, including performance fees, compared to LCM's invested capital of AUD 1.5 million, representing a MOIC of 8.3x.

Of the resolutions which concluded close to period end which were disclosed as outstanding receivables as at 30 June 2024, AUD 11.6 million was received throughout July 2024.

Consolidated entity disclosure statement

For the year ended 30 June 2024

Name	Type of entity	Trustee, partner, or participant in joint venture	% of share capital held	Country of incorporation	Australian resident or foreign resident (for tax purposes)	Foreign tax jurisdiction of foreign residents
Litigation Capital Management Limited	Body corporate	n/a	n/a	Australia	Australia	n/a
LCM Litigation Fund Pty Ltd	Body corporate	n/a	100%	Australia	Australia	n/a
LCM Operations Pty Ltd	Body corporate	n/a	100%	Australia	Australia	n/a
LCM Corporate Services Pty Ltd	Body corporate	n/a	100%	Australia	Australia	n/a
LCM Singapore Pty Ltd	Body corporate	n/a	100%	Australia	Australia	n/a
LCM Recoveries Pty Ltd	Body corporate	n/a	100%	Australia	Australia	n/a
LCM Advisory Limited	Body corporate	n/a	100%	Australia	Australia	n/a
LCM Funding Pty Ltd	Body corporate	Trustee ¹	100%	Australia	Australia	n/a
LCM Funding SG Pty Ltd	Body corporate	Trustee ¹	100%	Australia	Australia	n/a
LCM Corporate Services Pte. Ltd.	Body corporate	n/a	100%	Singapore	Australia	n/a
LCM Group Holdings Pty Ltd	Body corporate	n/a	100%	Australia	Australia	n/a
LCM Operations UK Limited	Body corporate	n/a	100%	United Kingdom	Foreign	United Kingdom
LCM Corporate Services UK Limited	Body corporate	n/a	100%	United Kingdom	Foreign	United Kingdom
LCM Recoveries UK Limited	Body corporate	n/a	100%	United Kingdom	Foreign	United Kingdom

LCM Funding UK Limited	Body corporate	Trustee ¹	100%	Kingdom	Foreign	Kingdom
LCM Global Alternative Returns Fund LP	Partnership	n/a	n/a	Jersey	Foreign	n/a ²
LCM Global Alternative Returns Feeder Fund LP	Partnership	n/a	n/a	Jersey	Foreign	n/a ²
LCM Global Alternative Returns Fund GP Limited	Body corporate	Partner	100%	Jersey	Foreign	Jersey
LCM Global Alternative Returns Fund (Special Partner) LP	Partnership	Partner	n/a	Jersey	Foreign	Jersey
LCM Global Alternative Returns Fund II LP	Partnership	n/a	n/a	Jersey	Foreign	n/a ²
LCM Global Alternative Returns Feeder Fund II LP	Partnership	n/a	n/a	Jersey	Foreign	n/a ²
LCM Global Alternative Returns Fund II Holding 1 LP	Partnership	n/a	n/a	Jersey	Foreign	n/a ²
LCM Global Alternative Returns Fund II Holding 2 LP	Partnership	n/a	n/a	Jersey	Foreign	n/a ²
LCM Global Alternative Returns Fund II GP Limited	Body corporate	Partner	100%	Jersey	Foreign	Jersey
LCM Global Alternative Returns Fund II (Special Partner) LP	Partnership	Partner	n/a	Jersey	Foreign	Jersey

¹ A trustee relationship is established through a Nominee Agreement, where the entity (the nominee) and the relevant Fund agree that the nominee will hold the Fund's investment on its behalf.

² Limited Partners in the Funds are tax transparent and, as a result, are not considered tax residents of any particular jurisdiction

DIRECTORS DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standards and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the period ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the consolidated entity disclosure statement is true and correct.

Signed in accordance with a resolution of directors.

On behalf of the directors

Director

Dated this 17 day of September 2024

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