

## 1. Company details

Name of entity:	LawFinance Limited
ABN:	72 088 749 008
Reporting period:	For the year ended 31 December 2020
Previous period:	For the year ended 31 December 2019

## 2. Results for announcement to the market

				US\$'000
Revenues from ordinary activities	down	> 100%	to	(7,528)
Total comprehensive loss for the Group	up	> 100%	to	(79,497)
Loss from ordinary activities after tax attributable to the owners of LawFinance Limited	up	> 100%	to	(78,155)
Loss for the year attributable to the owners of LawFinance Limited	up	> 100%	to	(78,155)

### Dividends

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

### Comments

The total comprehensive loss for the Group amounted to US\$79,497,000 (31 December 2019: loss of US\$22,476,000).

The loss was impacted by full write-downs of assets, including Goodwill of \$40,906,000, Deferred Tax Assets of \$12,579,000, and impairment provisions of assets relating to the Litigation Funding business which is being sold.

## 3. Net tangible assets

	31 Dec 2020 Cents	31 Dec 2019 (restated) Cents
Net tangible assets per ordinary security	(4.10)	(9.07)

The net tangible assets excludes right-of-use assets and the corresponding lease liabilities.

## 4. Control gained over entities

Not applicable.

## 5. Loss of control over entities

Not applicable.

## 6. Dividends

### Current period

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

### Previous period

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

## 7. Dividend reinvestment plans

Not applicable.

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## 8. Details of associates and joint venture entities

The Group has a joint operation with Longford Capital Management LP ('Longford Capital') where the Group co-invests with Longford Capital in litigation funding. The joint operation is funding one case in the United States on a 50:50 basis. The Group is entitled to its proportionate share of the income received from Litigation Contracts in progress and bears a proportionate share of the joint operations' costs of investment in cases. The total investment by the Group in the joint operation at 31 December 2020 was US\$1,269,000 (2019: US\$1,157,000). Longford Capital and the Group are also currently co-funding one case in Australia on a 50:50 basis, with five previous cases now completed. The total investment by the Group in all co-funded cases in Australia as at 31 December 2020 was US\$2,564,000 (2019: US\$2,104,000). The joint operation and co-funded case form part of the Litigation Funding Business that is to be disposed of, as announced to the market on 29 January 2021.

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## 9. Foreign entities

*Details of origin of accounting standards used in compiling the report:*

All foreign entities are presented in compliance with International Financial Reporting Standards (IFRS).

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## 10. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The financial statements are in the process of being audited. As at the date of this report there have not been any disputes that will be subject to audit qualification.

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## 11. Attachments

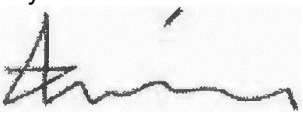
*Details of attachments (if any):*

The Preliminary final report - for the year ended of LawFinance Limited for the year ended 31 December 2020 is attached.

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## 12. Signed

Authorised by the Board of Directors.

Signed 

Date: 26 February 2021

Tim Storey  
Chairman  
Sydney

**LawFinance Limited**

**ABN 72 088 749 008**

**Preliminary final report - for the year ended - 31 December 2020**

**LawFinance Limited**  
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**31 December 2020**

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**LawFinance Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
		<b>US\$'000</b>	<b>US\$'000</b>
<b>Revenue</b>			
Net loss from disbursement funding/medical lien funding	4	(9,444)	(925)
Other revenue	5	1,916	261
Total revenue		<u>(7,528)</u>	<u>(664)</u>
Non-supplier related cost of sales		<u>(51)</u>	<u>206</u>
Gross loss		<u>(7,579)</u>	<u>(458)</u>
Other income	6	2	3
Foreign exchange gain		7	5
<b>Expenses</b>			
Impairment gain on financial liabilities	7	19,602	-
Employee benefits expense	7	(4,951)	(5,760)
Depreciation and amortisation expense	7	(666)	(591)
Impairment of assets	7	(42,866)	-
Administration and other expenses	7	(3,872)	(3,109)
Finance costs	7	<u>(16,831)</u>	<u>(18,414)</u>
<b>(Loss) before income tax (expense)/benefit from continuing operations</b>		<b>(57,154)</b>	<b>(28,324)</b>
Income tax (expense)/benefit		<u>(13,223)</u>	<u>5,245</u>
(Loss) after income tax (expense)/benefit from continuing operations		<b>(70,377)</b>	<b>(23,079)</b>
(Loss) after income tax expense from discontinued operations	8	<u>(7,440)</u>	<u>(177)</u>
<b>(Loss) after income tax (expense)/benefit for the year</b>		<b>(77,817)</b>	<b>(23,256)</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(1,680)</u>	<u>780</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(1,680)</u>	<u>780</u>
<b>Total comprehensive loss for the year</b>		<b><u>(79,497)</u></b>	<b><u>(22,476)</u></b>
(Loss) for the year is attributable to:			
Non-controlling interest		338	(494)
Owners of LawFinance Limited		<u>(78,155)</u>	<u>(22,762)</u>
		<u>(77,817)</u>	<u>(23,256)</u>
Total comprehensive loss for the year is attributable to:			
Continuing operations		338	(494)
Discontinued operations		-	-
Non-controlling interest		<u>338</u>	<u>(494)</u>
Continuing operations		(72,395)	(21,805)
Discontinued operations		(7,440)	(177)
Owners of LawFinance Limited		<u>(79,835)</u>	<u>(21,982)</u>
		<u>(79,497)</u>	<u>(22,476)</u>

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

**LawFinance Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2020**

		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for loss from continuing operations attributable to the owners of LawFinance Limited</b>			
Basic loss per share	9	(7.78)	(4.77)
Diluted loss per share	9	(7.78)	(4.77)
<b>Earnings per share for loss from discontinued operations attributable to the owners of LawFinance Limited</b>			
Basic loss per share	9	(0.82)	(0.04)
Diluted loss per share	9	(0.82)	(0.04)
<b>Earnings per share for loss attributable to the owners of LawFinance Limited</b>			
Basic loss per share	9	(8.64)	(4.70)
Diluted loss per share	9	(8.64)	(4.70)

Refer to note 2 for detailed information on the restatement of comparatives.

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

**LawFinance Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
		<b>US\$'000</b>	<b>US\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	4,900	5,777
Financial assets at fair value through profit or loss - Australia	11	7,194	12,260
Financial assets at amortised cost - USA	12	15,239	17,236
Other loans and receivables	13	677	1,654
Prepayments		118	165
		28,128	37,092
Assets held for sale	8	10,248	-
Total current assets		38,376	37,092
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss - Australia	11	8,929	9,923
Financial assets at amortised cost - USA	12	38,014	55,895
Other loans and receivables	13	5	5
Investment held in joint operations	14	-	1,157
Property, plant and equipment	15	91	168
Right-of-use assets	16	1,074	1,443
Goodwill	17	-	40,504
Other intangibles	18	10	8,040
Deferred tax		-	12,579
Total non-current assets		48,123	129,714
<b>Total assets</b>		<b>86,499</b>	<b>166,806</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	7,690	9,322
Borrowings	20	95,070	117,375
Lease liabilities		461	369
Employee benefits		287	213
		103,508	127,279
Liabilities directly associated with assets classified as held for sale	8	10,248	-
Total current liabilities		113,756	127,279
<b>Non-current liabilities</b>			
Borrowings	20	18,860	40,073
Lease liabilities		784	1,162
Provision for withholding tax		1,240	804
Total non-current liabilities		20,884	42,039
<b>Total liabilities</b>		<b>134,640</b>	<b>169,318</b>
<b>Net liabilities</b>		<b>(48,141)</b>	<b>(2,512)</b>

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

**LawFinance Limited**  
**Consolidated statement of financial position**  
**As at 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
		<b>US\$'000</b>	<b>US\$'000</b>
<b>Equity</b>			
Issued capital	21	61,310	40,924
Capitalising converting notes	22	13,933	-
Reserves	23	5,220	6,778
Accumulated losses		(127,241)	(49,086)
(Deficiency) attributable to the owners of LawFinance Limited		(46,778)	(1,384)
Non-controlling interest		(1,363)	(1,128)
<b>Total (deficiency)</b>		<b>(48,141)</b>	<b>(2,512)</b>

Refer to note 2 for detailed information on the restatement of comparatives.

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



**LawFinance Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2020**

<b>Consolidated</b>	<b>Issued capital US\$'000</b>	<b>Capitalising converting notes US\$'000</b>	<b>Reserves US\$'000</b>	<b>Accumulated losses US\$'000</b>	<b>Non- controlling interest US\$'000</b>	<b>Total (deficiency) US\$'000</b>
Balance at 1 January 2019	37,649	-	5,998	(26,310)	516	17,853
Adjustment for change in accounting policy (AASB 16 Leases)	-	-	-	(14)	-	(14)
Balance at 1 January 2019 - restated	37,649	-	5,998	(26,324)	516	17,839
(Loss) after income tax benefit for the year	-	-	-	(22,762)	(494)	(23,256)
Other comprehensive income for the year, net of tax	-	-	780	-	-	780
Total comprehensive (loss)/income for the year	-	-	780	(22,762)	(494)	(22,476)
<i>Transactions with owners in their capacity as owners:</i>						
Distributions to non-controlling interest	-	-	-	-	(1,150)	(1,150)
Issue of shares - placement (note 21)	3,499	-	-	-	-	3,499
Share issue costs	(224)	-	-	-	-	(224)
Balance at 31 December 2019	<u>40,924</u>	<u>-</u>	<u>6,778</u>	<u>(49,086)</u>	<u>(1,128)</u>	<u>(2,512)</u>

Refer to note 2 for detailed information on the restatement of comparatives.

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

**LawFinance Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 31 December 2020**

<b>Consolidated</b>	<b>Issued capital US\$'000</b>	<b>Capitalising converting notes US\$'000</b>	<b>Reserves US\$'000</b>	<b>Accumulated losses US\$'000</b>	<b>Non- controlling interest US\$'000</b>	<b>Total (deficiency) US\$'000</b>
Balance at 1 January 2020	40,924	-	6,778	(49,086)	(1,128)	(2,512)
(Loss)/profit after income tax expense for the year	-	-	-	(78,155)	338	(77,817)
Other comprehensive loss for the year, net of tax	-	-	(1,680)	-	-	(1,680)
Total comprehensive (loss)/income for the year	-	-	(1,680)	(78,155)	338	(79,497)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 21)	20,386	-	-	-	-	20,386
Distribution to non-controlling interest	-	-	-	-	(573)	(573)
Share-based payments	-	-	122	-	-	122
Capitalising converting notes (note 22)	-	13,933	-	-	-	13,933
Balance at 31 December 2020	<u>61,310</u>	<u>13,933</u>	<u>5,220</u>	<u>(127,241)</u>	<u>(1,363)</u>	<u>(48,141)</u>

Refer to note 2 for detailed information on the restatement of comparatives.

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

**LawFinance Limited**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
		<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash flows from operating activities</b>			
Cash collections from customers (inclusive of GST)		28,179	33,060
Payments to suppliers and employees		(8,398)	(11,772)
Payments for disbursement reports and medical liens		(11,506)	(30,015)
Drawdowns from working capital facilities - disbursement funding division		3,526	9,903
Drawdowns from working capital facilities - medical lien funding division		6,083	17,625
Repayment of working capital facilities - disbursement funding division		(9,379)	(8,326)
Repayment of working capital facilities - medical lien funding division		(12,950)	(15,925)
Interest and fees related to working capital facilities		(7,006)	(8,476)
Interest received		2	7
Interest paid		(18)	(70)
Net cash (outflow) from operating activities		(11,467)	(13,989)
<b>Cash flows from investing activities</b>			
Payments for purchase of non-controlling interest		-	(5)
Payments for property, plant and equipment		(16)	(156)
Payments for litigation case funding (net of co-funders contributions)		(222)	(799)
Net proceeds from realisation of investments (case settlements)		1,855	632
Net cash inflow/(outflow) from investing activities		1,617	(328)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	21	9,058	3,499
Share issue transaction costs		(409)	-
Proceeds from borrowings - corporate		28,689	18,468
Repayment of borrowings - corporate		(25,391)	(1,186)
Repayment of lease liabilities		(245)	(159)
Interest and fees related to loans and borrowings		(1,320)	(4,116)
Net cash inflow from financing activities		10,382	16,506
Net increase in cash and cash equivalents		532	2,189
Cash and cash equivalents at the beginning of the financial year		5,777	3,696
Effects of exchange rate changes on cash and cash equivalents		(958)	(108)
Cash and cash equivalents at the end of the financial year	10	<u>5,351</u>	<u>5,777</u>

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

## Note 1. General information

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

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

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

Suite 2, Level 16  
56 Pitt Street  
Sydney NSW 2000

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 February 2021.

### *Going concern*

As at 31 December 2020 the Group had net current liabilities of US\$75,380,000 (31 December 2019: net current liabilities of US\$90,187,000). The directors' have evaluated the Group's principal operations and expected events and conditions and concluded that the Group will be able to continue as a going concern. The Group does not hold significant cash reserves. However, the directors' assessment of the significant judgments made by management, including expected cash collections from the medical lien funding business and expected cash collections from the disbursement funding business as part of the Group's financial planning processes, has formed part of this assessment.

The Group is currently in default on payment obligations under its corporate debt facilities. The Group is currently in active discussions with Lenders to consensually restructure this debt. The Group's ability to remain a going concern will be dependent on the successful completion of these restructuring processes over coming months.

No adjustment has been made to the carrying value of the assets or liabilities of the Group to reflect the situation if the Group was not a going concern.

**Note 2. Restatement of comparatives**

*Prior period restatement*

*Statement of profit or loss and other comprehensive income*

<b>Extract</b>	<b>31 Dec 2019 US\$'000 Reported</b>	<b>Consolidated US\$'000 Adjustment (ii) &amp; (iii)</b>	<b>31 Dec 2019 US\$'000 Restated</b>
<b>Revenue</b>			
Other revenue	661	(400)	261
Other income	582	(579)	3
<b>Expenses</b>			
Impairment gain on financial liabilities	20,828	(20,828)	-
Impairment of assets	(458)	458	-
Administration and other expenses	(3,210)	101	(3,109)
Finance costs	(17,249)	(1,165)	(18,414)
<b>(Loss) before income tax benefit from continuing operations</b>	(5,911)	(22,413)	(28,324)
Income tax benefit	2,811	2,434	5,245
(Loss) after income tax benefit from continuing operations	(3,100)	(19,979)	(23,079)
(Loss) after income tax expense from discontinued operations	-	(177)	(177)
<b>(Loss) after income tax (expense)/benefit for the year</b>	(3,100)	(20,156)	(23,256)
<b>Other comprehensive income</b>			
Foreign currency translation	875	(95)	780
Other comprehensive income for the year, net of tax	875	(95)	780
<b>Total comprehensive loss for the year</b>	<u>(2,225)</u>	<u>(20,251)</u>	<u>(22,476)</u>
(Loss) for the year is attributable to:			
Non-controlling interest	(494)	-	(494)
Owners of LawFinance Limited	(2,606)	(20,156)	(22,762)
	<u>(3,100)</u>	<u>(20,156)</u>	<u>(23,256)</u>
Total comprehensive loss for the year is attributable to:			
Continuing operations	(494)	-	(494)
Discontinued operations	-	-	-
Non-controlling interest	(494)	-	(494)
Continuing operations	(1,731)	(20,074)	(21,805)
Discontinued operations	-	(177)	(177)
Owners of LawFinance Limited	<u>(1,731)</u>	<u>(20,251)</u>	<u>(21,982)</u>
	<u>(2,225)</u>	<u>(20,251)</u>	<u>(22,476)</u>

Note 2. Restatement of comparatives (continued)

	Cents Reported	Cents Adjustment	Cents Restated
<b>Earnings per share for loss from continuing operations attributable to the owners of LawFinance Limited</b>			
Basic loss per share	-	(4.77)	(4.77)
Diluted loss per share	-	(4.77)	(4.77)
<b>Earnings per share for loss from discontinued operations attributable to the owners of LawFinance Limited</b>			
Basic loss per share	-	(0.04)	(0.04)
Diluted loss per share	-	(0.04)	(0.04)
<b>Earnings per share for loss attributable to the owners of LawFinance Limited</b>			
Basic loss per share	(0.54)	(4.16)	(4.70)
Diluted loss per share	(0.54)	(4.16)	(4.70)

(i) The reclassification of the Atalaya Capital Management borrowings from non-current to current for the year ended 31 December 2019. The Company had received a conditional waiver subject to one final condition outstanding that was fulfilled shortly after year end and as such considered a current liability for the year ended 31 December 2019. There is no impact to the comparative statement of profit or loss for the year ended 31 December 2019.

(ii) The write down of the Vendor loan - NHF Founders and NHF Founder Promissory Notes totalling US\$22,612,000 were subject to shareholder approval, which was obtained at the Extraordinary General Meeting held on 10 March 2020. At the time of the signing of the 31 December 2019 financial statements on 31 March 2020, the Board were satisfied that all the conditions concerning the write down were met and therefore that the write downs should be included in 31 December 2019 results as an adjusting event.

The directors have subsequently sought third party advice on this classification and the procedures undertaken to form this view. In particular, the Board considered whether the liabilities could be assessed as being extinguished as at 31 December 2019 and whether the subsequent shareholder vote was confirmation of circumstances that existed at balance date or a new circumstance occurring in the 2020 financial year.

As a result of this advice, the Board concluded that, as shareholder approval was obtained after 31 December 2019, the write down of these liabilities was incorrectly recorded at 31 December 2019. Accordingly, the restatement has de-recognised the write down in the statement of financial position for the year ended 31 December 2019. These loans have now been fully impaired (or written-off) in the year ended 31 December 2020. The reported impairment gain on financial liabilities of 20,828,000 was reversed at 31 December 2019 and subsequently disclosed in the current year. There was also an interest expense adjustment in relation to these Vendor loans and Founder Promissory Notes of 1,167,000, where the interest that had been written back at 31 December 2019 was reversed, and subsequently written back in the current year. For impact on loss refer to table above.

(iii) Discontinued operations - On 29 January 2021, as announced to the market, the Company entered into a definitive conditional agreement to sell JustKapital Litigation Pty Ltd (and its subsidiaries) for A\$1, plus conditional proceeds equal to:

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

For the purposes of our financial reporting, we have assumed the value of the conditional component of the sales proceeds to have \$nil value. We are in the process of satisfying conditions precedent under the sale agreement including holding an Extraordinary General Meeting for shareholders to approve the transaction. Grant Thornton have prepared an Independent Experts Report which has concluded the transaction to be fair and reasonable.

Given that the Company has previously indicated that the Litigation Funding business was in run-off (since late 2017), it has been deemed appropriate for the prior year profit and loss amounts to be restated as discontinued operations.

**Note 2. Restatement of comparatives (continued)**

The impact on each line item of the statement of financial position as at 31 December 2019 is as follows:

	31 Dec 2019 US\$'000 Reported	US\$'000 Adjustment (i)	US\$'000 Adjustment (ii)	31 Dec 2019 US\$'000 Restated
<b>Consolidated</b>				
<b>Assets</b>				
Non-current assets:				
Deferred tax	10,340	-	2,239	12,579
Total non-current assets	127,475	-	2,239	129,714
Total assets	164,567	-	2,239	166,806
<b>Liabilities</b>				
Current liabilities:				
Borrowings	66,894	41,603	8,878	117,375
Total current liabilities	76,798	41,603	8,878	127,279
Non-current liabilities:				
Borrowings	68,064	(41,603)	13,612	40,073
Total non-current liabilities	70,030	(41,603)	13,612	42,039
Total liabilities	146,828	-	22,490	169,318
	31 Dec 2019 US\$'000 Reported	US\$'000 Adjustment (i)	US\$'000 Adjustment (ii)	31 Dec 2019 US\$'000 Restated
<b>Consolidated</b>				
<b>Net assets/(liabilities) and equity</b>				
Net assets/(liabilities)	17,739	-	(20,251)	(2,512)
Equity:				
Reserves	6,873	-	(95)	6,778
Accumulated losses	(28,930)	-	(20,156)	(49,086)
Total equity/(deficit)	17,739	-	(20,251)	(2,512)

**Note 3. Operating segments**

*Identification of reportable operating segments*

The Group is organised into three operating segments: (i) JustKapital Finance, comprising the Australian disbursement funding business and short-term funding, (ii) National Health Finance, comprising the US medical lien funding business and (iii) all other operations including litigation funding (discontinued operations) and head office costs.

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

**Note 3. Operating segments (continued)**

*Operating segment information*

	JustKapital Finance US\$'000	National Health Finance US\$'000	Other US\$'000	Total US\$'000
<b>Consolidated - 31 Dec 2020</b>				
<b>Revenue</b>				
Net (loss)/income from disbursement funding/medical lien funding	(133)	(9,311)	-	(9,444)
Other revenue	22	118	1,918	2,058
	(111)	(9,193)	1,918	(7,386)
Other income	-	-	2	2
<b>Total revenue</b>	(111)	(9,193)	1,920	(7,384)
<b>Segment result</b>	(5,593)	(50,507)	12,334	(43,766)
Depreciation and amortisation	(196)	(467)	(921)	(1,584)
Finance costs	(1,840)	(8,463)	(8,883)	(19,186)
<b>(Loss)/profit before income tax expense</b>	(7,629)	(59,437)	2,530	(64,536)
Income tax expense				(13,281)
<b>(Loss) after income tax expense</b>				(77,817)
<b>Assets</b>				
Segment assets	16,516	56,473	13,510	86,499
<b>Total assets</b>				86,499
<b>Liabilities</b>				
Segment liabilities	17,849	57,476	59,315	134,640
<b>Total liabilities</b>				134,640
<b>Consolidated - 31 Dec 2019</b>				
<b>Revenue</b>				
Net income/(loss) from disbursement funding/medical lien funding	3,252	(4,177)	-	(925)
Other revenue	30	181	50	261
	3,282	(3,996)	50	(664)
Other income	-	-	587	587
<b>Total revenue</b>	3,282	(3,996)	637	(77)
<b>Segment result</b>	2,127	(9,404)	(2,022)	(9,299)
Depreciation and amortisation	(129)	(456)	(6)	(591)
Finance costs	(2,135)	(8,867)	(7,413)	(18,415)
<b>(Loss) before income tax benefit</b>	(137)	(18,727)	(9,441)	(28,305)
Income tax benefit				5,049
<b>(Loss) after income tax benefit</b>				(23,256)
<b>Assets</b>				
Segment assets	27,039	121,661	18,106	166,806
<b>Total assets</b>				166,806
<b>Liabilities</b>				
Segment liabilities	22,546	81,767	65,005	169,318
<b>Total liabilities</b>				169,318



### Note 3. Operating segments (continued)

Segment information for the comparative period has been restated. Refer to note 2.

#### Segment assets

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

#### Segment liabilities

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

#### Geographical information

	Revenue from external customers		Geographical non-current assets	
	31 Dec 2020 US\$'000	31 Dec 2019 US\$'000	31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
Australia	1,807	3,332	232	12,077
United States	(9,193)	(3,996)	943	39,235
	<u>(7,386)</u>	<u>(664)</u>	<u>1,175</u>	<u>51,312</u>

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

### Note 4. Net loss from disbursement funding/medical lien funding

	Consolidated 31 Dec 2020 US\$'000	Consolidated 31 Dec 2019 US\$'000
<i>Disbursement funding - Australia:</i>		
Fair value (loss)/gain on financial assets at fair value through profit or loss	(133)	3,252
	<u>(133)</u>	<u>3,252</u>
<i>Medical lien funding - USA:</i>		
Interest income at amortised cost	8,550	2,687
Net impairment losses on financial assets at amortised cost	(18,275)	(8,402)
Net settlement gains on financial assets at amortised cost	414	1,538
	<u>(9,311)</u>	<u>(4,177)</u>
	<u>(9,444)</u>	<u>(925)</u>

Due to the portfolio calculation approach used for the medical lien funding receivables acquired as part of the business combination with LawFinance Limited, it was not possible to accurately separate impairment gains/losses arising on settlement of those receivables as at 31 December 2019. This portfolio calculation was enhanced to report the appropriate disclosure as at 31 December 2020.

**Note 5. Other revenue**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Interest received – short-term lending	22	30
Brokerage commission received – insurance	-	14
Rebates received - medical lien funding	-	11
Rental income	64	144
Government grants	263	-
Administration fees	-	2
Non-case related settlements - NHF	44	60
Interest adjustment - vendor loan	1,523	-
	<u>1,916</u>	<u>261</u>
Other revenue	<u>1,916</u>	<u>261</u>

*Government grants*

During the year the Group received payments from the Australian Government amounting to \$253,000 as part of its 'Boosting Cash Flow for Employers' scheme in response to the COVID-19 pandemic and \$10,000 from the City of Chandler, Phoenix, Arizona USA in response to the COVID-19 pandemic. These non-tax amounts have been recognised as government grants and recognised as other revenue once there is reasonable assurance that the Group will comply with any conditions attached. The Group received one final payment from the Australian Government in January 2021 which will be included as other revenue next year. No further payments were received in the USA.

*Interest adjustment – vendor loan*

As a result of the write-off of the vendor loan the Group reversed the interest that had previously been capitalised to this vendor loan during the period.

**Note 6. Other income**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Interest income	<u>2</u>	<u>3</u>

Note 7. Expenses

	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
(Loss) before income tax from continuing operations includes the following specific expenses:		
<i>Impairment gain on financial liabilities*</i>		
Adjustment – vendor loan	(10,602)	-
Adjustment – promissory notes payable	(9,000)	-
	(19,602)	-
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	154	72
Employee benefits expense excluding superannuation	4,797	5,688
	4,951	5,760
<i>Depreciation and amortisation expense</i>		
Depreciation - property, plant and equipment	77	117
Depreciation - right-of-use assets	394	232
Amortisation - other intangibles	195	242
	666	591
<i>Impairment of assets</i>		
Goodwill	40,906	-
Customer relationships	1,481	-
Impairment of short-term loans	479	-
	42,866	-
<i>Administration and other expenses</i>		
ASIC, ASX and share registry fees	41	90
Insurance	191	107
Legal and professional fees**	3,091	1,781
Rent and office costs	23	298
Travel and accommodation	99	204
Short-term lease payments	15	55
Low-value assets lease payments	57	44
Other	355	530
	3,872	3,109
<i>Finance costs</i>		
Interest expense and line fees	16,740	18,348
Interest - right-of-use assets	91	66
	16,831	18,414

\* As a result of the write-off of the vendor loan the Group reversed the interest that had previously been capitalised to this vendor loan during the period.

\*\* This amount includes one-off legal and professional fees of \$1,454,000 (2019: \$nil) associated with the Efficient Frontier Investing refinance and in addressing defaults under the Syndicated acquisition facility and the ongoing process to restructure it.

## Note 8. Discontinued operations

### Description

On 29 January 2021, as announced to the market, the Company entered into a definitive conditional agreement to sell JustKapital Litigation Pty Ltd (and its subsidiaries) for A\$1, plus conditional proceeds equal to:

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

For the purposes of our financial reporting, we have assumed the value of the conditional component of the sales proceeds to have nil value. We are in the process of satisfying conditions precedent under the sale agreement including holding an Extraordinary General Meeting for shareholders to approve the transaction. Grant Thornton have prepared an Independent Experts Report which has concluded the transaction to be fair and reasonable.

Given that the Company has previously indicated that the Litigation Funding business was in run-off (since late 2017), it has been deemed appropriate to reclassify this business as discontinued operations.

We have made provisions to the carrying value of litigation funding assets to reflect the terms of the sale agreement with Legal Equity partners Pty Limited.

### Financial performance information

	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
Litigation contracts in progress – settlements and judgments	1,892	636
Litigation contracts in progress – expenses	(1,750)	(57)
Total revenue	<u>142</u>	<u>579</u>
Depreciation and amortisation	(918)	-
Impairment of assets (note 18)	(4,174)	(458)
Administration and other expenses	(77)	(101)
Finance costs*	(2,355)	(1)
Total expenses	<u>(7,524)</u>	<u>(560)</u>
(Loss)/profit before income tax expense	(7,382)	19
Income tax expense	(58)	(196)
(Loss) after income tax expense from discontinued operations	<u>(7,440)</u>	<u>(177)</u>

\* A Minimum Return of \$2,304,000 (A\$3,000,000) under the Loan Facility with Principis Master Fund SPC, which is due for payment by 17 July 2021, has been expensed in the current year.

### Cash flow information

	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
Net cash (outflow) from operating activities	(77)	(101)
Net cash inflow/(outflow) from investing activities	1,633	(167)
Net cash (outflow) from financing activities	(54)	(1)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	<u>1,502</u>	<u>(269)</u>

**Note 8. Discontinued operations (continued)**

*Carrying amounts of assets and liabilities classified as held for sale*

	<b>Consolidated 31 Dec 2020 US\$'000</b>
Cash and cash equivalents (note 10)	451
Prepayments	38
Litigation contracts in progress - capitalised external costs* (note 18)	8,070
Investment held in joint operation	1,689
Total assets	<u>10,248</u>
Trade and other payables	2,316
Accruals	215
Borrowings	7,717
Total liabilities	<u>10,248</u>
Net assets	<u><u>-</u></u>

\* Net of provision for case impairment of \$4,174,000

**Note 9. Earnings per share**

	<b>Consolidated 31 Dec 2020 US\$'000</b>	<b>31 Dec 2019 US\$'000</b>
<i>Earnings per share for loss from continuing operations</i>		
(Loss) after income tax attributable to the owners of LawFinance Limited	<u>(70,377)</u>	<u>(23,079)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	904,189,005	483,849,508
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>904,189,005</u>	<u>483,849,508</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(7.78)	(4.77)
Diluted loss per share	(7.78)	(4.77)
	<b>Consolidated 31 Dec 2020 US\$'000</b>	<b>31 Dec 2019 US\$'000</b>
<i>Earnings per share for loss from discontinued operations</i>		
(Loss) after income tax attributable to the owners of LawFinance Limited	<u>(7,440)</u>	<u>(177)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	904,189,005	483,849,508
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>904,189,005</u>	<u>483,849,508</u>

**Note 9. Earnings per share (continued)**

	Cents	Cents
Basic loss per share	(0.82)	(0.04)
Diluted loss per share	(0.82)	(0.04)
	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Earnings per share for loss</i>		
(Loss) after income tax	(77,817)	(23,256)
Non-controlling interest	(338)	494
(Loss) after income tax attributable to the owners of LawFinance Limited	<u>(78,155)</u>	<u>(22,762)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	904,189,005	483,849,508
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>904,189,005</u>	<u>483,849,508</u>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	(8.64)	(4.70)
Diluted loss per share	(8.64)	(4.70)

The Company excluded 71,500,000 options on issue (2019: nil), 14,000 convertible bonds (2019: 50,000), 452,743,636 warrants (2019: 452,743,636) and 223,414,026 shares attached to the Capitalising converting notes (note 22) (2019: nil) from the diluted earnings calculations as they are anti-dilutive for the financial period.

**Note 10. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Current assets</i>		
Cash at bank*	<u>4,900</u>	<u>5,777</u>
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	4,900	5,777
Cash and cash equivalents - classified as held for sale	<u>451</u>	<u>-</u>
Balance as per statement of cash flows	<u>5,351</u>	<u>5,777</u>

\* Of the total cash at bank, \$1,585,000 (2019: \$2,287,000) was considered unavailable for operations as it was held pending distribution to asset-backed lenders.

Short-term cash deposits are used as bank guarantee security. Refer to note 26.

**Note 11. Financial assets at fair value through profit or loss - Australia**

	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
<i>Current assets</i>		
Loan receivables - disbursement funding - Australia (gross)	13,597	16,877
Fair value movement	(2,827)	(3,198)
Unrecognised day 1 margin	(532)	(719)
Allowance for expected credit losses	(3,044)	(700)
	<u>7,194</u>	<u>12,260</u>
<i>Non-current assets</i>		
Loan receivables - disbursement funding - Australia (gross)	12,980	14,733
Fair value movement	(2,700)	(2,791)
Unrecognised day 1 margin	(1,351)	(2,019)
	<u>8,929</u>	<u>9,923</u>
	<u><u>16,123</u></u>	<u><u>22,183</u></u>

Loan receivables are dependent upon a decision in the related matter by the Court or the insurance company if a case is settled. The loan receivables (gross) disclosed above include US\$5,104,000 (2019: US\$ nil) which are past due but not impaired. The Company believes the amounts are fully recoverable.

**Note 12. Financial assets at amortised cost - USA**

	Consolidated 31 Dec 2020 US\$'000	Consolidated 31 Dec 2019 Restated US\$'000
<i>Current assets</i>		
Loan receivables - medical lien funding - USA (gross)	48,161	46,043
Allowance for expected credit losses	(32,922)	(28,807)
	<u>15,239</u>	<u>17,236</u>
<i>Non-current assets</i>		
Loan receivables - medical lien funding - USA (gross)	120,132	149,310
Allowance for expected credit losses	(82,118)	(93,415)
	<u>38,014</u>	<u>55,895</u>
	<u><u>53,253</u></u>	<u><u>73,131</u></u>

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

**Note 13. Other loans and receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Current assets</i>		
Other trade receivables	48	70
Short-term loans	128	283
	<u>176</u>	<u>353</u>
Other receivables	501	1,301
	<u>677</u>	<u>1,654</u>
<i>Non-current assets</i>		
Other receivables	5	5
	<u>682</u>	<u>1,659</u>

Other receivables (current) as at 31 December 2020 are the Mesh receivables. The associated Mesh liabilities of \$717,000 are included in note 19 'Trade and other payables'.

Other receivables at 31 December 2019 include amounts due to the Group from its joint venture partner for its share of investments made in co-funded cases. No such amounts are owing to the Group at 31 December 2020, and the cases are now included in assets held for sale (note 8).

**Note 14. Investment held in joint operations**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Non-current assets</i>		
Investment held in joint operation	-	1,157

The Group has a material joint operation with Longford Capital Management LP ('Longford Capital') where the Group coinvests with Longford Capital in one case in the United States on a 50:50 basis. The Group is entitled to its proportionate share of the litigation contracts in progress income received and bears a proportionate share of the joint operation's investment in the case. This joint venture now forms part of the discontinued operations as shown in note 8.

**Note 15. Property, plant and equipment**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Non-current assets</i>		
Plant and equipment - at cost	459	433
Less: Accumulated depreciation	(368)	(265)
	<u>91</u>	<u>168</u>



**Note 15. Property, plant and equipment (continued)**

*Reconciliations*

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

<b>Consolidated</b>	<b>Plant and equipment US\$'000</b>
Balance at 1 January 2019	198
Additions	90
Exchange differences	(3)
Depreciation expense	(117)
Balance at 31 December 2019	168
Additions	13
Exchange differences	(13)
Depreciation expense	(77)
Balance at 31 December 2020	91

**Note 16. Right-of-use assets**

	<b>Consolidated 31 Dec 2020 US\$'000</b>	<b>31 Dec 2019 US\$'000</b>
<i>Non-current assets</i>		
Land and buildings - right-of-use	1,780	1,755
Less: Accumulated depreciation	(706)	(312)
	<u>1,074</u>	<u>1,443</u>

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

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

**Note 17. Goodwill**

	<b>Consolidated 31 Dec 2020 US\$'000</b>	<b>31 Dec 2019 US\$'000</b>
<i>Non-current assets</i>		
Goodwill - Australian disbursement funding business	-	4,159
Goodwill - US medical lien funding business	-	36,345
	<u>-</u>	<u>40,504</u>

**Note 17. Goodwill (continued)**

Movements in Goodwill during the current financial year are set out below:

	Australian disburse- ment funding business US\$'000	US medical lien funding business US\$'000	Total US\$'000
Balance at 1 January 2020	4,159	36,345	40,504
Foreign currency translation	402	-	402
Impairment	(4,561)	(36,345)	(40,906)
Balance as at 31 December 2020	-	-	-

**Goodwill - Australian disbursement funding business**

As at 31 December 2020, the AssetSecure Pty Ltd loan was in default and overdrawn. JustKapital Financing Pty Ltd ('JKF') had no ability to originate new business at that point in time and significant uncertainty existed relating to continued operations. As mentioned in note 27, AssetSecure agreed in February 2021 to vary facility terms which will allow for originations/funding to recommence albeit on a restricted basis. Given the constrained funding facilities and uncertain impacts of the COVID-19 pandemic on future cashflows, a decision was taken to fully impair the Goodwill associated with the acquisition of the JKF Business of \$4,561,000.

**Goodwill – US medical lien funding business**

Due to the terms of the refinancing of the underperforming back book announced to the market on 7 December 2020 (the back book of claims was the main asset of the NHF business acquired in 2018), constrained funding facilities and uncertain impacts of the COVID-19 pandemic on future cashflows, a decision was taken to fully impair the Goodwill associated with the acquisition of the NHF Business of \$36,345,000.

**Note 18. Other intangibles**

	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
<i>Non-current assets</i>		
Website - at cost	25	17
Less: Accumulated amortisation	(15)	(13)
	10	4
Customer relationships – US medical lien funding business	1,913	1,913
Less: Accumulated amortisation and impairment	(1,913)	(239)
	-	1,674
Litigation contracts in progress - capitalised external costs	-	5,594
Litigation contracts in progress - capitalised internal costs	-	768
	-	6,362
	10	8,040

**Note 18. Other intangibles (continued)**

*Reconciliations*

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

<b>Consolidated</b>	<b>Website US\$'000</b>	<b>Customer relationships US\$'000</b>	<b>Litigation contracts in progress US\$'000</b>	<b>Total US\$'000</b>
Balance at 1 January 2019	7	1,913	6,864	8,784
Additions	-	-	(448)	(448)
Exchange differences	-	-	(54)	(54)
Amortisation expense	(3)	(239)	-	(242)
Balance at 31 December 2019	4	1,674	6,362	8,040
Additions	8	-	3,042	3,050
Classified as held for sale (note 8)	-	-	(8,070)	(8,070)
Disposals	-	-	(870)	(870)
Case funding adjustments	-	-	4,295	4,295
Impairment	-	(1,481)	(4,174)	(5,655)
Exchange differences	-	-	333	333
Amortisation expense	(2)	(193)	(918)	(1,113)
Balance at 31 December 2020	10	-	-	10

Due to the terms of the refinancing of the underperforming back book announced to the market on 7 December 2020 (the back book of claims was the main asset of the NHF business acquired in 2018), constrained funding facilities and uncertain impacts of the COVID-19 pandemic on future cashflows, a decision was taken to fully impair the customer relationships associated with the acquisition of the NHF Business of \$1,481,000.

Litigation contracts in progress – these costs form part of the discontinued operations as set out in note 8.

**Note 19. Trade and other payables**

	<b>Consolidated 31 Dec 2020 US\$'000</b>	<b>31 Dec 2019 US\$'000</b>
<i>Current liabilities</i>		
Trade and other payables	5,932	6,603
Accruals	1,673	2,650
Goods and services tax payable	85	69
	<b>7,690</b>	<b>9,322</b>

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

The above Trade and other payables as at 31 December 2020 includes Mesh liabilities of \$717,000 – see note 13 'Other loans and receivables'.

Note 20. Borrowings

	Consolidated	
	31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
<i>Current liabilities</i>		
Assetsecure Pty Limited loan (i)	17,017	-
Efficient Frontier Investing (ii)	6,822	-
Vendor loan - Australian disbursement funding business (iii)	-	315
Convertible bonds payable	1,233	3,500
Lucerne Group combined loan	3,684	11,642
Lucerne Group facility - US medical lien funding business	415	8,858
Paradise Diversified Holdings Limited Partnership (iv)	-	4,163
Other NHF subordinated debt	1,410	1,180
Other NHF subordinated debt	1,000	1,000
Other NHF subordinated debt	4,750	3,000
Insurance financing - Australia	27	33
Syndicated acquisition facility ('SAF')	36,716	29,396
SAF side loan 1	2,130	1,252
SAF side loan 2	2,496	2,275
Paycheck Protection Program loan (ix)	335	-
NHF Founder Promissory Notes (v)	-	9,000
Atalaya Capital Management (vi)	17,012	41,603
Economic Injury Disaster Relief loan (vii)	4	-
Insurance financing - USA	-	55
Credit cards	19	103
	<u>95,070</u>	<u>117,375</u>
<i>Non-current liabilities</i>		
Assetsecure Pty Limited loan (i)	-	21,447
Efficient Frontier Investing (ii)	18,444	-
Lucerne Group facility - US medical lien funding business	-	3,264
Other NHF subordinated debt	-	1,750
Economic Injury Disaster Relief loan (vii)	146	-
Vendor loan - NHF Founders (viii)	-	13,612
Paycheck Protection Program loan (ix)	270	-
	<u>18,860</u>	<u>40,073</u>
	<u><u>113,930</u></u>	<u><u>157,448</u></u>

(i) Assetsecure Pty Limited ('Assetsecure')

This loan facility of \$30,716,000 (A\$40,000,000) (2019: \$27,996,000 (A\$40,000,000)) is available to fund the Australian disbursement funding business operated by JustKapital Financing Pty Limited. This loan facility expires on 30 September 2022. This loan is classified as current in the current financial period. However, it is repayable on demand if loan covenants are breached and not rectified. Interest and management fees payable total 7.8% per annum (2019: 7.7% per annum) on the drawn down amounts and the facility line fee is 1% per annum (2019: 1% per annum).

The loan is secured by a general security agreement over the assets of JustKapital Financing Pty Limited. The parent entity and other entities within the Group have guaranteed the facility.

The facility is subject to a number of covenants. A breach of a covenants may require the Group to repay the loan earlier. There have been covenants breached as at 31 December 2020. These breaches have been subsequently waived by Assetsecure Pty Limited in February 2021.

## Note 20. Borrowings (continued)

### (ii) Efficient Frontier Investing

The loan facility of \$25,550,000 (2019: \$nil) was provided to refinance both the back book receivables previously funded by Atalaya Capital Management and the receivables previously funded by Paradise Diversified Holdings Limited Partnership. The facility is repayable on 4 December 2023. This loan is classified as current (\$6,822,000 (2019: \$nil) expected to be repaid within the next 12 months) and non-current (\$18,444,000 (2019: \$nil) expected to be repaid beyond the next 12 months) in the current financial period. The facility is secured by a first ranking charge over the assets of NHF SPV III, LLC (being the company which owns these accounts receivables in the US). The interest and fees payable under the facility total 12.5% per annum (2019: n/a).

### (iii) Vendor loan - Australian disbursement funding business

The loan due to the vendor of the Australian disbursement funding business was repaid on 15 March 2020. Interest was payable at 11% (2019: 11%) per annum. The Group signed a variation agreement on 2 July 2019, with a monthly repayment schedule. The loan was unsecured.

### (iv) Paradise Diversified Holdings Limited Partnership

This facility of \$7,931,000 as at 30 June 2020 (2019: \$4,163,000) was provided to fund the investment in specific accounts receivable in the US. This facility was repaid on 4 December 2020 through the proceeds from the new facility provided by Efficient Frontier Investing. Interest payable under this facility was 45% per annum (2019: 30%). The loan was guaranteed by NHF and LawFinance.

### (v) NHF Founder Promissory Notes

As a result of the restatement of the 31 December 2019 comparatives (refer to note 2), these Promissory Notes were forgiven in full during this current reporting period, with the Company issuing various options to the Founders in March 2020. The options were approved by shareholders at the extraordinary general meeting on 10 March 2020, and issued on 13 March 2020. The Promissory Notes were interest free (2019: interest free). The Promissory Notes were unsecured.

### (vi) Atalaya Capital Management ('Atalaya')

The loan facility of \$80,000,000 (2019: \$80,000,000) is available to fund the US medical lien funding business. The facility is repayable on 25 April 2022. However, it is repayable on demand if loan covenants are breached and not rectified. The facility is secured by a first ranking charge over the assets of NHF SPV I, LLC (being the company which owns these accounts receivables in the US). The interest and fees payable under the drawn down facility total 13.5% per annum (2019: 12.76% per annum) and the undrawn line fees are 1% (2019: 1%).

The facility is subject to a number of covenants. A breach of a covenant may require the Group to repay the loan earlier. Certain covenants were breached during the year ended 31 December 2019. Atalaya and the Group entered into a forbearance arrangement on 17 October 2019. That forbearance arrangement provided that all prior covenant breaches would be waived if the Group complied with the forbearance arrangement by 31 January 2020. The Group received confirmation that it had complied with the waiver conditions on 28 February 2020.

However, as a result of the effects of the COVID-19 pandemic, additional breaches of the facility have occurred during the period. Although Atalaya have not demanded the facility be repaid, as several covenants were breached during the current reporting period, it has been reclassified as a current liability (refer to note 2).

### (vii) Economic Injury Disaster Relief loan

The Economic Injury Disaster Relief loan (or EIDL Loan), of \$150,000 was made available to the Company by the U.S. Small Business Administration on 16 June 2020. Interest at 3.75% per annum is payable under this EIDL Loan. Repayments, including principal and interest, of \$731 per month, commence on 26 July 2021. The loan term is 30 years.

### (viii) Vendor loan - NHF Founders

As a result of the restatement of the 31 December 2019 comparatives (refer to note 2), this loan was forgiven in full during this current reporting period, with the Company issuing various options to the Vendors in March 2020. The options were approved by shareholders at the extraordinary general meeting on 10 March 2020, and issued on 13 March 2020. There was no interest payable under this facility in the current reporting period (2019: 13% per annum). The loan was unsecured.

**Note 20. Borrowings (continued)**

*(ix) Paycheck Protection Program loan*

The Paycheck Protection Program Loan (or PPP Loan), was made available by the U.S. Small Business Administration. The PPP Loan was made available to US businesses in order to help bridge the economic gap that arose during the COVID-19 pandemic and is to be utilised mainly for payroll (60%) and rent, mortgage interest payments and utilities (40%). The Company received the loan funds on 17 April 2020.

Interest payable is 1% per annum until the loan is repaid in full, or forgiven under various US loan forgiveness programs. Loan forgiveness can be applied for in relation to this loan under Section 1106 of the Coronavirus Aid, Relief and Economic Security Act. This forgiveness can potentially be the entire amount of the loan other than an amount considered to be the Economic Injury Disaster Advance amount received ('EIDL Advance'), if any. The Group received \$10,000 as an EIDL Advance as part of its PPP Loan. The Company's preliminary calculations show that it should be able to apply for the forgiveness of this loan, except for the \$10,000 EIDL Advance. If the loan forgiveness is not granted, the Company must repay the whole loan over an 18 month period at approximately \$33,500 each month until the loan and its associated interest is repaid in full. Given the backlog in processing forgiveness applications, this loan is still pending and as such, the monthly loan repayments, if required, have not yet commenced.

*Other facilities*

The Company is currently in discussions with other lenders to restructure the remaining facilities above. The Company notes that the Syndicated Acquisition Facility lenders have agreed a formal "standstill" until 30 April 2021 while the restructuring process is undertaken.

*Financing arrangements*

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

	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
Total facilities		
Assetsecure Pty Limited loan (a)	30,716	27,996
Atalaya Capital Management (b)	80,000	80,000
NHF founder promissory notes	-	9,000
Syndicated acquisition facility (c)	32,252	29,396
Efficient Frontier Investing (d)	25,550	-
	<u>168,518</u>	<u>146,392</u>
Used at the reporting date		
Assetsecure Pty Limited loan (a)	17,017	21,447
Atalaya Capital Management (b)	17,012	41,603
NHF founder promissory notes	-	9,000
Syndicated acquisition facility (c)	32,252	29,396
Efficient Frontier Investing (d)	25,266	-
	<u>91,547</u>	<u>101,446</u>
Unused at the reporting date		
Assetsecure Pty Limited loan (a)	13,699	6,549
Atalaya Capital Management (b)	62,988	38,397
NHF founder promissory notes	-	-
Syndicated acquisition facility (c)	-	-
Efficient Frontier Investing (d)	-	-
	<u>76,687</u>	<u>44,946</u>

- (a) The facility can be drawn-down based upon various calculations relating to the underlying disbursement funding receivables. As at 31 December 2020, \$nil could be drawn down as a result of these calculations (2019: \$nil).
- (b) The facility can be drawn-down based upon various calculations relating to the underlying medical lien funding receivables. As at 31 December 2020, \$nil could be drawn down as a result of these calculations (2019: \$nil).
- (c) This facility excludes capitalised interest of \$4,464,000 (2019: \$nil).
- (d) This facility does not have a redraw option.

## Note 21. Issued capital

	31 Dec 2020 Shares	31 Dec 2019 Shares	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
Ordinary shares - fully paid	<u>1,170,230,045</u>	<u>561,760,467</u>	<u>61,310</u>	<u>40,924</u>

### Movements in ordinary share capital

Details	Date	Shares	Issue price	US\$'000
Balance	1 January 2019	483,635,467		37,649
Issue of shares - placement (i)	31 December 2019	78,125,000	US\$0.045	3,499
Share issue costs		-		(224)
Balance	31 December 2019	561,760,467		40,924
Issue of shares - rights issue (ii) & (iii)	21 February 2020	330,923,639	US\$0.042	13,957
Issue of shares - conversion of convertible bonds (iii)	2 April 2020	819,090	US\$0.040	33
Issue of shares - litigation settlement (iii)	2 April 2020	14,000,000	US\$0.040	558
Issue of shares - conversion of convertible bonds (iii)	20 May 2020	59,126,849	US\$0.041	2,451
Issue of shares - placement (iv)	14 December 2020	203,600,000	US\$0.019	3,831
Share issue costs		-		(444)
Balance	31 December 2020	<u>1,170,230,045</u>		<u>61,310</u>

(i) These shares were issued by the share registry on 2 January 2020.

(ii) The cash received from the rights issue was US\$5,345,000 (A\$8,210,000) and the balance related to debt to equity conversion.

(iii) Issue price A\$0.064 per share

(iv) Issue price A\$0.025 per share

### Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

There are 215,097,403 (2019: 215,097,403) ordinary shares escrowed at 31 December 2020.

### Share buy-back

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

## Note 22. Capitalising converting notes

	31 Dec 2020 US\$'000	Consolidated 31 Dec 2019 US\$'000
Capitalising converting notes	<u>13,933</u>	<u>-</u>

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

## Note 22. Capitalising converting notes (continued)

Financial instruments issued by the Company are classified as equity when they do not meet the definition of a financial liability. The CCN's do not create a contractual obligation to deliver cash to the noteholder and the number of ordinary shares to be issued upon conversion is fixed at 223,414,026, hence these CCN's have been classified as equity. The capitalised interest is calculated quarterly and this interest will be classified as equity on a quarterly basis until the notes are converted into ordinary shares, or until 31 December 2022. During the year ended 31 December 2020, \$652,000 (A\$935,000) of interest was transferred into equity (2019: nil).

## Note 23. Reserves

	Consolidated	
	31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
Foreign currency reserve	(898)	782
Share-based payments reserve	6,118	5,996
	<u>5,220</u>	<u>6,778</u>

### Foreign currency reserve

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

### Share-based payments reserve

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

### Movements in reserves

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

Consolidated	Foreign currency US\$'000	Share-based payments US\$'000	Total US\$'000
Balance at 1 January 2019	2	5,996	5,998
Foreign currency translation	780	-	780
Balance at 31 December 2019	782	5,996	6,778
Foreign currency translation	(1,680)	-	(1,680)
Share-based payments	-	122	122
Balance at 31 December 2020	<u>(898)</u>	<u>6,118</u>	<u>5,220</u>

## Note 24. Dividends

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



## Note 25. Fair value measurement

### Fair value measurement hierarchy for assets

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Consolidated - 31 Dec 2020	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<i>Assets measured at fair value:</i>				
Loan receivables - disbursement funding - Australia	-	-	18,006	18,006
Total assets	-	-	18,006	18,006

Consolidated - 31 Dec 2019	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<i>Assets measured at fair value:</i>				
Loan receivables - disbursement funding - Australia	-	-	24,921	24,921
Total assets	-	-	24,921	24,921

The above Loan receivables are shown excluding the adjustment for the unrecognised day 1 margin. There were no transfers between levels during the financial period.

### Description of significant unobservable inputs to valuation

The significant unobservable inputs used in the fair value measurements of loan receivables categorised within Level 3 of the fair value hierarchy are as shown below.

The actuarial valuation involves:

- Analysis of historical collections data;
- Setting assumptions based on the experience of historical collections data (including repayment patterns, proportion of write-offs and discounts);
- Application of assumptions to the open receivables in order to project the future repayments over the expected life of the contracts;
- Discounting the projected repayments for the open receivables using an appropriate discount rate to the valuation date;
- Calculation of the fair value of the invoices taking into account the discounted repayments which have allowed for discounts and write-offs and credit risk; and
- Calculation of the day 1 margin and its systematic recognition within profit and loss over the expected term of the arrangement is based on the profile of cash collections and the subsequent weighted average calculation of these collections applied to the recognition of the day 1 margin.

The key assumptions include:

- The discount rate is calculated at a margin of 4% over the 3 year non-financial corporate A-rate bond. The discount rate is 4.45% (2019: 5.67%); and
- The write off assumption allows for cases closed without collection of any amounts on the invoices and the discount assumption reflects discounts given to legal firms for reasons such as early settlements of invoices or the application of discretion by Management. The overall write off/discount rate applied is 14.9% (2019: 11.9%).

### Loan receivables fair value measurement – valuation process

Valuations are performed on a half-yearly basis. For the purpose of the valuation, Management collates the inputs and data required to be applied in the valuations. Management performs a reconciliation of the fair value based on the valuation results and as part of the reconciliation process reviews any unusual movements noted.

**Note 25. Fair value measurement (continued)**

Reconciliation of fair value measurement of the Loan receivables and deferred day 1 margin is set out below:

Consolidated	Fair value US\$'000	Deferred day 1 margin US\$'000	Total US\$'000
Balance at 1 January 2019	24,301	(3,037)	21,264
Cash disbursements in relation to new loans	8,007	-	8,007
New day 1 margin	-	(2,407)	(2,407)
Cash collections - disbursement funding	(10,284)	-	(10,284)
Gains or losses recognised in profit or loss	3,210	-	3,210
Amortisation of day 1 margin	-	2,681	2,681
Exchange rate movement	(313)	25	(288)
Balance at 31 December 2019	24,921	(2,738)	22,183
Cash disbursements in relation to new loans	2,194	-	2,194
New day 1 margin	-	(1,196)	(1,196)
Cash collections - disbursement funding	(11,629)	-	(11,629)
Losses recognised in profit or loss	(242)	-	(242)
Amortisation of day 1 margin	-	2,249	2,249
Exchange rate movement	2,762	(198)	2,564
Balance at 31 December 2020	<u>18,006</u>	<u>(1,883)</u>	<u>16,123</u>

This reconciliation excludes other receivables and short-term loans.

The Loan receivables - disbursement funding - Australia (gross) balance was US\$26,577,000 as at 31 December 2020 (2019: US\$31,610,000).

**Note 26. Contingent liabilities**

*Bank guarantees*

The Group has given bank guarantees as at 31 December 2020 of \$116,000 (2019: \$104,000) to various landlords. The guarantees are secured by an offset arrangement with the short-term cash deposits.

*Litigation funding agreements*

In certain jurisdictions litigation funding agreements contain an undertaking from the legal entity ('the funding entity') that is funding the litigation that it 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. It is not possible to predict in which cases such an award might be made or the quantum of such awards. In general terms an award of adverse costs to a defendant will approximate 70% (2019: 70%) of the amount paid by the plaintiff to pursue the litigation (although in some cases there may be more than one defendant). In all outstanding cases the particular funding entity has taken out adverse cost order insurance policies to meet the costs of adverse cost orders, however, there is a risk that in some cases that the insurance cover is insufficient to meet the cost of any adverse cost order, in full).

If any contingent liability crystallises during the period 31 December 2020 to the date of completion of the sale of the litigation portfolio (refer to note 8), due to the award of adverse costs against the funded plaintiff then the liability will transfer with the funding entities being sold, upon completion. From the date the sale completes the funding entities will no longer be part of the Group and as such the costs will cease to be a contingent liability of the Group as they will still be contingent liabilities of the funding entities.

*Litigation against NHF*

NHF is involved in two separate proceedings (litigation) that were commenced in Florida in 2017. These proceedings relate to a failed medical practice which sold various medical invoices to NHF. The proceedings are being defended as the medical invoices purchased were on an arm's length basis and are subject to a contract entered into with the now bankrupt medical practice. As such, NHF believes there are no amounts payable to the medical practice or its creditors. There has been no change to the status of this case since 31 December 2019.

**Note 26. Contingent liabilities (continued)**

NHF is also involved with litigation that was commenced in Oklahoma in 2019. The proceedings relate to a patient of a medical provider that sold various receivables to NHF. The proceeding is being defended as the lien is a legal contract, binding upon the patient. NHF also has an indemnity clause with the medical provider. As such, NHF believes there will be no amounts payable to the plaintiff. There has been no change to the status of this case since 31 December 2019.

**Note 27. Events after the reporting period**

- (i) On 29 January 2021, as announced to the market, the Company entered into a definitive conditional agreement to sell JustKapital Litigation Pty Ltd (and its subsidiaries) for A\$1, plus conditional proceeds equal to:

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

For the purposes of our financial reporting, we have assumed the value of the conditional component of the sales proceeds to have nil value. We are in the process of satisfying conditions precedent under the sale agreement including holding an Extraordinary General Meeting for shareholders to approve the transaction. Grant Thornton have prepared an Independent Experts Report which has concluded the transaction to be fair and reasonable.

- (ii) In February 2021 AssetSecure Pty Ltd, being the asset-backed lender to JustKapital Financing Pty Ltd, formally agreed to amend terms of the facility to allow originations to recommence albeit in a reduced capacity. AssetSecure Pty Ltd's internal lending mandate has changed and the directors envisage refinancing this facility with a new lender by the end of June 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.